Morningstar, Inc.
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April 09, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Morningstar, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(4)	Date Filed:

Notice of 2008 Annual Meeting
and
Proxy Statement

Letter from Joe Mansueto, CEO & Chairman

Notice of Annual Meeting

Proxy Statement

01	Questions and Answers About the Annual Meeting and the Proxy Materials	20	Compensation Committee Interlocks and Insider Participation
04	Proposal 1: Election of Directors	21	Executive Compensation
06	Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm	25	Equity Compensation Plan Information
07	Board of Directors and Corporate Governance	26	Audit Committee Report
13	Security Ownership of Certain Beneficial Owners and Management	28	Principal Accounting Firm Fees
15	Compensation Discussion and Analysis	29	Certain Relationships and Related Party Transactions
20	Compensation Committee Report	30	Section 16(a) Beneficial Ownership Reporting Compliance
		30	Shareholder Proposals or Nominations
		31	Obtaining Our Financial Statements
		31	Communicating With Us

April 9, 2008

Dear Shareholder:

We will hold our 2008 Annual Shareholders Meeting at 9:00 a.m. local time on Tuesday, May 20, 2008 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive in Chicago, Illinois. We look forward to your participation, either in person or by proxy.

The agenda for this year s meeting includes the election of directors and ratification of the appointment of our independent registered public accounting firm. The Board of Directors recommends that you vote to elect each of the director nominees and to ratify the appointment of our independent registered public accounting firm. Please refer to the proxy statement for detailed information on each of the proposals and the meeting.

Each share of our stock that you own represents one vote. If you do not vote your shares, you will not have a say in the important issues to be voted on at the meeting. The election of each director nominee and the proposal to ratify the appointment of our independent registered public accounting firm will require the affirmative vote of a majority of the shares represented at the meeting and entitled to vote.

If you have any questions concerning the meeting or the proposals, please contact our Investor Relations department at (312) 696-6621. For questions regarding your stock ownership, you may contact our transfer agent, Computershare Investor Services, LLC, by e-mail through its Web site at www.computershare.com/contactUS or by phone at (866) 303-0659 (within the United States and Canada) or (312) 588-4659 (outside the United States and Canada). You can view your Morningstar stock holdings electronically and perform other transactions by enrolling in Computershare s Investor Center at www.computershare.com.

Sincerely,

Joe Mansueto
Chairman of the Board and Chief Executive Officer

Morningstar, Inc.
Notice of Annual Shareholders Meeting
To be held on May 20, 2008

Dear Shareholder:

You are cordially invited to attend our 2008 Annual Shareholders Meeting, which will be held at 9:00 a.m. local time on Tuesday, May 20, 2008 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611.

We are holding the annual meeting for the following purposes:

• To elect a board of directors to hold office until the next annual shareholders meeting or until their respective successors have been elected or appointed.

• To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current year.

• To transact other business that may properly come before the annual meeting or any adjournment or postponement of the meeting.

The proxy statement, which follows this notice, fully describes these items. We have not received notice of other matters to be presented at the annual meeting.

You may vote at the annual meeting and any postponements or adjournments of the meeting if you were a shareholder of record as of the close of business on March 24, 2008, the record date for the meeting. For 10 days prior to the annual meeting, a list of shareholders entitled to vote will be available for inspection at our principal executive offices, 225 West Wacker Drive, Chicago, Illinois 60606.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. For further details, see How do I vote? on page two.

Richard E. Robbins
General Counsel and Corporate Secretary
Chicago, Illinois
April 9, 2008

Proxy Statement

Our Board of Directors (the Board) solicits your proxy for the 2008 Annual Shareholders Meeting to be held at 9:00 a.m. local time on Tuesday, May 20, 2008 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive in Chicago, Illinois 60611 and at any postponement or adjournment of the meeting, for the purposes set forth in the Notice of Annual Shareholders Meeting included with this proxy statement. Our principal executive offices are located at 225 West Wacker Drive, Chicago, Illinois 60606. We made copies of this proxy statement available to shareholders beginning on April 9, 2008.

Questions and Answers About the Annual Meeting and the Proxy Materials

Where is the annual meeting?

We will hold the annual meeting at 9:00 a.m. local time on Tuesday, May 20, 2008 at The University of Chicago Gleacher Center, Room 621, 450 North Cityfront Plaza Drive, Chicago, Illinois 60611. When you arrive at the Gleacher Center, take the elevator directly to the sixth floor to reach the meeting room. We will have signs posted that direct you to the appropriate location. We will not permit cameras or other recording devices in the meeting room.

Why did I receive a notice in the mail regarding Internet availability of proxy materials this year instead of a full set of proxy materials?

We have elected to provide access to our proxy materials over the Internet in accordance with the new rules recently adopted by the Securities and Exchange Commission. On April 9, 2008 we mailed a Notice of Internet Availability of Proxy Materials to our shareholders of record and beneficial owners. The Notice instructs you on how you may access the proxy materials on the Internet. It also instructs you on how you may vote your proxy. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting printed materials included in the Notice.

What will shareholders vote on at the annual meeting?

Shareholders will elect the Board to serve until our next annual shareholders meeting and be asked to ratify the appointment of Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for this year. We do not expect any other matters to be presented at

the annual meeting. If other matters are properly presented for voting at the annual meeting, the persons named as proxies will vote in accordance with their best judgment on those matters.

Who is entitled to vote at the annual meeting?

Shareholders of record as of the close of business on March 24, 2008 are entitled to vote at the annual meeting. On that date, there were 45,558,212 outstanding shares of common stock.

What is a shareholder of record?

If your shares are registered directly in your name with our transfer agent, Computershare Investor Services, you are considered the shareholder of record for those shares. As the shareholder of record, you have the right to vote your shares.

If your shares are held in a stock brokerage account or by a bank, or other holder of record, you are considered the beneficial owner of shares held in street name. Your broker, bank, or other holder of record is the shareholder of record for those shares. As the beneficial owner, you have the right to direct your broker, bank, or other holder of record on how to vote your shares.

How many votes are required to elect directors and adopt proposals?

The election of each director nominee and ratification of the appointment of Ernst & Young as our independent registered public accounting firm requires the affirmative vote of a majority of the shares of common stock represented in person or by proxy at the annual meeting and entitled to vote. A majority of the shares entitled to vote on a matter, whether present in person or by proxy, will constitute a quorum for consideration of that matter at the annual meeting.

How many votes am I entitled to per share?

Each share of our stock that you own represents one vote. If you do not vote your shares, you will not have a say in the important issues to be voted upon at the annual meeting.

How do I vote?

If you are a shareholder of record, you may vote in person at the annual meeting. If you do not wish to vote in person or if you will not be attending the annual meeting, you may vote by telephone, or over the Internet, by following the instructions provided in the Notice of Internet Availability of Proxy Materials. If you requested a printed copy of the proxy materials by mail, you may also complete, sign, and date your proxy card and return it in the prepaid envelope that was included with the printed materials.

If you are a beneficial owner of shares and you wish to vote in person at the annual meeting, you must obtain a legal proxy from your broker, bank, or other shareholder of record and present it to the inspectors of election with your ballot to be able to vote at the annual meeting. If you do not wish to vote in person or if you will not be attending the annual meeting, you may vote by following the instructions provided in the Notice of Internet Availability of Proxy Materials you received from the shareholder of record of your shares. If you received a printed copy of the proxy materials by mail, you should have received a proxy card and voting instructions from the shareholder of record of your shares.

If you are a shareholder of record and submit a signed proxy card but do not fill out the voting instructions, the persons named as proxies will vote the shares represented by your proxy as follows:

- **FOR** the election of the director nominees listed in Proposal 1: Election of Directors.

- **FOR** ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current year.

What is the effect if I abstain from voting on a matter or my broker withholds my vote?

For the election of directors and for the purpose of determining whether the shareholders have approved other matters, abstentions are treated as shares that are represented and entitled to vote, so abstaining has the same effect as a negative vote. Shares held by brokers that do not have discretionary authority to vote on a particular proposal and that have not received voting instructions from their customers are not counted as being represented or entitled to vote on the proposal, which has the effect of reducing the number of affirmative votes needed to approve the proposal.

Should I submit a proxy even if I plan to attend the annual meeting?

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. If you attend the annual meeting and are a shareholder of record, you may also submit your vote in person, and any previous votes that you submitted will be superseded by the vote that you cast at the annual meeting.

Can I revoke my proxy?

You may revoke your proxy at any time prior to the completion of voting at the annual meeting by voting in person at the annual meeting or by delivering instructions prior to the annual meeting by mail to Richard Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. If you are a beneficial owner, you must contact your broker, bank, or other holder of record to revoke any prior voting instructions.

Who will bear the cost of soliciting votes for the annual meeting?

We will bear the expense of soliciting proxies. Our directors, officers, and other employees may also solicit proxies personally or in writing, by telephone, e-mail, or otherwise. They will not be compensated for soliciting proxies. We are required to request that brokers and nominees who hold stock in their names furnish our proxy material to the beneficial owners of the stock, and we must reimburse those brokers and nominees for the expenses of doing so in accordance with certain statutory fee schedules.

Will a replay of the annual meeting be available?

If you miss the annual meeting, you can view a videotaped replay at http://www.corporate.morningstar.com until November 30, 2008.

Proposal 1:
Election of Directors

Our nominees for election as directors include six independent directors, as defined in the applicable rules for companies traded on the Nasdaq Global Select Market (NASDAQ), and two members of our senior management team. Each director serves a one-year term, as described below, with all directors subject to annual election.

During 2007, the Nominating and Corporate Governance Committee considered new Board nominee candidates. In September 2007, at the recommendation of the Nominating and Corporate Governance Committee, the Board appointed Bill Lyons to serve on the Board.

At the recommendation of the Nominating and Corporate Governance Committee, the Board nominated the persons listed below to serve as directors for the term beginning at the annual meeting on May 20, 2008 and ending with the annual meeting to be held in 2009 or until their successors, if any, are elected or appointed. Unless proxy cards are otherwise marked, the persons named as proxies will vote all proxies received **FOR** the election of each of these nominees.

If any director nominee is unable or unwilling to serve as a nominee at the time of the annual meeting, the persons named as proxies may vote either for a substitute nominee designated by the present Board to fill the vacancy or for the balance of the nominees, leaving a vacancy. Alternatively, the Board may reduce the size of the Board. The Board has no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

Recommendation of the Board

The Board recommends that you vote **FOR** the election of each of the following nominees.

Name	Age	Position
Joe Mansueto	51	Chairman of the Board and Chief Executive Officer
Don Phillips	46	Managing Director and Director
Cheryl Francis	54	Director
Steve Kaplan	48	Director
Bill Lyons	52	Director
Jack Noonan	60	Director
Frank Ptak	64	Director
Paul Sturm	61	Director

Joe Mansueto

Joe Mansueto founded Morningstar in 1984. He has served as our chairman since our inception, and as our chief executive officer from inception to 1996 and from 2000 to the present. He holds a bachelor s degree in business administration from The University of Chicago and a master s degree in business administration from The University of Chicago Graduate School of Business.

Don Phillips

Don Phillips has been one of our managing directors since 2000. He is responsible for corporate strategy, research, and corporate communications. He joined us in 1986 as our first analyst. He served as our vice president and publisher from 1991 to 1996, as our president from 1996 to 1998, and as our chief executive officer from 1998 to 2000. He has served on the Board since August 1999. He also serves on the board of directors for Morningstar Japan. He holds a bachelor s degree in English from the University of Texas and a master s degree in American literature from The University of Chicago.

Cheryl Francis

Cheryl Francis was elected to the Board in July 2002. She has been vice chairman, Corporate Leadership Center, since 2002 and an independent business and financial advisor since 2000. From 1995 to 2000, she served as executive vice president and chief financial officer of R.R. Donnelley & Sons Company, a print media company. She currently serves as a member of the board of directors of HNI Corporation and Hewitt Associates, Inc., as well as a trustee for Cornell University. She holds a bachelor s degree from Cornell University and a master s degree in business administration from The University of Chicago Graduate School of Business.

Steve Kaplan

Steve Kaplan served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. Since 1988, he has been a professor at The University of Chicago Graduate School of Business where he currently is the Neubauer Family Professor of Entrepreneurship and Finance. He holds a bachelor s degree in applied mathematics and economics from Harvard College and a Ph.D. in business economics from Harvard University. He also serves on the board of trustees of the Columbia Acorn Funds where he is a member of the governance, compliance, and performance committees.

Bill Lyons

Bill Lyons was appointed to the Board in September 2007. He served as president and chief executive officer of American Century Companies, Inc., an investment management company, from September 2000 until his retirement in March 2007. From 1987 to 2000, he served in other capacities at American Century Companies, Inc., including as general counsel and chief operating officer. He holds a bachelor s degree in history from Yale University and a juris doctor degree from Northwestern University School of Law.

Jack Noonan

Jack Noonan served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. Since 1992, he has served as president and chief executive officer of SPSS Inc., a software company specializing in predictive analytics, where he also currently serves as chairman of the board of directors.

Frank Ptak

Frank Ptak was appointed to the Board in February 2007. He has been president and chief executive officer of The Marmon Group of companies, a diverse manufacturing and service organization comprising more than 125 independent businesses, since January 2006, where he also serves on the board of directors. From 1996 to 2005, he served as vice chairman of Illinois Tool Works Inc., a diversified manufacturer of industrial systems and components. He holds a bachelor s degree in commerce from DePaul University.

Paul Sturm

Paul Sturm served as a member of our advisory board beginning in 1998 and was elected to the Board in August 1999. He is a private investor who wrote a monthly column on investing for Smart Money magazine between 1992 and 2006. From 1985 to 1989, he was assistant managing editor at Business Week. From 1980 until 1985, he held a similar position at Forbes. Prior to that, he worked as a business writer for a variety of publications based in New York, Washington, and London. He holds a bachelor s degree in economics from Oberlin College and a master s degree in journalism from Columbia University. He received a law degree from Georgetown University Law Center.

Proposal 2:
Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for the fiscal year ending December 31, 2008. As a matter of good corporate governance, we are asking shareholders to ratify the appointment of Ernst & Young as our independent registered public accounting firm. If shareholders do not ratify the appointment of Ernst & Young at the annual meeting, the Audit Committee will review its appointment of our independent registered public accounting firm.

We expect that a representative of Ernst & Young will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from shareholders.

See Board of Directors and Corporate Governance Board Committees and Charters Audit Committee, Audit Committee Report, and Principal Accounting Firm Fees for additional information pertaining to the Audit Committee, its activity during 2007, and related matters.

Recommendation of the Board

The Board of Directors recommends that you vote **FOR** the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for 2008.

Board of Directors and Corporate Governance

We have adopted a set of corporate governance guidelines to allocate duties and authority between the Board and our management team. These guidelines reflect the Board s commitment to monitor policies and decision-making at both the Board and management levels, with the goal of enhancing shareholder value over the long term. The shareholders elect the Board and vote on extraordinary matters. The Board is the company s governing body and is responsible for hiring, overseeing, and evaluating management, particularly the chief executive officer. The management team runs the company s day-to-day operations. Our Board currently consists of eight directors. The Board believes that there should be a substantial majority of independent directors on the Board. The Board also believes that it is useful and appropriate to have members of management, including the chief executive officer, as directors. The current Board members include six independent directors and two members of our senior management team.

Independent Directors

Each of our directors, other than Joe Mansueto and Don Phillips, qualifies as independent under NASDAQ requirements. The NASDAQ independence rules preclude a finding of independence if the director is employed by the company or has engaged in various types of business dealings with the company. In reaching its conclusion that each of our non-employee directors is independent, the Board has determined that none of our non-employee directors has a relationship that would interfere with the exercise of his or her independent judgment. In making this determination, the Board reviewed and discussed information provided by the directors and management with regard to each director s business and personal activities as they relate to the company. For Cheryl Francis, the Board considered ordinary course transactions between the company and Hewitt Associates, Inc. where she is a member of the board of directors, and ordinary course transactions between the company and the Corporate Leadership Center, where she is vice chairman. For Steve Kaplan, the Board considered ordinary course transactions between the company and Columbia Acorn Funds, where he is a member of the board of trustees, and a charitable contribution by Joe Mansueto to The University of Chicago, where Steve is a professor. For Bill Lyons, the Board considered ordinary course transactions between the company and American Century Companies, Inc. and Bill s equity interest in American Century Companies, Inc., where he served as president and chief executive officer. For Jack Noonan, the Board considered ordinary course transactions between the company and SPSS Inc., where he is president, chief executive officer, and chairman of the board of directors. For Frank Ptak, the Board considered ordinary course transactions between the company and The Marmon Group, where he serves as president and chief executive officer, and that his son, Jeff Ptak, is employed by the company as director of exchange-traded securities analysis. Other than Paul Sturm s position as a member of the Board, Paul does not have any relationships involving the company.

The Board has determined that each member of the Audit Committee qualifies as independent under special standards established by the SEC for members of audit committees. The Board has also determined that each Audit Committee member has sufficient knowledge to read and understand the company s financial statements and to serve on the Audit Committee. Additionally, the Board has determined that Cheryl Francis, the Chair of the Audit Committee, qualifies as an audit committee financial expert under the relevant SEC rules. This designation is a disclosure requirement of the SEC related to Cheryl Francis experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon her any duties, obligations, or liability that are greater than those generally imposed on her as a member of the Audit Committee and the Board. Her designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations, or liability of any other member of the Audit Committee or the Board.

Board Responsibilities and Structure

The primary responsibilities of the Board are to provide oversight, counseling, and direction to our management team in the long-term interests of the company and our shareholders. The Board s responsibilities include: (a) selecting and regularly evaluating

the performance of the chief executive officer, (b) planning for chief executive officer succession and monitoring management s succession planning for other senior executives, (c) overseeing the conduct of our business to evaluate whether the business is being properly managed, and (d) overseeing the processes for maintaining the integrity of our financial statements and other public disclosures and compliance with law and ethics. The chief executive officer and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions that we may undertake.

The Board and its committees meet throughout the year on a set schedule. From time to time as appropriate, the Board and its committees also hold special meetings and may act by written consent. Board agendas include regularly scheduled sessions for the independent directors to meet without management present. The independent directors determine who among them will be responsible for chairing sessions for the independent directors. The Board has delegated various responsibilities and authority to different Board committees, as described below. These committees regularly report on their activities and actions to the full Board. Board members have access to all of our employees outside of Board meetings.

Attendance at Board, Committee, and Annual Shareholders Meetings

The Board held seven meetings in 2007. We expect each director to attend each meeting of the Board and the committees on which he or she serves, and also expect them to attend the annual meeting. In 2007, each director attended all of the meetings of the Board and the committees on which he or she served, except that Cheryl Francis missed one Board meeting and one Compensation Committee meeting, and Jack Noonan missed one Board meeting. Each of the directors then in office attended our 2007 Annual Shareholders Meeting.

Board Committees and Charters

The Board currently has standing Audit, Compensation, and Nominating and Corporate Governance Committees and appoints the members to each of these committees. Each member of the Audit, Compensation, and Nominating and Corporate Governance Committees is an independent director under NASDAQ standards. Each Board committee has a written charter approved by the Board. A copy of each charter is available on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section. The table below shows the members of each committee and the number of meetings held by each committee during 2007.

Director	Audit	Compensation	Nominating and Corporate Governance
Joe Mansueto			
Don Phillips			
Cheryl Francis	Chair	Member	
Steve Kaplan	Member	Chair	
Bill Lyons	Member		
Jack Noonan		Member	Member
Frank Ptak			Member
Paul Sturm	Member		Chair
2007 Meetings	10	7	3

Audit Committee

The Audit Committee assists the Board in its general oversight of our financial reporting, internal controls, and audit functions and is directly responsible for the appointment, retention, compensation, and oversight of the work of our independent registered public accounting firm. The responsibilities and activities of the Audit Committee are described in greater detail in Audit Committee Report.

Compensation Committee

The Compensation Committee reviews and determines salaries, incentive plan awards, and other matters relating to compensation of our executive officers, other than the chief executive officer, based on feedback from our chief executive officer about the individual s performance and overall contribution to the company. It also makes recommendations to the Board concerning compensation for the chief executive officer. The Compensation Committee administers our equity-based compensation plans, including reviewing and granting equity-based awards to our executive officers and other employees. The Compensation Committee also reviews and determines various other company compensation policies and matters. The Compensation Committee makes recommendations to the Board concerning changes to our compensation practices for non-employee directors. The Compensation Committee may, in its discretion and only to the extent permitted by law, delegate certain of its authority to a subcommittee of the Compensation Committee. The Compensation Committee may engage its own outside advisors as it deems appropriate. In 2007, the Compensation Committee didn t retain a compensation consultant to advise it on executive compensation. See Compensation Discussion and Analysis for additional information pertaining to the Compensation Committee, its activity during 2007, and related matters.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Nominating and Corporate Governance Committee and the Board take into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a publicly traded company; understanding of our business; education and professional background, including current employment and other board memberships; and reputation for integrity. These factors, and others considered useful by the Nominating and Corporate Governance Committee, will be reviewed in the context of the perceived needs of the Board at a particular point in time. Since last year s annual meeting, the Board sought to add a member with experience in the mutual fund industry. The Nominating and Corporate Governance Committee focused on recent high-level retirees as potential conflicts of interest precluded the Committee from approaching anyone currently employed by a fund company. The priorities and emphasis of the Nominating and Corporate Governance Committee and of the Board may change from time to time to take into account changes in business and other trends and the portfolio of skills and experience of current and prospective Board members. The Nominating and Corporate Governance Committee establishes procedures for the nomination process and recommends candidates for election to the Board.

Consideration of new Board nominee candidates involves a series of internal discussions, review of information concerning candidates, and interviews with selected candidates. Board members or employees typically suggest candidates for nomination to the Board. In 2007, we did not employ a search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates. Bill Lyons, who joined our Board in September 2007, was introduced to the Board by Paul Sturm. Bill was recommended to Paul by a potential candidate. As noted above, the Board sought to add a member with experience in the mutual fund industry. As the former president and chief executive officer of American Century Companies, Inc., Bill s experience fit the needs of the Board. The Nominating and Corporate Governance Committee will consider candidates proposed by shareholders. The Committee evaluates candidates proposed by shareholders using the same criteria as for other candidates. A shareholder seeking to recommend a prospective nominee for the Nominating and Corporate Governance Committee s consideration should submit the candidate s name and qualifications to Richard Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606.

The Nominating and Corporate Governance Committee reviews and makes recommendations to the Board regarding the appropriate size, performance, composition, duties, and responsibilities of the Board and each of its committees. The Nominating and Corporate Governance Committee also reviews and reports to the Board on a periodic basis on matters of corporate governance, such as our various codes and policies pertaining to corporate governance.

Limitation on Other Board Service

We require that our directors who are currently serving as the chief executive officer or other executive officer of a public company serve on a total of no more than three public company boards. We require that our directors who are not currently serving as a chief executive officer or other executive officer of a public company serve on no more than four public company boards.

Communications from Shareholders to the Board

Shareholders may initiate communications with the Board by writing in care of our General Counsel and Corporate Secretary. Shareholders can send communications to Richard Robbins, General Counsel and Corporate Secretary, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. This centralized process assists the Board in reviewing and responding to shareholder communications in an appropriate manner. The name of any specific intended Board recipient should be noted in the communication. The Board has instructed our General Counsel and Corporate Secretary to forward correspondence only to the intended recipients; however, the Board has also instructed him, prior to forwarding any correspondence, to review the correspondence and, in his discretion, not to forward certain items if he deems them to be of a commercial or frivolous nature or otherwise inappropriate for the Board s consideration. In these cases, he may forward some of the correspondence elsewhere in the company for review and possible response.

Corporate Governance Guidelines

The Board has adopted a set of Corporate Governance Guidelines. The Nominating and Corporate Governance Committee is responsible for overseeing the Corporate Governance Guidelines and reporting and making recommendations to the Board concerning corporate governance matters. We have posted the guidelines on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section.

Among other matters, the Corporate Governance Guidelines include the following items concerning the Board:

• The Board believes five to 12 board members is an appropriate size based on our present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable.

• The Board may fill vacancies in existing or new director positions. Directors elected by the Board serve only until the next election of directors unless elected by the shareholders to a further term at that time.

• The Board believes that, except during periods of temporary vacancies, a substantial majority of its directors must be independent. In determining the independence of a director, the Board applies the relevant NASDAQ requirements and applicable laws and regulations.

• The Board believes that non-employee directors who have served on the Board for 12 full one-year terms, whether those 12 one-year terms are served consecutively or not, should be required to take at least a two-year absence from the Board. After a non-employee director is off the Board for two years following the completion of 12 years of

service, he or she will again be eligible to serve on the Board. Time served on the Board prior to the completion of our initial public offering is not counted against a non-employee director s limit of 12 one-year terms. The Board believes that this term limit will help ensure that there are fresh ideas and viewpoints available.

• The Board believes that it should evaluate the abilities and contributions of each director according to the process described above, and does not believe it should fix a retirement age for directors.

• The Board believes that any director who retires from his or her present employment or who materially changes his or her position should promptly tender a written resignation to the Board. The Nominating and Corporate Governance Committee will then evaluate whether the Board should accept the resignation based on a review of whether the director continues to satisfy the Board s membership criteria in light of his or her changed status.

• All directors must comply with the applicable provisions of our Code of Ethics, including the Conflicts of Interest section. If an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in our business operations, or in a director s circumstances, the director should immediately report that matter to our General Counsel for evaluation. If a significant conflict cannot be resolved, the director may be expected to resign.

• If a director has a personal interest in a matter before the Board, the director must disclose the interest to the Board, excuse himself or herself from participation in the discussion, and may not vote on the matter.

The Corporate Governance section of our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations also includes our Code of Ethics and our Securities Trading and Disclosure Policy, each of which has been adopted by the Board.

Directors Compensation

The Board establishes non-employee directors compensation based on the recommendation of the Compensation Committee. Directors who are also our employees do not receive any additional compensation for serving on the Board or attending Board meetings. Our non-employee directors receive cash compensation and equity-based compensation.

Cash Compensation

Each non-employee director is entitled to receive a fee of $1,000 per Board meeting and $500 per committee meeting attended, plus travel expenses in connection with attendance at meetings. The Chairman of the Board or relevant Committee Chair has the discretion to waive fees for brief meetings not requiring significant preparation. The Audit Committee Chair receives a cash retainer of $25,000 and the Compensation Committee Chair receives a cash retainer of $10,000.

Equity-Based Compensation

Each of our non-employee directors receives an annual grant of restricted stock units covering shares with a value of $110,000 at grant and that vest over a period of three years. New non-employee directors, in lieu of receiving an annual grant of restricted stock units, receive an initial grant of restricted stock units covering shares with a value of $250,000 at grant and vesting over a period of three years. Non-employee directors who are required to stop serving on the Board by virtue of the company s 12 year term limit described under Board of Directors and Corporate Governance Corporate Governance Guidelines, do not forfeit their unvested restricted stock units. Non-employee directors may choose to defer receipt of the stock that would otherwise be issued when their restricted stock units vest.

2007 Directors Compensation

The following table shows compensation earned by each of our non-employee directors in 2007. Joe Mansueto and Don Phillips are members of our Board and Morningstar employees. Neither receives any additional compensation for serving on the Board or attending Board meetings.

	Fees Earned or Paid in Cash[1]	Stock Awards[2]	Option Awards[3]	Total
Cheryl Francis	$38,500	$59,570	$70,670	$168,740
Steve Kaplan	25,500	59,570	70,670	155,740
Bill Lyons[4]	3,000	10,415		13,415
Jack Noonan	11,000	59,570	70,670	141,240
Frank Ptak[5]	7,500	52,075		59,575
Paul Sturm	15,000	59,570	70,670	145,240

(1) Amounts shown include the amounts described under Cash Compensation on page 11 of this Proxy Statement. The fees earned by Cheryl Francis and Steve Kaplan include $25,000 and $10,000, respectively, for service as a Committee Chair.

(2) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2007 for restricted stock unit awards as determined pursuant to SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123(R)). These compensation costs reflect restricted stock unit awards granted in 2006 and 2007. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for a discussion of the relevant assumptions used in calculating this amount. The grant date fair value of the restricted stock units granted to each of our non-employee directors then serving in 2006 was $110,000. The grant date fair value of the restricted stock units granted to each of our non-employee directors in 2007 was $110,000, except for Bill Lyons and Frank Ptak whose grant date fair value was $250,000. As of December 31, 2007, our non-employee directors held the following number of restricted stock units: Cheryl Francis 3,875, Steve Kaplan 4,699, Bill Lyons 3,531, Jack Noonan 3,875, Frank Ptak 5,060, and Paul Sturm 3,875.

(3) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2007 for option awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect option awards granted in 2003, 2004, and 2005. We did not grant stock options to our non-employee directors in 2006 or 2007. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for a discussion of the relevant assumptions used in calculating this amount. The grant date fair value of the option awards granted to each of our non-employee directors then serving in 2003, 2004, and 2005 was $48,000, $113,000, and $109,000, respectively. As of December 31, 2007, our non-employee directors held options with respect to the following number of shares outstanding: Cheryl Francis 54,500, Steve Kaplan 4,001, Bill Lyons 0, Jack Noonan 83,000, Frank Ptak 0, and Paul Sturm 76,000.

(4) Bill Lyons joined the Board in September 2007.

(5) Frank Ptak joined the Board in February 2007.

Security Ownership of Certain Beneficial Owners and Management

The following table shows information about beneficial ownership of our common stock as of March 1, 2008 by each of our directors, each of the executive officers identified in the compensation tables included in this proxy statement, each holder of more than 5% of our common stock, and all of our directors and executive officers as a group.

To compute the number of shares a person beneficially owns and that person s percentage ownership, shares of common stock subject to options held by that person that are currently exercisable or that will become exercisable by April 30, 2008 and restricted stock units that will vest by April 30, 2008 are deemed outstanding. However, the shares are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except as otherwise indicated in the notes to the table, each person named in the table has sole voting and investment power with respect to the shares listed.

The following table is based on 45,375,260 shares of our common stock outstanding as of March 1, 2008.

Shareholder	Number of Shares Beneficially Owned	Percentage of Common Stock
Joe Mansueto[1]	27,879,753	61.44%
Scott Cooley[2]	40,305	*
Martha Dustin Boudos[3]	137,254	*
Catherine Gillis Odelbo[4]	225,007	*
Tao Huang[5]	1,392,303	2.99
Patrick Reinkemeyer[6]	284,974	*
Don Phillips[7]	1,206,406	2.61
Cheryl Francis[8]	51,324	*
Steve Kaplan[9]	64,001	*
Bill Lyons	1,000	*
Jack Noonan[10]	78,824	*
Frank Ptak	0	*
Paul Sturm[11]	240,824	*
All directors and executive officers as of March 1, 2008 as a group (20 persons)[12]	32,918,345	67.42
Morgan Stanley[13]	2,991,871	6.59

* Represents beneficial ownership of less than 1%.

(1) Joe Mansueto s address is c/o Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. Joe has pledged 3,400,000 shares of our common stock as security under the terms of a bank credit agreement.

(2) Includes 40,150 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(3) Includes 102,500 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(4) Includes 50,000 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(5) Includes 1,240,500 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(6) Includes 232,500 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(7) Includes 909,573 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(8) Includes 50,500 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(9) Includes 1 share of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(10) Includes 78,000 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(11) Includes 80,000 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(12) Includes 3,449,823 shares of common stock issuable upon exercise of stock options exercisable by April 30, 2008. No shares of our common stock subject to restricted stock units will vest by April 30, 2008.

(13) Includes 2,819,752 shares as to which Morgan Stanley has sole voting power, 36 shares as to which it has shared voting power, and 2,991,871 shares as to which it has sole investment power. Also includes 2,199,340 shares as to which Morgan Stanley Investment Management Inc., a registered investment adviser and wholly owned subsidiary of Morgan Stanley, has sole voting power, 36 shares as to which it has shared voting power, and 2,308,072 shares as to which it has sole investment power. This information is based solely on a Schedule 13G filed on February 14, 2008 by Morgan Stanley and Morgan Stanley Investment Management Inc. whose business addresses are 1585 Broadway, New York, NY 10036 and 522 Fifth Avenue, New York, NY 10036, respectively.

Compensation Discussion and Analysis

In this section, we discuss the goals of our compensation program and how we compensated each of the executive officers identified in the following table in 2007. The individuals listed include our chief executive officer and each person who served as our chief financial officer during 2007, plus our three other most highly compensated executive officers.

Name	Title
Joe Mansueto	Chairman and Chief Executive Officer
Scott Cooley	Chief Financial Officer
Martha Dustin Boudos	Former Chief Financial Officer
Catherine Gillis Odelbo	President, Individual Business
Tao Huang	Chief Operating Officer
Patrick Reinkemeyer	President, Morningstar Associates

In August 2007, Martha Dustin Boudos stepped down as chief financial officer and took on a new role in the company and Scott Cooley became our chief financial officer.

Goals of Our Compensation Program

Our Compensation Committee s compensation philosophy is to pay members of our management team competitive base salaries and provide them with the opportunity to earn meaningful equity-based and incentive compensation through the Morningstar 2004 Stock Incentive Plan (the Stock Incentive Plan) and the Morningstar Incentive Plan (the Incentive Plan).

The goals of our compensation program for management are to develop compensation policies and practices that:

- attract and retain talented executives;
- motivate and reward our management team for their individual contributions to the company; and
- align management s interests with the long-term interests of our shareholders.

The Compensation Committee believes that, as members of our management team take on more responsibility at Morningstar, variable incentive pay and equity awards should make up a larger portion of their total compensation. Our compensation program is designed to reward each member of our management team based on his or her business and financial achievements and overall contribution to the company.

The Compensation Committee doesn t use rigid formulas to determine executive compensation. Nevertheless, the Compensation Committee s philosophy is to tie compensation closely to value creation, as measured by increases in cash flow and EBIT (earnings before interest and taxes),

and long-term stock performance. The Compensation Committee bases its decisions about an executive s compensation on its assessment of his or her performance and contribution toward enhancing the intrinsic value of our company. The Compensation Committee relies on its judgment in determining the amounts and combination of base salary, bonus, and equity awards. The Compensation Committee also compares the total cash compensation of our executives to what it sees in the market for companies of similar size and operating in a similar business. The Compensation Committee doesn t target specific compensation levels based on its review of other companies pay practices, but it believes it s relevant to consider this information as a check that our pay practices are competitive. In 2007, we compared the total cash compensation of our executives against those at Advent Software, Inc., FactSet Research Systems, Inc., Forrester Research, Inc., Gartner, Inc., Interactive Data Corporation, The Advisory Board Company, and The Corporate Executive Board Company.

CEO Compensation

In consideration of his status as our principal shareholder, Joe Mansueto believes his compensation as our chief executive officer should be realized primarily through appreciation in the long-term value of our common stock. Accordingly, at his request, he doesn t participate in our equity or cash-based incentive programs. In addition, since resuming his role as our chief executive officer in 2000, his annual salary has been fixed at $100,000. While the Compensation Committee may review and make recommendations to the Board concerning Joe s compensation, we expect that his salary will remain at $100,000 per year for the foreseeable future.

Elements of our Compensation Program

Our compensation program currently consists of two main elements: cash compensation, including annual base salary and annual bonus, and equity-based compensation.

Cash Compensation

We pay cash compensation in the form of base salary and bonuses under the Incentive Plan. We include bonuses in the compensation package because they permit the Compensation Committee to provide incentives to support its goal of helping to enhance the intrinsic value of our company. We describe each component of cash compensation in more detail below.

Base Salary

The Compensation Committee reviews the base salaries of our executive officers annually at its meeting in November. The Compensation Committee makes recommendations to the Board concerning chief executive officer compensation. Because the Compensation Committee believes that variable incentive pay should make up a large portion of each executive officer s total compensation, adjustments to base salary are not made every year and when made are relatively modest.

Bonus Plan

The Board adopted the Incentive Plan, which rewards participants for meeting and exceeding annual performance goals approved by the Compensation Committee. As noted above, Joe Mansueto does not participate in the Incentive Plan. The Compensation Committee reviews and approves variable pay awards to our other executive officers based on the individual s business and financial achievements as well as feedback from our chief executive officer about the individual s performance and overall contribution to the company. Bonus amounts paid to all other employees are subject to the approval of Joe Mansueto, Tao Huang, and Scott Cooley.

With the exception of Joe, variable incentive pay makes up the largest portion of the cash compensation our named executive officers receive. We believe that as an executive takes on more responsibility at Morningstar, a greater percentage of his or her total compensation should be tied to incentive pay. Joe, Tao, and Scott, along with the Compensation Committee, review the Incentive Plan each year to assess its effectiveness in meeting the goal of enhancing the intrinsic value of our company.

Because much of an executive s cash compensation is at risk in any given year and base salary and the value of equity awards are not adjusted regularly, the Compensation Committee believes in recognizing great performance with a sizable bonus. In setting 2007 incentive bonuses, the Committee considered the company s growth rate, effectiveness of our acquisitions, and improvements in products and operations. Across all businesses, these efforts were led in great part by Tao Huang, whose bonus is higher than all executives other than Patrick Reinkemeyer. When

assessing the appropriateness of bonuses, the Compensation Committee also considers the growth of the bonus over the prior year and whether that is in line with the financial growth created in the business. Our business leaders, such as Patrick Reinkemeyer and Catherine Gillis Odelbo are rewarded for their contributions to the company s segment growth and overall profit as well as achievement of key business initiatives. Patrick s business unit continues to be a key contributor to our growth in profit margins and his bonus grew over the prior year to reflect these contributions. Cathy has high revenue responsibility and is being rewarded for driving product initiatives in her business

unit. Our chief financial officer is primarily responsible for the company s financial controls and reporting, and plays a key role in strategic decisions impacting the company. Martha s and Scott s bonuses reflect, to a large degree, those responsibilities. Martha s and Scott s bonuses also reflect their other roles at the company during the year in Scott s case, before serving as our chief financial officer and in Martha s case, after serving as our chief financial officer.

The Compensation Committee uses earnings before interest and taxes (EBIT) to determine the size of the bonus pool available for a business unit under the Incentive Plan. Once the Compensation Committee determines the size of the bonus pool for a business, the managers for that business allocate the pool among their employees, in the manager s sole discretion. In making these allocations, managers consider the individual contributions of each employee. We do not guarantee bonuses for any employee at any level, even if a bonus pool is available.

The Compensation Committee distinguishes between mature and start-up businesses in determining the size of the bonus pool. For mature businesses, the Compensation Committee determines the size of the bonus pool on EBIT growth. For start-up businesses, the Compensation Committee determines the size of the bonus pool on achievement of actual EBIT over budgeted EBIT. We use budgeted EBIT for our start-up businesses (as opposed to prior-year EBIT) to allow for flexibility in funding requirements and expected progress towards profitability. We base a portion of the bonus pool for each of our businesses on Morningstar s overall profitability. The potential bonus pool for employees who work at the corporate level and not as part of any particular business unit is determined based on Morningstar s overall profitability. We have EBIT floors for the relevant bonus pools. If EBIT is less than the floor for the relevant business, we do not pay a bonus for participants who work in that business, except for the portion based on Morningstar s overall profitability.

Morningstar retains a portion of each annual bonus pool for one year to encourage continued positive results in the following year. All of our executives have a portion of their earned bonuses retained for these purposes. We pay the deferred amount only if the company and business unit both meet the performance goals established for the following year. Deferred payments are paid with one year s interest at a blended 13 week Treasury Bill rate as adjusted on January 1 and July 1.

In February 2008, the Compensation Committee reviewed the annual EBIT targets and determined that the company and business units exceeded their targets in 2007. The Compensation Committee, based on Joe s recommendation, awarded 2007 incentive bonuses of $300,000 for Scott Cooley, $425,000 for Martha Dustin Boudos, $550,000 for Catherine Gillis Odelbo, $1,300,000 for Tao Huang, and $1,350,000 for Patrick Reinkemeyer. Of the $3,925,000 awarded to our named executive officers, $785,000 was deferred for payment if the company meets 2008 performance goals.

Equity-Based Compensation

The Stock Incentive Plan provides for grants of options, stock appreciation rights, restricted stock, restricted stock units, and performance shares. All of our employees are eligible for awards under the Stock Incentive Plan. Joe Mansueto does not participate in the Stock Incentive Plan. Awards may also be made to our non-employee directors and consultants.

Equity awards that vest over time are an important component of how we reward our executive officers and other employees. We believe equity awards can help align the economic interests of our executive officers with those of our shareholders. Therefore, we intend that equity awards to our executive officers make up a meaningful portion of their total compensation. We also consider an individual s level of responsibility within the company and business performance when determining grant size. Some form of equity, mostly options, has been granted to senior management since the inception of Morningstar s first stock incentive plan.

In 2006, we began awarding restricted stock units. A restricted stock unit is an agreement to issue shares of stock at the time the recipient satisfies a vesting period. Restricted stock units are similar in many respects to restricted stock, which is issued when

the award is first made, but subject to forfeiture if the restricted stock does not vest. Restricted stock units are easier to administer than restricted stock and don t result in immediate dilution for other shareholders because the shares are not issued until the units vest.

We believe that restricted stock units are attractive for at least two reasons. First, we use a value-based approach to equity-based compensation, which means our goal when we issue an equity-based award is to deliver an award that has a specific value at the time of grant. Second, unlike options, restricted stock units never go out of the money, so they retain some intrinsic value and therefore provide incentives under all scenarios. Nevertheless, there may be times when we will elect to award stock options and not restricted stock units because of the additional leverage or other characteristics that distinguish stock options from restricted stock units.

We pay a meaningful portion of executive officer compensation in the form of equity awards because the Compensation Committee believes that equity awards can help align the economic interests of our executive officers with those of our shareholders. The amount of equity-based compensation that we provide to each executive officer in a given year is generally based on the executive officer s level of responsibility within the company.

While the Compensation Committee has not adjusted the value of equity grants significantly in recent years, the Compensation Committee has reviewed the equity award value to assure that it reflects the executive s responsibility within the company and encourages retention and long-term alignment with company success. We do not focus grants solely at the executive level. Approximately one-third of the annual equity grant in 2007 was awarded to executive officers.

In May 2007, the Compensation Committee granted restricted stock units to our named executive officers with a value equal to approximately $1,147,464, with the value of each unit being deemed equal to $49.40, the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on May 14, 2007 (the last trading day before the effective date of the grant). The Compensation Committee granted restricted stock units with a value equal to approximately $39,965 to Scott Cooley, $226,499 to Catherine Gillis Odelbo, $549,970 to Tao Huang, and $317,099 to Patrick Reinkemeyer. In August 2007, the Compensation Committee granted restricted stock units with a value equal to approximately $209,996 to Scott, in connection with becoming our chief financial officer, with the value of each unit being deemed equal to $58.01, the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on August 14, 2007 (the last trading day before the effective date of the grant). In November 2007, the Compensation Committee granted restricted stock units with a value equal to approximately $19,963 to Martha, in connection with her new role in the company, with the value of each unit being deemed equal to $70.79, the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on November 14, 2007 (the last trading day before the effective date of the grant). Each restricted stock unit granted to employees vests in four equal annual installments commencing on the first anniversary of the grant date.

The Compensation Committee believes that its current compensation program for executive officers strikes the correct balance. This mix of equity and cash compensation gives our executive officers a substantial alignment with shareholders, while also permitting the Compensation Committee to provide incentives for our executive officers to enhance the intrinsic value of our company.

Practices Regarding the Grant of Equity Awards

The Compensation Committee makes equity grants once each quarter with an annual grant to non-employee directors, executive officers, and most other employees. Equity grants are made following the issuance of our quarterly or year-end earnings press release. The Compensation Committee believes it s appropriate to make awards at a time when material information regarding our performance for the quarter or year has been disclosed.

All restricted stock unit awards are made under the Stock Incentive Plan, with the value of each unit being deemed equal to the closing transaction price of a share of our common stock as reported by the Nasdaq Stock Market on the last trading day before the effective date of grant. Other than awards granted to our non-employee directors, each restricted stock unit vests in four equal annual installments beginning on the first anniversary of the grant date. Each restricted stock unit award granted to our non-employee directors vests in three equal annual installments commencing on the first anniversary of the grant date.

Employment Agreements, Change in Control Arrangements, and Deferred Compensation

We do not have any employment agreements, termination agreements, or change-in-control agreements with any of our executive officers.

If there is a change in control of Morningstar (within the meaning of the Stock Incentive Plan), the Compensation Committee can vest or make exercisable, as the case may be, unvested or not yet exercisable awards granted under the Stock Incentive Plan. If there had been a change in control of Morningstar on December 31, 2007, and the Compensation Committee took that action, the market value on that date of the shares subject to unvested restricted stock units that would have vested for the benefit of each of our named executive officers would have been: Joe Mansueto $0; Scott Cooley $396,836; Martha Dustin Boudos $497,134; Catherine Gillis Odelbo $653,489; Tao Huang $1,578,403; and Patrick Reinkemeyer $914,884; and the spread (i.e., the difference between the market value and exercise price of shares subject to a stock option) on that date attributable to stock options that would have been made exercisable for the benefit of each of our named executive officers would have been: Joe Mansueto $0; Scoot Cooley $438,183; Martha Dustin Boudos $2,362,276; Catherine Gillis Odelbo $1,476,423; Tao Huang $3,390,822; and Patrick Reinkemeyer $3,287,732.

Other than our 401(k) plan, we do not have any plans that permit employees to defer salary or bonus. We have a deferred compensation agreement with Don Phillips, one of our executive officers. See Certain Relationships and Related Party Transactions Deferred Compensation Agreement with Don Phillips for a description of that agreement.

Each person who receives restricted stock units (including directors and executive officers) is permitted to defer receipt of the stock that would otherwise be issued when the restricted stock units vest except where it is prohibited by local tax law or not practical.

Perquisites and Personal Benefits

We seek to create standards for our facilities and operations that are strongly tied to our core values and mission. Our office environment is based on an open plan approach, without traditional offices, that emphasizes equality, collaboration, and teamwork. We use this design at our corporate headquarters and intend to expand it to other areas as we open or redesign other offices. Our executive officers operate under the same standards as other employees. The Summary Compensation Table reflects certain benefits received by Scott Cooley, who worked as an expatriate in Australia prior to accepting the chief financial officer position. Our health care insurance and other welfare and employee-benefit programs are the same for all eligible employees, including our executive officers. We do not have programs for providing personal-benefit perquisites to executive officers, such as permanent lodging or defraying the cost of personal entertainment or family travel, nor do we own or lease aircraft. We do not have loan programs, although our 401(k) plan does permit participants to borrow money against their accounts. We do not have any outstanding loans of any kind to any of our executive officers.

Stock Ownership Requirements

The Board has adopted stock ownership requirements for our executive officers and directors. These guidelines are designed to encourage our executive officers and directors to increase their equity stakes in Morningstar and more closely link their economic interests with those of our

shareholders. We require each of our executive officers and directors to hold a total number of shares, exercisable stock options, and vested restricted stock units equal to at least 25% of the total number of exercisable stock options

and vested restricted stock units that he or she has been granted, excluding stock options that were exercised before our initial public offering.

Tax Deductibility for Certain Compensation in Excess of $1.0 Million

Section 162(m) of the Internal Revenue Code precludes publicly traded companies from deducting compensation in excess of $1.0 million paid to a named executive officer other than compensation that is qualified as being performance-based compensation under the relevant Internal Revenue Service regulations. Subject to certain limitations that we do not currently anticipate being relevant, Morningstar will not be fully subject to 162(m) until our annual shareholders meeting to be held in 2009. The Compensation Committee does not currently have a policy with respect to 162(m) but will develop one during 2008.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on the review and discussions, the Compensation Committee has recommended to the Board the inclusion of the Compensation Discussion and Analysis in Morningstar s proxy statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Compensation Committee

Steve Kaplan, Chair
Cheryl Francis
Jack Noonan

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or the compensation committee of any other company that has one or more executive officers serving as a member of our Board or compensation committee.

Executive Compensation

The following table shows compensation for our chief executive officer, each person who served as chief financial officer, and our three most highly compensated executive officers (the named executive officers) in 2007.

Summary Compensation Table

	Year	Salary	Bonus1	Stock Awards2	Option Awards3	Non-Equity Incentive Plan Compensation4	All Other Compensation5	Total
Joe Mansueto	2007	$100,000	$	$	$	$	$ 7,020	$ 107,020
Chairman and Chief Executive Officer	2006	100,000					7,020	107,020
Scott Cooley6	2007	196,089	240,000	35,928	49,453	10,535	250,514	782,519
Chief Financial Officer								
Martha Dustin Boudos6	2007	203,523	340,000	91,220	311,651	130,942	15,661	1,092,997
Former Chief Financial Officer	2006	250,000	500,374	56,623	311,651	83,616	15,207	1,327,556
Catherine Gillis Odelbo	2007	225,000	440,000	92,010	183,976	109,909	15,520	1,066,415
President, Individual Business	2006	200,000	420,000	35,388	188,435	83,616	15,168	942,607
Tao Huang	2007	300,000	1,040,000	221,821	410,749	193,649	15,761	2,181,980
Chief Operating Officer	2006	275,000	740,000	84,930	452,917	127,765	15,226	1,695,838
Patrick Reinkemeyer	2007	225,000	1,080,000	128,815	441,380	214,584	15,520	2,105,299
President, Morningstar Associates	2006	225,000	820,000	49,542	445,839	104,520	15,020	1,659,921

(1) Bonus payments are made under the Incentive Plan. A portion of the annual bonus is paid only if applicable company or business unit performance targets for the following year are also met. If the targets are met, all of the deferred cash bonus amounts will be paid. If the targets are not met, none of the deferred cash bonus amounts will be paid. Deferred cash bonus amounts are not reflected in the bonus column. When paid, these amounts are shown in the Non-Equity Incentive Plan Compensation column for the second year of the two-year performance period. See Compensation Discussion and Analysis for a more detailed description of the Incentive Plan. Deferred cash bonus amounts earned in 2007 but subject to meeting 2008 performance targets for our named executive officers, other than Joe Mansueto, who does not participate in the Incentive Plan, are shown in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column of the 2007 Grants of Plan-Based Awards table beginning on page 22 of this Proxy Statement.

(2) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2007 for restricted stock unit awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect restricted stock unit awards granted in 2006 and 2007. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for a discussion of the relevant assumptions used in calculating this amounts. For further information on these awards, see the 2007 Grants of Plan-Based Awards table beginning on page 22 of this Proxy Statement.

(3) As required by relevant SEC rules, the amounts shown are the compensation costs recognized by the company for financial reporting purposes in 2007 for option awards as determined pursuant to SFAS No. 123(R). These compensation costs reflect option awards granted prior to 2006. We did not grant stock options to our named executive officers in 2006 or 2007. See Note 11 of the Notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for a discussion of the relevant assumptions used in calculating this amount.

(4) Amounts shown include deferred cash bonus amounts under the Incentive Plan that were paid for meeting performance targets for both 2006 and 2007. If targets for both years had not been met, the amounts would not have been paid. Deferred payments include one year s interest at a blended 13 week Treasury Bill rate as adjusted on January 1 and July 1.

(5) Amounts shown include matching contributions to our 401(k) plan for the year ended December 31, 2007 in the following amounts: Joe Mansueto $7,000; Scott Cooley $15,500; Martha Dustin Boudos $15,500; Catherine Gillis Odelbo $15,500; Tao Huang $15,500; and Patrick Reinkemeyer $15,500; and amounts paid for basic life insurance and accidental death and dismemberment insurance as follows: Joe Mansueto $20; Scott Cooley $20, Martha Dustin Boudos $161; Catherine Gillis Odelbo $20; Tao Huang $261; and Patrick Reinkemeyer $20.

For Scott Cooley, amounts shown also include expatriate-related expenses consisting of $28,820 for rent and utilities, $40,000 for relocation expenses, and amounts for food allowance, per diem, tax preparation services, medical exams for visa renewal purposes for Scott and his family, and tuition reimbursement for Scott s children. Amounts shown also include $109,291 of tax equalization payments and $28,845 of tax payments paid by the company for Scott relating to these expatriate-related expenses to reduce double taxation.

Amounts shown include matching contributions to our 401(k) plan for the year ended December 31, 2006 in the following amounts: Joe Mansueto $7,000; Martha Dustin Boudos $15,000; Catherine Gillis Odelbo $15,000; Tao Huang $15,000; and Patrick Reinkemeyer $15,000; and amounts paid for basic life insurance and accidental death and dismemberment insurance as follows: Joe Mansueto $20; Martha Dustin Boudos $207; Catherine Gillis Odelbo $168; Tao Huang $226; and Patrick Reinkemeyer $20.

(6) In August 2007, Martha Dustin Boudos stepped down as chief financial officer and took on a new role in the company and Scott Cooley became our chief financial officer.

2007 Grants of Plan-Based Awards

The following table shows information concerning the grant of plan-based awards in 2007 to each of our named executive officers.

	Grant Date	Approval Date1	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Target2	All Other Stock Awards: Number of Shares of Stocks or Units3	Grant Date Fair Value of Stock Awards
Joe Mansueto			$		$
Scott Cooley	May 15, 2007	May 7, 2007		809	39,965
	August 15, 2007	August 8, 2007		3,620	209,996
			60,000		
Martha Dustin Boudos	November 15, 2007	November 8, 2007		282	19,963
			85,000		
Catherine Gillis Odelbo	May 15, 2007	May 7, 2007		4,585	226,499
			110,000		
Tao Huang	May 15, 2007	May 7, 2007		11,133	549,970
			260,000		
Patrick Reinkemeyer	May 15, 2007	May 7, 2007		6,419	317,099
			270,000		

(1) On May 7, 2007 the Compensation Committee approved a grant of restricted stock units for Scott Cooley, Catherine Gillis Odelbo, Tao Huang, and Patrick Reinkemeyer. The Compensation Committee designated May 15, 2007 as the grant date of each restricted stock unit grant approved at the meeting. On August 8, 2007 the Compensation Committee approved a grant of restricted stock units for Scott Cooley, in connection with becoming our chief financial officer. The Compensation Committee designated August 15, 2007 as the grant date of each restricted stock unit grant approved at the meeting. On November 8, 2007 the Compensation Committee approved a grant of restricted stock units for Martha Dustin Boudos, in connection with her new role in the company. The Compensation Committee designated November 15, 2007 as the grant date of each restricted stock unit grant approved at the meeting.

(2) Amounts shown consist of deferred cash bonus amounts earned in 2007 but subject to meeting 2008 performance targets for our named executive officers, other than Joe Mansueto, who does not participate in the Incentive Plan. See Compensation Discussion and Analysis for a more detailed description of the Incentive Plan.

(3) Amounts shown consist of restricted stock units granted under the Stock Incentive Plan. These restricted stock units vest in four equal annual installments commencing on the first anniversary of the grant date.

2007 Outstanding Equity Awards at Fiscal Year-End

The following table shows certain information concerning outstanding equity awards for our named executive officers as of December 31, 2007.

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Joe Mansueto			$			$
Scott Cooley					5,1041	396,836
	783		2.77	June 30, 2008		
				December 1,		
	828		2.77	2008		
	765		10.98	June 30, 2009		
				December 1,		
	774		10.98	2009		
	5,500		14.13	May 1, 2010		
	7,500		14.13	May 1, 2011		
	1,500		10.95	May 1, 2012		
	10,000		8.57	May 1, 2013		
		2	3	December 1,		
	7,500	2,500	14.70	2014		
	5,000	5,0004	18.505	May 2, 2015		
Martha Dustin Boudos					6,3946	497,134
	7,500		14.13	May 1, 2011		
	25,000		8.57	May 1, 2013		
		2	3	December 1,		
	60,000	20,000	14.70	2014		
	10,000	20,0004	18.505	May 2, 2015		
Catherine Gillis Odelbo					8,4057	653,489
		2	3	December 1,		
	37,500	12,500	14.70	2014		
	12,500	12,5004	18.505	May 2, 2015		
Tao Huang					20,3018	1,578,403
	725,500		10.98	January 3, 2010		
	10,000		14.13	May 1, 2010		
	500,000		14.13	March 5, 2011		
	2,500		10.95	May 1, 2012		
	12,500		8.57	May 1, 2013		
		2	3	December 1,		
		27,500	14.70	2014		
		30,0004	18.505	May 2, 2015		

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Patrick Reinkemeyer			$		11,7679	$914,884
	1,104		2.77	June 30, 2008		
	1,218		2.77	December 1, 2008		
	15,000		2.77	December 31, 2008		
	3,138		10.98	June 30, 2009		
	3,564		10.98	December 1, 2009		
	17,500		14.13	May 1, 2010		
	50,000		14.13	March 5, 2011		
	15,000		14.13	May 1, 2011		
	10,000		10.95	May 1, 2012		
	10,000		8.57	May 1, 2013		
	112,500	37,500[2]	14.70[3]	December 1, 2014		
	17,500	17,5004	18.505	May 2, 2015		

(1) These restricted stock units vest as follows: 426 on May 15, 2008, 427 on May 15, 2009, 428 on May 15, 2010, and 203 on May 15, 2011; and 905 on August 15, 2008, 2009, 2010, and 2011.

(2) These options become exercisable in four equal installments on May 1, 2005, 2006, 2007, and 2008.

(3) The initial exercise price of $14.70 will increase over the term of the options at a rate equal to the 10-year Treasury yield rate as of the date of grant.

(4) These options become exercisable in four equal installments on May 2, 2006, 2007, 2008, and 2009.

(5) The initial exercise price of $18.50 will increase over the term of the options at a rate equal to the 10-year Treasury yield rate as of the date of grant.

(6) These restricted stock units vest as follows: 2,037 on May 15, 2008 and 2009 and 2,038 on May 15, 2010; and 70 on November 15, 2008 and 2009 and 71 on November 15, 2010 and 2011.

(7) These restricted stock units vest as follows: 2,419 on May 15, 2008 and 2009, 2,420 on May 15, 2010, and 1,147 on May 15, 2011.

(8) These restricted stock units vest as follows: 5,839 on May 15, 2008, 2009, and 2010 and 2,784 on May 15, 2011.

(9) These restricted stock units vest as follows: 3,386 on May 15, 2008, 3,388 on May 15, 2009 and 2010, and 1,605 on May 15, 2011.

2007 Option Exercises and Stock Vested

The following table shows certain information concerning the exercise of stock options and vesting of restricted stock units during the year ended December 31, 2007 by our named executive officers.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on	Value Realized on Vesting

			Vesting	
Joe Mansueto		$		$
Scott Cooley			224	11,066
Martha Dustin Boudos	125,595	4,863,420	2,037	100,628
Catherine Gillis Odelbo	115,000	7,727,350	1,273	[1]
Tao Huang	132,000	7,634,699	3,055	[2]
Patrick Reinkemeyer	14,000	1,000,860	1,782	88,031

(1) Catherine Gillis Odelbo deferred receipt of 1,273 shares of our common stock until May 15, 2016. The value realized on vesting is $62,886.

(2) Tao Huang deferred receipt of 3,055 shares of our common stock until May 15, 2013. The value realized on vesting is $150,907.

Equity Compensation Plan Information

The following table includes certain information as of December 31, 2007 regarding our equity incentive plans.

	Shares Covered by Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Shares Available (Excluding Shares Covered by Outstanding Options)
Equity incentive plans approved by shareholders	6,445,679	$13.36	2,657,982
Equity incentive plans not approved by shareholders	0		0
Total	6,445,679	$13.36	2,657,982

Audit Committee Report

The ultimate responsibility for good corporate governance rests with the Board, whose primary roles are providing oversight, counseling, and direction to our management team in the best long-term interests of the company and its shareholders. The Audit Committee has been established for the purpose of overseeing Morningstar s accounting and financial reporting processes, audits of Morningstar s annual financial statements, and internal control over financial reporting.

The Audit Committee is made up solely of independent directors, as defined under NASDAQ and SEC rules, and it operates under a written charter adopted by the Board, a copy of which is posted on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section. Morningstar intends for the composition of the Audit Committee, the attributes of its members, and its responsibilities as reflected in its charter, to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. The Board last revised the charter in February 2007.

As described more fully in its charter, the purpose of the Audit Committee is to assist the Board in its general oversight of Morningstar s financial reporting, audit functions, and internal control over financial reporting. Management is responsible for preparing, presenting, and maintaining the integrity of Morningstar s financial statements; establishing and maintaining accounting and financial reporting principles and internal controls; and following procedures designed to reasonably assure compliance with accounting standards, applicable laws, and regulations. Morningstar has a full-time Internal Audit department that reports to the Audit Committee. This department is responsible for objectively reviewing and evaluating the adequacy, effectiveness, and quality of Morningstar s system of internal controls relating, for example, to the reliability and integrity of Morningstar s financial information and the safeguarding of Morningstar s assets. Morningstar s independent registered accounting firm is responsible for performing an independent audit of Morningstar s consolidated financial statements in accordance with generally accepted auditing standards, and expressing an opinion on the effectiveness of Morningstar s internal control over financial reporting.

The Audit Committee has the authority and responsibility to select, compensate, evaluate and, when appropriate, replace Morningstar s independent registered accounting firm. The Audit Committee may engage its own outside advisors, including experts in particular areas of accounting, as it determines appropriate.

Among other matters, the Audit Committee monitors the activities and performance of Morningstar s internal and independent auditors, including the audit scope, external audit fees, auditor independence, and the extent to which the independent audit firm may be retained to perform non-audit services. Ernst & Young provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee also discussed Ernst & Young s independence with Ernst & Young and management.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent audit firm, nor can the Audit Committee certify that the independent audit firm is indeed independent under applicable rules. The Audit Committee serves a board-level oversight role. It provides advice, counsel, and direction to management and the auditors based on the information it receives, discussions with management and the auditors, and the experience of its members in business, financial, and accounting matters.

The Audit Committee has an agenda for the year that includes reviewing Morningstar s financial statements, internal control over financial reporting, and audit matters. The Audit Committee meets each quarter with the independent audit firm and management to review Morningstar s interim financial results before the publication of Morningstar s quarterly earnings press

releases. Management and the independent audit firm review and discuss with the Audit Committee various topics and events that may have significant financial impact on Morningstar. Management and the independent audit firm also review with the Audit Committee matters discussed between them. In addition, the Audit Committee generally oversees Morningstar s internal compliance programs. In accordance with law, the Audit Committee is responsible for establishing procedures for handling complaints received by Morningstar regarding accounting, internal controls, or auditing matters. This includes setting up procedures to allow Morningstar employees to submit any concerns they may have regarding questionable accounting or auditing matters in a confidential, anonymous manner.

In accordance with Audit Committee policy and the requirements of law, the Audit Committee pre-approves all services to be provided by the independent audit firm, including audit services, audit-related services, tax services, and other services. In some cases, the full Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. The Audit Committee has authorized its Chair to pre-approve additional services and, if the Chair pre-approves a service pursuant to this authority, she reviews the matter with the full Audit Committee at its next regularly scheduled meeting. To avoid potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its independent audit firm. Morningstar obtains these services from other firms as needed.

The Audit Committee has reviewed and discussed with management and representatives of Ernst & Young Morningstar s consolidated financial statements for the fiscal year ended December 31, 2007, management s assessment of the effectiveness of Morningstar s internal control over financial reporting, and Ernst & Young s evaluation of Morningstar s internal control over financial reporting. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles; and Ernst & Young represented that its presentations included the matters that the Audit Committee and the independent registered public accounting firm are required to discuss pursuant to Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees. This review included a discussion with management of the quality, not merely the acceptability, of Morningstar s accounting principles; the reasonableness of significant estimates and judgments; and the clarity of disclosure in Morningstar s financial statements, including the disclosures related to critical accounting estimates. Based on these views and other discussions, and Ernst & Young s reports, the Audit Committee has recommended to the Board the inclusion of the audited financial statements in Morningstar s Annual Report on Form 10-K for the year ended December 31, 2007.

Audit Committee
Cheryl Francis, Chair
Steve Kaplan
Bill Lyons
Paul Sturm

Principal Accounting Firm Fees

The following tables show the fees that we paid or accrued for audit and other services provided to us by Ernst & Young LLP, our principal accounting firm, for fiscal years 2007 and 2006.

	2007	2006
Audit Fees	$990,820	$ 948,685
Audit-Related Fees		48,200
Tax Fees	4,200	950
All Other Fees	4,000	3,500
Total	$999,020	$1,001,335

Audit Fees

This category includes fees for the audit of our annual financial statements and the audit of our internal control over financial reporting, review of financial statements included in our quarterly reports on Form 10-Q, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on accounting matters that arose during, or as a result of, the audit or the review of interim financial statements and statutory audits required in jurisdictions outside the United States.

Audit-Related Fees

This category consists of assurance and related services that are normally provided by the independent registered public accounting firm including, due diligence related to mergers and acquisitions and accounting consultations and audits performed in connection with acquisitions.

Tax Fees

This category mainly consists of tax compliance and tax preparation services. In 2007, $4,200 was for a tax consultation in certain overseas jurisdictions. In 2006, $950 was for tax compliance and preparation services in certain overseas jurisdictions.

All Other Fees

This category includes the fees paid for a subscription to an online accounting research tool provided by Ernst & Young.

Certain Relationships and Related Party Transactions

Review and Approval of Related Party Transactions

Our Code of Ethics is designed to help our directors, executive officers, and other employees address situations that may involve a conflict of interest. These include situations in which an individual s personal interests are in conflict with the interests of the company; situations in which he or she, or member of his or her family receives personal benefits as a result of his or her position with the company; and situations that may otherwise cast doubt on his or her ability to act objectively with or on behalf of the company.

The Nominating and Corporate Governance Committee Charter requires that the Nominating and Corporate Governance Committee review potential conflicts of interests of prospective and current directors. Under our Corporate Governance Guidelines, if an actual or potential conflict of interest develops for any reason, including, without limitation, because of a change in our business operations, or in a director s circumstances, the director should immediately report that matter to our General Counsel for evaluation. Our General Counsel has the discretion to report any actual or potential conflicts to the Chair of the Nominating and Corporate Governance Committee and is required to report to the Chair all conflicts that would require disclosure as a related party transaction or involves a relationship with a competitor. If a significant conflict cannot be resolved, the director may be expected to resign.

The Audit Committee Charter requires that the Audit Committee review all related party transactions involving directors and executive officers. In addition, the Board reviews the independence of each director on an annual basis. As part of this process, the Board reviews and discusses information provided by the directors and management about each director s business and personal activities as they relate to the company. Related party transactions are disclosed to all directors during this process. See Board of Directors and Corporate Governance Independent Directors for additional information about the Board s independence review.

Relationships with Morgan Stanley

As described in the beneficial ownership table beginning on page 13 of this Proxy Statement, Morgan Stanley holds, on behalf of itself and its clients for whom it has taken investment discretion, 6.59% of our common stock. The company has a variety of commercial relationships with Morgan Stanley, the most significant of which are as follows: we provide our equity research to Morgan Stanley under the terms of the Global Analyst Research settlement; we provide Licensed Data and Investment Consulting services to Morgan Stanley; Morgan Stanley licenses a portion of Advisor Workstation; and Morgan Stanley provides brokerage and execution services related to our stock option program. We recorded revenue of approximately $7.9 million from Morgan Stanley in 2007.

Deferred Compensation Agreement with Don Phillips

In February 1999, Don Phillips held options to acquire 1,500,000 shares of our common stock with an exercise price of $0.075 per share. Under the terms of the options, which were granted to him in 1989 and scheduled to expire in 1999, he had the ability to exercise the options at an aggregate exercise price of $112,500. Rather than require him to exercise the options and potentially obligate ourselves to repurchase his shares, we entered into an arrangement with him under which the options granted to him in 1989 were permitted to expire and we granted him new options to purchase 1,500,000 shares of our common stock at an exercise price of $2.77 per share.

To compensate Don for the $2.69 per share increase in exercise price between his expired and new options, we entered into a deferred compensation agreement dated February 15, 1999 that obligates us, subject to certain limitations, to pay him $2.69 for each share of our common stock that he acquires upon exercise of the options that we granted to him in 1999. At our election,

this payment may be made in cash or shares of our common stock. If at the time he becomes entitled to a payment, the fair market value of our stock is below $2.77 per share, the amount of deferred compensation payable to him will be reduced proportionately based on the percentage that the then-current fair market value of a share of our common stock represents of $2.77. As of December 31, 2007, he had exercised 492,888 of the options granted to him in 1999, for which he received total deferred compensation of $1.3 million. As of December 31, 2007, he held 217,286 of these options, for which up to $585,000 of deferred compensation remains payable.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, among others, to file with the SEC an initial report of ownership of our stock on a Form 3 and reports of changes in ownership on a Form 4 or a Form 5. Persons subject to Section 16 are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Under SEC rules, certain forms of indirect ownership and ownership of company stock by certain family members are covered by these reporting requirements. As practical matter, we assist our executive officers and directors in preparing initial ownership reports and reporting ownership changes and typically file these reports on their behalf.

Based solely on a review of the copies of such forms in our possession, and on written representations from our directors and executive officers, we believe that during 2007, all of our executive officers and directors filed the required reports on a timely basis under Section 16(a) except that because of a clerical error, Bevin Desmond filed a late Form 4 reporting the sale of shares.

Shareholder Proposals or Nominations

Any proposal that a shareholder wishes to include in our proxy statement for presentation at our 2009 annual meeting must be received by us no later than December 10, 2008. The shareholder proposal must be submitted, along with proof of ownership of our stock in accordance with Exchange Act Rule 14a-8(b)(2), to our principal executive offices, in care of our General Counsel and Corporate Secretary, by mail to Richard Robbins, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. We suggest that the proposal be submitted by certified mail return receipt requested. We strongly encourage any shareholder interested in submitting a proposal to contact our General Counsel and Corporate Secretary in advance of this deadline to discuss the proposal. Shareholders may want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws. Submitting a shareholder proposal does not guarantee that we will include it in our proxy statement.

Shareholders who intend to nominate a director or present a proposal at our 2009 annual meeting without seeking to include the proposal in our proxy statement must provide us notice of the proposal or nomination no earlier than November 10, 2008 and no later than December 10, 2008. The notice must be made by a registered shareholder on its behalf or on behalf of the beneficial owner of shares and must include certain information specified in our by-laws and information as to the shareholder s ownership of our stock. You can view a copy of the by-laws on our Investor Relations Web site at http://global.morningstar.com/US/InvestorRelations in the Corporate Governance section. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any nomination or proposal that does not comply with these and other applicable requirements. The proposal or nomination must be submitted to our principal executive offices, in care of our General Counsel and Corporate Secretary, by mail to Richard Robbins, Morningstar, Inc., 225 West Wacker Drive, Chicago, Illinois 60606. We suggest that the proposal or nomination be submitted by

certified mail return receipt requested. Shareholders may want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws.

The Nominating and Corporate Governance Committee will review all shareholder proposals and nominations and will make recommendations to the Board for action on any such proposals or nominations. For information on recommending individuals for consideration as nominees through our Nominating and Corporate Governance Committee, see Board of Directors and Corporate Governance Nominating and Corporate Governance Committee.

Obtaining Our Financial Statements

Our financial statements for the year ended December 31, 2007 are included in our 2007 Annual Report to Shareholders, which we made available to our shareholders at the same time as this proxy statement. Additional copies of our 2007 Annual Report and this proxy statement can be obtained by calling our Investor Relations department at (312) 696-6621. Our 2007 Annual Report and this proxy statement are available on the Internet at http://global.morningstar.com/US/InvestorRelations.

Communicating With Us

We encourage all interested parties including securities analysts, potential shareholders, and others to submit questions to us in writing. If you have a question about our business, please contact us by (1) sending an e-mail message to investors@morningstar.com, (2) sending a fax to (312) 696-6009, or (3) sending a letter to Morningstar, Inc., Attention: Investor Relations, 225 West Wacker Drive, Chicago, Illinois 60606. We will make written responses to selected inquiries available to all investors at the same time in Form 8-K reports furnished to the Securities and Exchange Commission on the first Friday of every month.

Our Investor Relations Web site, located at http://global.morningstar.com/US/InvestorRelations, contains press releases, earnings releases, and financial information, as well as corporate governance information and links to our SEC filings. If you would like to receive information such as our latest investor information kit or annual report, please send your request to investors@morningstar.com.

Morningstar, Inc.
225 West Wacker Drive
Chicago
Illinois, 60606

225 WEST WACKER DRIVE

CHICAGO, IL 60606

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by Morningstar, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards, and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign, and date your proxy card and return it in the postage-paid envelope we have provided or return it to Morningstar, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

MORNINGSTAR, INC.

A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2.

1. Election of Directors

	For	Withhold
01 - Joe Mansueto	o	o
02 - Don Phillips	o	o
03 - Cheryl Francis	o	o
04 - Steve Kaplan	o	o
05 - Bill Lyons	o	o
06 - Jack Noonan	o	o
07 - Frank Ptak	o	o
08 - Paul Sturm	o	o

		For	Against	Abstain
2.	Ratification of the appointment of Ernst & Young LLP as Morningstar s independent registered public accounting firm for 2008.	o	o	o

B Non-Voting Items	**Yes**	**No**
Please indicate if you plan to attend this meeting	**o**	**o**

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears on this proxy. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give your full title.

Signature [PLEASE SIGN WITHIN BOX]Date Signature (Joint Owners) Date

Proxy Morningstar, Inc.

Proxy for Annual Meeting of Shareholders

May 20, 2008

9:00 a.m.

The University of Chicago Gleacher Center, Room 621

450 North Cityfront Plaza Drive

Chicago, Illinois 60611

This proxy is solicited by the Board of Directors for use at the Annual Meeting on May 20, 2008.

The shares of stock you hold in your account will be voted as you specify on the reverse side.

If no choice is specified, the proxy will be voted FOR Items 1 and 2 and in the discretion of the proxyholders on any other matter that properly comes before the meeting.

By signing the proxy, you revoke all prior proxies and appoint Scott Cooley and Richard Robbins, or either of them, with full power of substitution to vote your shares on the matters shown on the reverse side and any others matters as may properly come before the Annual Meeting and all adjournments.

(Continued and to be voted on reverse side.)

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left" valign="bottom"> 39,053 39,053 (846) PHP 47.5
Total
$ 247,681 $ 118,519 $ 366,200 $ (5,615)

At December 29, 2007 the Company had outstanding hedges denominated in the Japanese yen, the Euro, the Canadian dollar, the Chilean peso and the Thai baht. The fair market value of these hedges was a liability of $12.1 million at December 29, 2007.

Bunker Fuel Hedges

The Company enters into bunker fuel hedges for its shipping operations to reduce its risk related to price fluctuations on anticipated bunker fuel purchases. At January 3, 2009, the notional volume and the fair market value of the Company s bunker fuel hedges were as follows:

	Notional Volume (metric tons)	Fair Market Value (In thousands)	Average Price (per metric ton)
Bunker Fuel Hedges:			
Rotterdam	15,018	$ (3,576)	$ 418

At December 29, 2007, the fair market value of the bunker fuel hedges was an asset of $1.1 million, which included $0.4 million related to unsettled bunker fuel hedges that received FAS 133 treatment prior to the discontinuation of hedge accounting during the second quarter of 2007.

For both the foreign currency and bunker fuel hedges, the fair market value of these instruments is recorded in the consolidated balance sheet as either a current asset or current liability. Settlement of these hedges will occur during

2009.

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Net unrealized gains (losses) and realized gains (losses) included as a component of cost of products sold in the consolidated statement of operations on the foreign currency and bunker fuel hedges for fiscal 2008, 2007 and 2006 were as follows:

	2008	2007	2006
		(In thousands)	
Unrealized Gains (Losses):			
Foreign currency exchange contracts and other	$ 6,002	$ (12,065)	$
Foreign currency exchange contracts discontinued operations	447		(492)
Bunker fuel contracts	(4,325)	749	(1,088)
	2,124	(11,316)	(1,580)
Realized Gains (Losses):			
Foreign currency exchange contracts	(11,255)	12,719	2,203
Foreign currency exchange contracts discontinued operations	(736)	6,098	(1,436)
Bunker fuel contracts	678	3,903	(3,465)
	(11,313)	22,720	(2,698)
	$ (9,189)	$ 11,404	$ (4,278)

With the exception of some Colombian peso hedges, all unrealized gains (losses) on foreign currency and bunker fuel hedges for 2006 were included as a component of other comprehensive income (loss) in shareholders equity. Unrealized losses for 2006 included in the table above relate to Colombian peso hedges that did not receive FAS 133 treatment and the ineffective portion of bunker fuel hedges. The realized and unrealized gains (losses) related to discontinued operations were included as a component of loss from discontinued operations.

Interest Rate and Cross Currency Swaps

As discussed in Note 12, the Company completed an amendment and restatement of its senior secured credit facilities in April 2006. As a result of this refinancing transaction, the Company recognized a gain of $6.5 million related to the settlement of its interest rate swap associated with its then existing Term Loan A. This amount was recorded to other income (expense), net in the consolidated statement of operations for the year ended December 30, 2006.

In June 2006, subsequent to the refinancing transaction, the Company entered into an interest rate swap in order 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 June 2011. The interest rate swap fixed the interest rate at 7.24%. The paying and receiving rates under the interest rate swap were 5.49% and 4.82% as of January 3, 2009, with an outstanding notional amount of $320 million. The critical terms of the interest rate swap were substantially the same as those of Term Loan C, including quarterly principal and interest settlements. The interest rate swap hedge has been designated as an effective hedge of cash flows as defined by FAS 133. The fair value of the

interest rate swap was a liability of $26.5 million and $15.9 million at January 3, 2009 and December 29, 2007, respectively. Net payments of the interest rate swap are recorded as a component of interest expense in the consolidated statements of operations for 2008 and 2007. Net payments were $5.6 million and $0.4 million for the years ended January 3, 2009 and December 29, 2007, respectively.

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

In addition, in June 2006, the Company 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 7.24% 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 ¥111.9. At January 3, 2009, the exchange rate of the Japanese yen to U.S. dollar was ¥90.6. 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. The fair market value of the cross currency swap was a liability of $40.5 million and an asset of $9.9 million at January 3, 2009 and December 29, 2007, respectively.

The unrealized gains (losses) and realized gains on the cross currency swap for fiscal 2008, 2007 and 2006 were as follows:

	2008	2007	2006
		(In thousands)	
Unrealized gains (losses)	$ (50,411)	$ (10,741)	$ 20,664
Realized gains	11,209	12,780	4,102
	$ (39,202)	$ 2,039	$ 24,766

Realized and unrealized gains and losses on the cross currency swap are recorded through other income (expense), net in the consolidated statements of operations.

FAS 157

As discussed in Note 2, the Company adopted FAS 157 as of December 30, 2007 for financial assets and liabilities measured on a recurring basis and the impact of the adoption was not material. FAS 157 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 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 fair values of the Company 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. The Company recorded a credit

valuation adjustment at January 3, 2009 which reduced the derivative liability balances by approximately $16.3 million and resulted in a corresponding decrease in the unrealized loss recorded for the derivative instruments. Approximately $2.7 million of the credit valuation adjustment was recorded as a component of interest expense and $13.6 million was recorded as a component of other income (expense), net.

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

The following table provides a summary of the fair values of assets and liabilities under the FAS 157 hierarchy:

	January 3, 2009	Fair Value Measurements at January 3, 2009 Using Significant Other Observable Inputs (Level 2)
	(In thousands)	
Assets and Liabilities Measured on a Recurring Basis		
Assets:		
Foreign currency exchange contracts	$ 5,625	$ 5,625
Liabilities:		
Foreign currency exchange contracts	$ 11,240	$ 11,240
Bunker fuel contracts	3,576	3,576
Interest rate swap	26,467	26,467
Cross currency swap	40,488	40,488
	$ 81,771	$ 81,771

Credit Risk

The counterparties to the foreign currency exchange forward contracts, bunker fuel hedges and the interest rate swap consist of a number of major international financial institutions. The Company has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose the Company 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. The Company does not anticipate any such losses.

Note 18 Contingencies

The Company is a guarantor of indebtedness to some of its key fruit suppliers and other entities integral to the Company s operations. At January 3, 2009, guarantees of $3.2 million consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply the Company with product. The Company has not historically experienced any significant losses associated with these guarantees.

The Company 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. The Company 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 January 3, 2009, total letters of credit, bank

guarantees and bonds outstanding under these arrangements were $107.3 million, of which $71 million were issued under its pre-funded letter of credit facility.

The Company 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. The Company guaranteed $218.8 million of its subsidiaries obligations to their suppliers and other third parties as of January 3, 2009.

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

The Company 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 following a change of control (as defined) of the Company.

The Company is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. The Company 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 the Company is a party are not expected to have a material adverse effect, individually or in the aggregate, on the Company s financial condition or results of operations.

DBCP Cases: A significant portion of the Company 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 Dow and Shell and registered by the U.S. government for use on food crops. The Company 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. The Company 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 249 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 150 labor cases pending in Costa Rica under that country s national insurance program.

Thirty-three of the 249 lawsuits are currently pending in various jurisdictions in the United States. Eighteen lawsuits in Los Angeles Superior Court brought by foreign workers who alleged exposure to DBCP in countries where Dole did not even have operations during the relevant period, are to be dismissed without prejudice by March 30, 2009 pursuant to a tolling agreement which terminates on December 31, 2012. Two additional lawsuits in Texas and in Hawaii were also dismissed. On April 21-23, 2009 the Los Angeles Superior Court will hold a scheduled hearing on an order to show cause as why the two pending lawsuits (including the case with a previous trial date of September 10, 2009) brought by Nicaraguan plaintiffs should not be terminated with prejudice, pursuant to the court s stated inherent power and responsibility to terminate litigation if deliberate and egregious misconduct makes any sanctions other than dismissal inadequate to ensure a fair trial. One of two U.S. law firms representing the plaintiffs in these two pending lawsuits has filed a notice of discharge of attorneys of record; and the second law firm has filed a motion to be relieved as counsel for the plaintiffs. Another case pending in Hawaii Superior Court with 10 plaintiffs from Costa Rica, Guatemala, Ecuador and Panama currently has a trial date of January 18, 2010. The remaining cases

are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately

F-89

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

$44.5 billion, with lawsuits in Nicaragua representing approximately 88% of this amount. Typically in these cases the Company 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 the Company.

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 plaintiffs. The parties in this lawsuit have filed appeals. Once the court makes its determination of costs, the Company will file an appeal bond, which will further stay the judgment pending the resolution of the appeal. Additionally, the court appointed a mediator to explore possible settlement of all DBCP cases currently pending before the court.

In Nicaragua, 196 cases are currently filed (of which 20 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 39 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 the Company recently learned of unofficially. Except for the latest one, the Company 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.

The 20 active cases are currently pending in civil courts in Managua (9), Chinandega (10) and Puerto Cabezas (1), all of which have been brought under Law 364 except for one of the cases pending in Chinandega. In 2 of the 9 cases in Managua (Dole has not been ordered to answer in seven cases), the Company has sought to have the cases returned to the United States pursuant to Law 364. Dole s requests are still pending and the Company expects to make similar requests in the remaining seven cases at the appropriate time. In four of the 10 cases in Chinandega (Dole has not been ordered to answer in six cases), the Company has sought to have the cases returned to the United States pursuant to Law 364. In one case, the Chinandega court has ordered the plaintiffs to respond to our request; in two cases, the court had denied the Company s requests, and Dole has appealed that decision; and in the other case, the court has not yet ruled on Dole s request. In the one case in Puerto Cabezas, the Company has sought to have the case returned to the United States, and Dole has appealed the court s denial of the Company s request.

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

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

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 has 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 has appointed a special prosecutor.

Claimants have also sought to enforce the Nicaraguan judgments in Colombia, Ecuador, and Venezuela. In addition, there is one case pending in the U.S. District Court in Miami, Florida seeking enforcement of the August 8, 2005 $98.5 million Nicaraguan judgment. This case is currently stayed. 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). These cases are currently inactive. 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.

The Company 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 condition 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, the Company 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 other 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. Although no assurance can be given concerning the outcome of these 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 the Company s financial condition or results of operations.

European Union Antitrust Inquiry: On October 15, 2008, the European Commission (EC) adopted a Decision against Dole Food Company, Inc. and Dole Fresh Fruit Europe OHG (collectively

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Dole) 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. On November 28 and 29, 2007, the EC conducted searches of certain of the Company s offices in Italy and Spain, as well as of other companies offices located in these countries.

Dole received the Decision on October 21, 2008 and appealed the Decision on December 24, 2008.

On December 3, 2008, the EC agreed in writing that if Dole makes an initial payment of $10 million to the EC on or before January 22, 2009, the EC will stay the deadline for a provisional payment, or coverage by a prime bank guaranty, of the remaining balance (plus interest as from January 22, 2009), until April 30, 2009. Dole made this initial $10 million (7.6 million) payment on January 21, 2009 and it will be included in other assets in the Company s first quarter 2009 consolidated balance sheet.

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

Honduran Tax Case: In 2005, the Company 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 our interest in Cervecería Hondureña, 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, the Company 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 the Company s financial condition or results of operations.

Hurricane Katrina Cases: Dole was one of a number of parties sued, including the Mississippi State Port Authority as well as other third-party terminal operators, in connection with the August 2005 Hurricane Katrina. The plaintiffs asserted that they suffered property damage because of the defendants alleged failure to reasonably secure shipping containers at the Gulfport, Mississippi port terminal before Hurricane Katrina hit. Dole prevailed in its motions to dismiss several of these cases, and the remainder were voluntarily withdrawn. No further litigation is pending against the Company related to Hurricane Katrina, and any new claims would now be time-barred.

Spinach E. coli Outbreak: On September 15, 2006, Natural Selection Foods LLC recalled all packaged fresh spinach that Natural Selection Foods produced and packaged with Best-If-Used-By dates from August 17 through October 1,

2006, because of reports of illness due to E. coli O157:H7 following consumption of packaged fresh spinach produced by Natural Selection Foods. These packages were sold under 28 different brand names, only one of which was ours. At that time, Natural

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Selection Foods produced and packaged all of our spinach items. Dole has no ownership or other economic interest in Natural Selection Foods.

The U.S. Food and Drug Administration announced on September 29, 2006 that all spinach implicated in the current outbreak has traced back to Natural Selection Foods. The FDA stated that this determination was based on epidemiological and laboratory evidence obtained by multiple states and coordinated by the Centers for Disease Control and Prevention. The trace back investigation has narrowed to four implicated fields on four ranches. FDA and the State of California announced October 12, 2006 that the test results for certain samples collected during the field investigation of the outbreak of E. coli O157:H7 in spinach were positive for E. coli O157:H7. Specifically, samples of cattle feces on one of the implicated ranches tested positive based on matching genetic fingerprints for the same strain of E. coli O157:H7 found in the infected persons. To date, 204 cases of illness due to E. coli O157:H7 infection have been reported to the Centers for Disease Control and Prevention (203 in 26 states and one in Canada) including 31 cases involving a type of kidney failure called Hemolytic Uremic Syndrome (HUS), 104 hospitalizations, and three deaths. The vast majority of the spinach E. coli O157:H7 claims were handled outside the formal litigation process, and Dole expects that to continue to be true for the few remaining claims. Since Natural Selection Foods, not Dole, produced and packaged the implicated spinach products, Dole has tendered the defense of these and other claims to Natural Selection Foods and its insurance carriers and has sought indemnity from Natural Selection Foods, based on the provisions of the contract between Dole and Natural Selection Foods. The company (and its insurance carriers) that grew the implicated spinach for Natural Selection Foods is involved in the resolution of the E. coli O157:H7 claims. Dole expects that the spinach E. coli O157:H7 matter will not have a material adverse effect on Dole s financial condition or results of operations.

Note 19 Related Party Transactions

David H. Murdock, the Company s Chairman, owns, *inter alia,* Castle & Cooke, Inc. (Castle), a transportation equipment leasing company, a private dining club and a hotel. During the years ended January 3, 2009, December 29, 2007 and December 30, 2006, the Company paid Mr. Murdock s companies an aggregate of approximately $9.3 million, $7.2 million and $7.6 million, respectively, primarily for the rental of truck chassis, generator sets and warehousing services. Castle purchased approximately $0.7 million, $0.7 million and $1.1 million of products from the Company during the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

The Company and Castle are responsible for 68% and 32%, respectively, of all obligations under an aircraft lease arrangement. Each party is responsible for the direct costs associated with its use of this aircraft, and all other indirect costs are shared proportionately. During the year ended January 3, 2009, December 29, 2007 and December 30, 2006, the Company s proportionate share of the direct and indirect costs for this aircraft was $2.2 million, $2 million and $1.9 million, respectively.

The Company and Castle operate their risk management departments on a joint basis. Insurance procurement and premium costs are based on the relative risk borne by each company as determined by the insurance underwriters. Administrative costs of the risk management department, which were not significant, are shared on a 50-50 basis.

The Company retains risk for commercial property losses sustained by the Company and Castle totaling $3 million in the aggregate and $3 million per occurrence, above which the Company has coverage provided through third-party insurance carriers. The arrangement provides for premiums to be paid to the Company by Castle in exchange for the

Company s retained risk. The Company received approximately $0.5 million, $0.6 million and $0.6 million from Castle during 2008, 2007 and 2006, respectively.

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

The Company had a number of other transactions with Castle and other entities owned by Mr. Murdock, generally on an arms-length basis, none of which, individually or in the aggregate, were material. The Company had outstanding net accounts receivable of $1.2 million and a note receivable of $5.7 million due from Castle at January 3, 2009 and outstanding net accounts receivable of $0.5 million and a note receivable of $6 million due from Castle at December 29, 2007.

During the first quarter of 2007, the Company and Castle executed a lease agreement pursuant to which the Company s fresh vegetables operations occupy an office building in Monterey, California, which is owned by Castle. Rent expense for the years ended January 3, 2009 and December 29, 2007 totaled $1.4 million and $1 million, respectively.

Note 20 Impact of Hurricane Katrina

During the third quarter of 2005, the Company s operations in the Gulf Coast area of the United States were impacted by Hurricane Katrina. The Company s fresh fruit division utilizes the Gulfport, Mississippi port facility to receive and store product from its Latin American operations. The Gulfport facility, which is leased from the Mississippi Port Authority, incurred significant damage from Hurricane Katrina. As a result of the damage sustained at the Gulfport terminal, the Company diverted shipments to other Dole port facilities including Freeport, Texas; Port Everglades, Florida; and Wilmington, Delaware. The Company resumed discharging shipments of fruit and other cargo in Gulfport during the fourth quarter of 2005. The rebuilding of the Company s Gulfport facility was completed during 2007.

The financial impact to the Company s fresh fruit operations included the loss of cargo and equipment, property damage and additional costs associated with re-routing product to other ports in the region. Equipment that was destroyed or damaged included refrigerated and dry shipping containers, as well as chassis and generator-sets used for land transportation of the shipping containers. The Company maintains customary insurance for its property, including shipping containers, as well as for business interruption.

The Hurricane Katrina related expenses, insurance proceeds and net gain (loss) on the settlement of the claims for 2007, 2006 and 2005 were as follows:

	2007	2006	2005	Cumulative
		(In thousands)		
Total Cargo and Property Policies:				
Expenses	$ (551)	$ (1,768)	$ (10,088)	$ (12,407)
Insurance proceeds	9,607	8,004	6,000	23,611
Net gain (loss)	$ 9,056	$ 6,236	$ (4,088)	$ 11,204

Total charges of $12.4 million include direct incremental expenses of $6.1 million, write-offs of owned assets with a net book value of $4.1 million and leased assets of $2.2 million representing amounts due to lessors. The Company settled all of its cargo claim for $9.2 million in December 2006 and, as a result, recognized a gain of $5.2 million in

2006. In December 2007, the Company settled all of its property claim for $14.4 million. The Company realized a gain of $9.1 million in 2007 associated with the settlement of its property claim, of which $5.2 million was for the reimbursement of lost and damaged property. The realized gains associated with the settlements of both the cargo and property claims are recorded in cost of products sold in the consolidated statement of operations in 2007 and 2006.

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Note 21 Guarantor Financial Information

In connection with the issuance of the 2011 Notes in March 2003 and the 2010 Notes in May 2003, all of the Company s wholly-owned domestic subsidiaries (Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, the Company s obligations under the indentures related to such Notes and to the Company s 2009 Notes, 2013 Debentures and 2014 Notes (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 the Company s share in the subsidiaries cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily 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 consolidating statements of operations of the Company for the years ended January 3, 2009, December 29, 2007 and December 30, 2006; condensed consolidating balance sheets as of January 3, 2009 and December 29, 2007 and condensed consolidating statements of cash flows for the years ended January 3, 2009, December 29, 2007 and December 30, 2006.

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended January 3, 2009

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 79,671	$ 3,121,814	$ 5,849,443	$ (1,430,976)	$ 7,619,952
Cost of products sold	(77,252)	(2,841,837)	(5,362,463)	1,418,660	(6,862,892)
Gross margin	2,419	279,977	486,980	(12,316)	757,060
Selling, marketing and general and administrative expenses	(72,823)	(181,028)	(267,883)	12,316	(509,418)
Gain on asset sales	2,346	2,491	22,139		26,976
Operating income (loss)	(68,058)	101,440	241,236		274,618
Equity in subsidiary income	195,324	143,631		(338,955)	
Other income (expense), net	(89)		(13,977)		(14,066)
Interest income	147	233	6,075		6,455
Interest expense	(116,996)	(569)	(56,920)		(174,485)
Income from continuing operations before income taxes and equity earnings	10,328	244,735	176,414	(338,955)	92,522
Income taxes	111,844	(26,141)	(37,688)		48,015
Equity in earnings of unconsolidated subsidiaries	(2)	(12)	6,402		6,388
Income from continuing operations	122,170	218,582	145,128	(338,955)	146,925
Income (loss) from discontinued operations, net of income taxes	(1,165)	(27,672)	1,446		(27,391)
Gain on disposal of discontinued operations, net of income taxes		3,315			3,315
Net income	121,005	194,225	146,574	(338,955)	122,849
Less: Net income attributable to noncontrolling interests			(1,844)		(1,844)

Net income attributable to Dole Food Company, Inc.	$	121,005	$	194,225	$	144,730	$	(338,955)	$	121,005

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 29, 2007

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 76,585	$ 2,823,183	$ 5,161,424	$ (1,240,380)	$ 6,820,812
Cost of products sold	(58,461)	(2,562,406)	(4,797,872)	1,228,801	(6,189,938)
Gross margin	18,124	260,777	363,552	(11,579)	630,874
Selling, marketing and general and administrative expenses	(75,227)	(163,925)	(254,017)	11,579	(481,590)
Operating income (loss)	(57,103)	96,852	109,535		149,284
Equity in subsidiary income	79,619	11,993		(91,612)	
Other income (expense), net	415		1,433		1,848
Interest income	271	263	6,991		7,525
Interest expense	(125,131)	(42)	(69,678)		(194,851)
Income (loss) from continuing operations before income taxes and equity earnings	(101,929)	109,066	48,281	(91,612)	(36,194)
Income taxes	44,413	(25,543)	(22,924)		(4,054)
Equity in earnings of unconsolidated subsidiaries	10	132	1,554		1,696
Income (loss) from continuing operations	(57,506)	83,655	26,911	(91,612)	(38,552)
Income (loss) from discontinued operations, net of income taxes		(6,452)	(9,267)		(15,719)
Net income (loss)	(57,506)	77,203	17,644	(91,612)	(54,271)
Less: Net income attributable to noncontrolling interest			(3,235)		(3,235)
Net income attributable to Dole Food Company, Inc.	$ (57,506)	$ 77,203	$ 14,409	$ (91,612)	$ (57,506)

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 30, 2006

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 66,151	$ 2,723,397	$ 4,443,397	$ (1,242,082)	$ 5,990,863
Cost of products sold	(58,484)	(2,440,423)	(4,138,044)	1,216,449	(5,420,502)
Gross margin	7,667	282,974	305,353	(25,633)	570,361
Selling, marketing and general and administrative expenses	(61,050)	(176,287)	(222,679)	25,633	(434,383)
Operating income (loss)	(53,383)	106,687	82,674		135,978
Equity in subsidiary income	20,325	(41,363)		21,038	
Other income (expense), net	(3,207)		18,383		15,176
Interest income	849	302	5,989		7,140
Interest expense	(115,505)	(70)	(59,140)		(174,715)
Income (loss) from continuing operations before income taxes and equity earnings	(150,921)	65,556	47,906	21,038	(16,421)
Income taxes	61,157	(38,293)	(45,473)		(22,609)
Equity in earnings of unconsolidated subsidiaries	137	801	(761)		177
Income (loss) from continuing operations	(89,627)	28,064	1,672	21,038	(38,853)
Income (loss) from discontinued operations, net of income taxes		(11,322)	(39,064)		(50,386)
Gain on disposal of discontinued operations, net of income taxes		2,814			2,814
Net income	(89,627)	19,556	(37,392)	21,038	(86,425)
Less: Net income attributable to noncontrolling interests		(60)	(3,142)		(3,202)

Net income (loss) attributable to Dole Food Company, Inc.	$	(89,627)	$	19,496	$	(40,534)	$	21,038	$	(89,627)

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
As of January 3, 2009

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
ASSETS					
Cash and cash equivalents	$ 16,811	$	$ 85,460	$ (11,442)	$ 90,829
Receivables, net of allowances	410,286	133,198	577,890	(314,139)	807,235
Inventories	7,971	299,048	489,388		796,407
Prepaid expenses	9,374	14,489	45,484		69,347
Deferred income tax assets	18,891	25,566		(23,184)	21,273
Assets held-for-sale	72,526	55,366	74,984		202,876
Total current assets	535,859	527,667	1,273,206	(348,765)	1,987,967
Investments	2,172,994	1,786,868	72,708	(3,959,485)	73,085
Property, plant and equipment, net	173,850	262,269	614,212		1,050,331
Goodwill		131,818	274,722		406,540
Intangible assets, net	689,615	18,426	417		708,458
Other assets, net	38,084	7,542	92,612		138,238
Total assets	$ 3,610,402	$ 2,734,590	$ 2,327,877	$ (4,308,250)	$ 4,364,619
LIABILITIES AND SHAREHOLDERS EQUITY					
Accounts payable	$ 5,411	$ 438,991	$ 415,136	$ (348,765)	$ 510,773
Liabilities held-for-sale		3,688	46,777		50,465
Accrued liabilities	67,206	173,920	249,019		490,145
Current portion of long-term debt	346,684	288	9,776		356,748
Notes payable			48,789		48,789
Total current liabilities	419,301	616,887	769,497	(348,765)	1,456,920
Intercompany payables (receivables)	1,225,590	(133,650)	(1,091,940)		
Long-term debt	1,080,296	3,506	714,754		1,798,556
Deferred income tax liabilities	207,073	7,926	39,206		254,205
Other long-term liabilities	275,242	37,853	108,684		421,779
Equity attributable to Dole Food Company, Inc.	402,900	2,202,068	1,757,417	(3,959,485)	402,900
			30,259		30,259

Equity attributable to noncontrolling interests					
Total shareholders equity	402,900	2,202,068	1,787,676	(3,959,485)	433,159
Total liabilities and shareholders equity	$ 3,610,402	$ 2,734,590	$ 2,327,877	$ (4,308,250)	$ 4,364,619

F-99

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 29, 2007

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
		ASSETS			
Cash and cash equivalents	$ 16,424	$	$ 95,801	$ (15,164)	$ 97,061
Receivables, net of allowances	358,695	134,168	595,027	(248,737)	839,153
Inventories	7,080	321,075	422,520		750,675
Prepaid expenses	5,318	16,322	49,656		71,296
Deferred income tax assets	16,942	23,686		(28,543)	12,085
Assets held-for-sale	546	36,520	39,178		76,244
Total current assets	405,005	531,771	1,202,182	(292,444)	1,846,514
Investments	2,130,680	1,733,717	68,884	(3,863,945)	69,336
Property, plant and equipment, net	286,222	319,107	734,810		1,340,139
Goodwill		151,271	358,247		509,518
Intangible assets, net	689,616	22,128	10,046		721,790
Other assets, net	42,140	5,944	124,698	(17,195)	155,587
Total assets	$ 3,553,663	$ 2,763,938	$ 2,498,867	$ (4,173,584)	$ 4,642,884
		LIABILITIES AND SHAREHOLDERS EQUITY			
Accounts payable	$ 8,339	$ 404,698	$ 422,366	$ (292,444)	$ 542,959
Accrued liabilities	74,479	223,050	217,055		514,584
Current portion of long-term debt	1,950	102	12,119		14,171
Notes payable			81,018		81,018
Total current liabilities	84,768	627,850	732,558	(292,444)	1,152,732
Intercompany payables (receivables)	983,062	(61,695)	(921,367)		
Long-term debt	1,500,466	2,271	813,471		2,316,208
Deferred income tax liabilities	284,167	10,852		(17,195)	277,824
Other long-term liabilities	376,192	44,082	120,960		541,234
Equity attributable to Dole Food Company Inc.	325,008	2,140,578	1,723,367	(3,863,945)	325,008
			29,878		29,878

Equity attributable to noncontrolling interests					
Total shareholders equity	325,008	2,140,578	1,753,245	(3,863,945)	354,886
Total liabilities and shareholders equity	$ 3,553,663	$ 2,763,938	$ 2,498,867	$ (4,173,584)	$ 4,642,884

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended January 3, 2009

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
OPERATING ACTIVITIES					
Cash flow provided by (used in) operating activities	$ 285	$ (4,763)	$ 49,041	$	$ 44,563
INVESTING ACTIVITIES					
Proceeds from sales of assets and businesses, net of cash disposed	42,404	41,209	142,870		226,483
Capital additions	(313)	(21,071)	(63,712)		(85,096)
Repurchase of common stock in going-private merge transaction	(245)				(245)
Cash flow provided by investing activities	41,846	20,138	79,158		141,142
FINANCING ACTIVITIES					
Short-term debt borrowings			94,943		94,943
Short-term debt repayments		(15,286)	(120,702)	3,722	(132,266)
Long-term debt borrowings, net of debt issuance costs	1,322,100		25,950		1,348,050
Long-term debt repayments	(1,397,788)	(89)	(84,923)		(1,482,800)
Borrowings between subsidiaries	33,944		(33,944)		
Dividends paid to minority shareholders			(13,447)		(13,447)
Cash flow used in financing activities	(41,744)	(15,375)	(132,123)	3,722	(185,520)
Effect of foreign currency exchange rate changes on cash			(6,417)		(6,417)
Increase (decrease) in cash and cash equivalents	387		(10,341)	3,722	(6,232)
Cash and cash equivalents at beginning of period	16,424		95,801	(15,164)	97,061

Cash and cash equivalents at end of period	$	16,811	$		$	85,460	$	(11,442)	$	90,829

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 29, 2007

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
OPERATING ACTIVITIES					
Intercompany dividend income	$ 17,543	$ 17,543	$	$ (35,086)	$
Operating activities	(14,441)	40,914	19,849		46,322
Cash flow provided by operating activities	3,102	58,457	19,849	(35,086)	46,322
INVESTING ACTIVITIES					
Proceeds from sales of assets and businesses, net of cash disposed	980	674	40,064		41,718
Hurricane Katrina insurance proceeds		5,200			5,200
Capital additions	(612)	(44,309)	(61,900)		(106,821)
Repurchase of common stock in going-private merge transaction	(1,480)				(1,480)
Cash flow used in investing activities	(1,112)	(38,435)	(21,836)		(61,383)
FINANCING ACTIVITIES					
Short-term debt borrowings		11,968	119,389	(11,968)	119,389
Short-term debt repayments		(16,419)	(74,757)		(91,176)
Long-term debt borrowings, net of debt issuance costs	1,165,200	2,015	315		1,167,530
Long-term debt repayments	(1,158,088)	(43)	(11,082)		(1,169,213)
Intercompany dividends		(17,543)	(17,543)	35,086	
Dividends paid to minority shareholders			(10,485)		(10,485)
Cash flow provided by (used in) financing activities	7,112	(20,022)	5,837	23,118	16,045
Effect of foreign currency exchange rate changes on cash			3,663		3,663

Increase in cash and cash equivalents	9,102		7,513	(11,968)	4,647
Cash and cash equivalents at beginning of period	7,322		88,288	(3,196)	92,414
Cash and cash equivalents at end of period	$ 16,424	$	$ 95,801	$ (15,164)	$ 97,061

F-102

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 30, 2006

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
OPERATING ACTIVITIES					
Cash flow provided by (used in) operating activities	$ (83,110)	$ 38,300	$ 60,731	$	$ 15,921
INVESTING ACTIVITIES					
Proceeds from sales of assets and businesses, net of cash disposed	2,318	15,630	13,325		31,273
Acquisitions and investments, net of cash acquired			(22,950)		(22,950)
Capital additions	(1,154)	(59,505)	(64,397)		(125,056)
Repurchase of common stock in going-private merge transaction	(267)				(267)
Cash flow provided by (used in) investing activities	897	(43,875)	(74,022)		(117,000)
FINANCING ACTIVITIES					
Short-term debt borrowings		13,032	88,349		101,381
Short-term debt repayments		(7,957)	(51,181)	6,266	(52,872)
Long-term debt borrowings, net of debt issuance costs	1,269,405	1,535	989,605		2,260,545
Long-term debt repayments	(997,877)	(1,035)	(970,786)		(1,969,698)
Capital contribution from parent	28,390				28,390
Return of capital to parent	(59,390)				(59,390)
Dividends paid to minority shareholders			(1,833)		(1,833)
Dividends paid to parent	(163,691)				(163,691)
Cash flow provided by financing activities	76,837	5,575	54,154	6,266	142,832
Effect of foreign currency exchange rate changes on cash			1,849		1,849
	(5,376)		42,712	6,266	43,602

Increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of period	12,698		45,576	(9,462)	48,812
Cash and cash equivalents at end of period	$ 7,322	$	$ 88,288	$ (3,196)	$ 92,414

F-103

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Note 22 Earnings Per Share

The calculation of basic and diluted earnings per share including a reconciliation of the numerator and denominator are as follows:

	Fiscal Year Ended		
	January 3, 2009	December 29, 2007	December 30, 2006
	(Amounts in thousands)		
Numerator:			
Income (loss) from continuing operations	$ 146,925	$ (38,552)	$ (38,853)
Loss from discontinued operations	(27,391)	(15,719)	(50,386)
Gain (loss) on sale of discontinued operations	3,315		2,814
Net Income Attributable to noncontrolling interests	(1,844)	(3,235)	(3,202)
Net income attributable to Dole Food Company, Inc.	$ 121,005	$ (57,506)	$ (89,627)
Denominator:			
Basic and Diluted weighted average shares outstanding	1	1	1
Basic and Diluted Earnings Per Share:			
Income from Continuing Operations	$ 147	$ (39)	$ (39)
Loss from discontinued operations	(27)	(16)	(51)
Gain (loss) on sale of discontinued operations	3		3
Net income attributable to noncontrolling interests	(2)	(3)	(3)
Net Income Attributable to Dole Food Company, Inc.	$ 121	$ (58)	$ (90)

Note 23 Subsequent Events

Internal Revenue Service Audit: On August 27, 2009, the IRS completed its examination of the combined U.S. Federal income tax returns of HoldCo, which includes the returns of the Company, for the years 2002 to 2005 (see Note 7 Income Taxes) and issued a Revenue Agent s report (RAR) that includes various proposed adjustments, including 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. The Company will file a protest letter vigorously challenging the proposed adjustments contained in the RAR and will pursue resolution of these issues with the Appeals Division of the IRS.

Asset Sale Program: During the third quarter of fiscal 2009, the Company entered into definitive sales agreements, for which it previously had signed letters of intent for approximately $68 million (see Note 9 Assets Held-For-Sale)

to sell certain operating properties in Latin America. Additionally during the third quarter of 2009, the Company signed a letter of intent to sell an operating property in Chile for approximately $32 million. These sales are expected to close by the end of fiscal 2009.

HoldCo Loan Payment: During June 2009, HoldCo made a $20 million payment required under the HoldCo loan agreement after receiving an extension from its lenders.

Proposed Initial Public Offering Transaction: It is currently expected that immediately prior to the closing of the proposed initial public offering of shares of Dole common stock (IPO Transaction), the registration statement process of which commenced in August 2009, that HoldCo will be merged into Dole in a downstream merger to be accounted for as a common control merger under the provisions

Table of Contents

DOLE FOOD COMPANY, INC.

NOTES TO CONSOLIDATED STATEMENTS (Continued)

of FAS 141R. Immediately following the contemplated merger transaction, the entire interest in Westlake Wellbeing Properties, LLC (WWP) will be transferred to another entity owned by David H. Murdock (MURCO). The transfer of WWP to MURCO will be accounted for as a common control transfer at carryover basis consistent with the provisions of FAS 141R. Further, WWP long-lived assets will continue to be treated under a held and used model under FAS 144 in the contemplated transfer to MURCO. Subsequent to the transfer of WWP to MURCO, the results of WWP will be presented as a discontinued operation of the merged entity given WWP will not be a part of the ongoing operations of such entity. Dole is also contemplating the offering of at least $300 million of senior secured notes due 2016 with the proceeds used to refinance a portion of the 2010 Notes. Additionally, Dole intends to complete other transactions upon consummation of the IPO Transaction that will result in the elimination of all other cross-default and cross acceleration provisions that exist between Dole s senior secured facilities and certain indebtedness of Holdings and its affiliates. See Note 12 Notes Payable and Long-Term Debt for discussion of existing cross-default and cross acceleration provisions.

Table of Contents

II. Supplementary Data

Quarterly Financial Information (Unaudited)

The following table presents summarized quarterly results:

2008	March 22, 2008	June 14, 2008	October 4, 2008	January 3, 2009
	Quarter Ended (In thousands)			
Revenues, net	$ 1,728,345	$ 1,994,943	$ 2,256,334	$ 1,640,330
Gross margin	169,660	233,236	182,273	171,891
Income (loss) from continuing operations, net of income taxes	(25,453)	177,091	(2,342)	(2,371)
Income (loss) from discontinued operations, net of income taxes	(2,821)	4,318	(21,760)	(7,128)
Gain on disposal of discontinued operations, net of income taxes			3,315	
Net income (loss) attributable to Dole Food Company, Inc.	(28,945)	180,754	(21,318)	(9,486)
Basic and diluted net income (loss) per share attributable to Dole Food Company, Inc.	(29)	181	(21)	(9)

2007	March 24, 2007	June 16, 2007	October 6, 2007	December 29, 2007
	Quarter Ended (In thousands)			
Revenues, net	$ 1,517,406	$ 1,735,302	$ 1,985,179	$ 1,582,925
Gross margin	141,738	184,951	161,431	142,754
Income (loss) from continuing operations, net of income taxes	(9,322)	53,896	(55,716)	(27,410)
Loss from discontinued operations, net of income taxes	(553)	(4,020)	(6,784)	(4,362)
Net income (loss) attributable to Dole Food Company, Inc.	(10,215)	49,055	(63,327)	(33,019)
Basic and diluted net income (loss) per share attributable to Dole Food Company, Inc.	(10)	49	(63)	(33)

During the second quarter of 2008, the Company approved and committed to a formal plan to divest its fresh-cut flowers operations (Flowers transaction). The first phase of the Flowers transaction was completed during the first quarter of 2009. During the fourth quarter of 2007, the Company approved and committed to a formal plan to divest

its citrus and pistachio operations (Citrus) located in central California. Prior to the fourth quarter of 2007, the operating results of Citrus were included in the fresh fruit operating segment. The Citrus sale closed during the third quarter of 2008. The results of operations of these businesses have been reclassified as discontinued operations for all periods presented.

Table of Contents

DHM HOLDING COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)			
Revenues, net	$ 1,723,201	$ 2,005,565	$ 3,327,255	$ 3,743,852
Cost of revenues	(1,503,025)	(1,773,461)	(2,905,968)	(3,344,073)
Gross margin	220,176	232,104	421,287	399,779
Selling, marketing and general and administrative expenses	(118,579)	(126,685)	(220,004)	(250,387)
Gain on asset sales (Note 12)	159	9,839	16,793	11,643
Operating income	101,756	115,258	218,076	161,035
Other income (expense), net (Note 3)	(33,046)	23,653	(11,094)	(5,058)
Interest income	1,500	1,129	3,138	2,942
Interest expense	(51,855)	(43,402)	(91,003)	(90,142)
Income from continuing operations before income taxes and equity earnings	18,355	96,638	119,117	68,777
Income taxes	(8,083)	72,451	(15,229)	66,701
Equity in earnings of unconsolidated subsidiaries	3,277	2,333	4,471	3,336
Income from continuing operations	13,549	171,422	108,359	138,814
Income from discontinued operations, net of income taxes	265	4,318	387	1,497
Gain on disposal of discontinued operations, net of income taxes			1,308	
Net income	13,814	175,740	110,054	140,311
Less: Net (income) loss attributable to noncontrolling interests	(26)	300	59	703
Net income attributable to DHM Holding Company, Inc.	$ 13,788	$ 176,040	$ 110,113	$ 141,014
Earnings per share Basic and Diluted:				
Income from continuing operations	$ 14	$ 171	$ 108	$ 139
Net income attributable to DHM Holding Company, Inc.	$ 14	$ 176	$ 110	$ 141

See Accompanying Notes to Condensed Consolidated Financial Statements

DHM HOLDING COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 20, 2009	January 3, 2009
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 107,924	$ 90,945
Receivables, net of allowances of $54,599 and $41,357, respectively	805,410	809,373
Inventories	726,478	796,996
Prepaid expenses	76,801	70,334
Deferred income tax assets	22,180	21,273
Assets held-for-sale (Note 12)	94,382	202,876
Total current assets	1,833,175	1,991,797
Restricted deposits	8,070	2,000
Investments	76,537	73,085
Property, plant and equipment, net of accumulated depreciation of $1.08 billion and $1.03 billion, respectively	1,017,062	1,050,331
Hotel and Wellness Center property, plant and equipment, net of accumulated depreciation of $47 million and $37 million, respectively	335,006	344,518
Goodwill	406,540	406,540
Intangible assets, net	713,923	708,458
Other assets, net	173,903	140,061
Total assets	$ 4,564,216	$ 4,716,790
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	$ 486,225	$ 512,374
Liabilities held-for-sale (Note 12)	2,115	50,465
Accrued liabilities	425,613	500,362
Current portion of long-term debt	390,896	356,748
Current portion of long-term debt of Hotel and Wellness Center (Note 16)	135,000	20,000
Notes payable	44,140	48,789
Total current liabilities	1,483,989	1,488,738
Long-term debt	1,576,025	1,798,556
Long-term debt of Hotel and Wellness Center (Note 16)		115,000
Deferred income tax liabilities	224,320	222,795
Other long-term liabilities	487,846	414,063
Contingencies (Note 11)		

Shareholders equity		
Common stock $0.001 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in capital	481,475	475,210
Retained earnings	276,767	166,654
Accumulated other comprehensive loss	(40,488)	(42,903)
Equity attributable to DHM Holding Company, Inc.	717,754	598,961
Equity attributable to noncontrolling interests	74,282	78,677
Total shareholders equity	792,036	677,638
Total liabilities and shareholders equity	$ 4,564,216	$ 4,716,790

See Accompanying Notes to Condensed Consolidated Financial Statements

DHM HOLDING COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Half Year Ended	
	June 20, 2009	June 14, 2008
	(In thousands)	
Operating Activities		
Net income	$ 110,054	$ 140,311
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	64,177	74,648
Net unrealized (gains) losses on financial instruments	(966)	5,806
Asset write-offs and net (gain) loss on sale of assets	(18,120)	(11,597)
Equity in earnings of unconsolidated subsidiaries	(4,471)	(3,336)
Amortization of debt issuance costs	2,899	2,680
Write-off of debt issuance costs	5,222	
Noncash interest expense on Hotel and Wellness Center long-term debt		739
Provision for deferred income taxes	274	(31,135)
Unrecognized tax benefits on federal income tax audit settlement		(61,083)
Pension and other postretirement benefit plan expense	6,231	9,227
Other	699	(310)
Changes in operating assets and liabilities:		
Receivables	(5,221)	(171,337)
Inventories	67,525	(36,245)
Prepaid expenses and other assets	(21,011)	(11,428)
Income taxes	4,186	6,715
Accounts payable	(8,922)	74,608
Accrued liabilities	2,600	15,524
Other long-term liabilities	(2,692)	(11,263)
Cash flow provided by (used in) operating activities	202,464	(7,476)
Investing Activities		
Cash received from sales of assets and businesses, net of cash disposed	59,308	31,976
Capital additions	(24,936)	(35,312)
Capital additions for Hotel and Wellness Center	(148)	(1,535)
Payment of restricted deposit for Hotel and Wellness Center long-term debt		(2,000)
Restricted deposits	(6,070)	
Repurchase of common stock in going-private merger transaction	(49)	(137)
Cash flow provided by (used in) investing activities	28,105	(7,008)
Financing Activities		
Short-term debt repayments, net of borrowings	(754)	(9,996)

Long-term debt borrowings, net of debt issuance costs	825,178	603,849
Long-term debt repayments	(1,039,172)	(607,225)
Long-term debt repayments for Hotel and Wellness Center, net of debt issuance costs		(47,439)
Capital contributions from parent	6,265	51,053
Capital contributions from WWP noncontrolling shareholder	622	5,344
Repayment of Hotel and Wellness Center related party notes payable		(2,000)
Dividends paid to noncontrolling interests	(4,955)	(1,194)
Cash flow used in financing activities	(212,816)	(7,608)
Effect of foreign currency exchange rate changes on cash	(774)	916
Increase (decrease) in cash and cash equivalents	16,979	(21,176)
Cash and cash equivalents at beginning of period	90,945	98,957
Cash and cash equivalents at end of period	$ 107,924	$ 77,781

See Accompanying Notes to Condensed Consolidated Financial Statements

DHM HOLDING COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(Unaudited)

				Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Pension & Other Postretirement Benefits	Cumulative Translation Adjustment	Unrealized Gains (Losses) on Hedges	Equity Attributable to Noncontrolling Interests	Total Shareholders Equity	Comprehensive Income
					(In thousands)				
Balance at December 29, 2007	$	$ 412,878	$ 67,034	$ (26,752)	$ 42,261	$ (15,525)	$ 76,997	$ 556,893	
Net income			141,014				(703)	140,311	$ 140,311
Noncontrolling interests in discontinued operations							(151)	(151)	
Dividends paid							(1,194)	(1,194)	
Unrealized foreign currency translation and hedging gains					7,897	3,238	6	11,141	11,141
Reclassification of realized cash flow hedging losses to net income						820		820	820
Capital contribution from parent		51,053						51,053	
Capital contribution from noncontrolling shareholder							5,344	5,344	
Balance at June 14, 2008	$	$ 463,931	$ 208,048	$ (26,752)	$ 50,158	$ (11,467)	$ 80,299	$ 764,217	$ 152,272

Balance at January 3, 2009	$	$ 475,210	$ 166,654	$ (40,960)	$ 27,187	$ (29,130)	$ 78,677	$ 677,638	
Net income			110,113				(59)	110,054	$ 110,054
Dividends paid							(4,955)	(4,955)	
Unrealized foreign currency translation and hedging gains (losses)					(2,386)	852	(3)	(1,537)	(1,537)
Reclassification of realized cash flow hedging losses to net income						4,007		4,007	4,007
Change in employee benefit plans, net of income taxes				(58)				(58)	(58)
Capital contribution from parent		6,265						6,265	
Capital contribution from noncontrolling shareholder							622	622	
Balance at June 20, 2009	$	$ 481,475	$ 276,767	$ (41,018)	$ 24,801	$ (24,271)	$ 74,282	$ 792,036	$ 112,466

See Accompanying Notes to Condensed Consolidated Financial Statements

F-110

DHM HOLDING COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)			
Net income	$ 13,814	$ 175,740	$ 110,054	$ 140,311
Unrealized foreign currency translation and hedging gains (losses)	10,808	9,689	(1,537)	11,141
Reclassification of realized cash flow hedging losses to net income	3,461	983	4,007	820
Change in employee benefit plans, net of income taxes			(58)	
Comprehensive income	28,083	186,412	112,466	152,272
Less: Comprehensive (income) loss attributable to noncontrolling interests	(39)	299	62	697
Comprehensive income attributable to DHM Holding Company, Inc.	$ 28,044	$ 186,711	$ 112,528	$ 152,969

See Accompanying Notes to Condensed Consolidated Financial Statements

DHM HOLDING COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 BASIS OF PRESENTATION

DHM Holding Company, Inc. (Holdings) wholly owns Dole Food Company, Inc. (Dole) and owns 85% of Westlake Wellbeing Properties, LLC (WWP or the Hotel and Wellness Center). Refer to Note 16 Hotel and Wellness Center, for further information on the nature of Hotel and Wellness Center operations. In connection with the consummation of the proposed initial public offering of Dole common stock, as discussed below in greater detail, a series of related transactions will be undertaken that will result in the following: Holdings will be merged down into Dole and Holdings will cease to exist as a separate entity, the 85% interest in WWP will be transferred out to another entity owned by David H. Murdock and so will not be any part of the ongoing operations of Dole, and all existing cross-default and cross-acceleration provisions will be eliminated between Dole s senior secured facilities, on the one hand, and currently existing Holdings debt associated with WWP and certain indebtedness of an affiliate of Holdings, on the other hand.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Holdings and its consolidated subsidiaries include all adjustments necessary, which are of a normal recurring nature, to present fairly Holdings financial position, results of operations and cash flows. Holdings operates under a 52/53-week year. The quarters ended June 20, 2009 and June 14, 2008 are twelve weeks in duration. For a summary of significant accounting policies and additional information relating to Holdings financial statements, refer to the Notes to Consolidated Financial Statements for the fiscal year ended January 3, 2009 that are included elsewhere in this document.

Interim results are subject to seasonal variations and are not necessarily indicative of the results of operations for a full year. Holdings 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 (going-private merger transaction). The privatization resulted from the acquisition by David H. Murdock, Dole s Chairman, of the approximately 76% of the shares of common stock of Dole that he and his affiliates did not already own. As a result of the transaction, Dole became wholly-owned by Mr. Murdock through Holdings.

Proposed Initial Public Offering Transaction: It is currently expected that immediately prior to the closing of the proposed initial public offering of shares of Dole common stock (IPO Transaction), the registration statement process of which commenced in August 2009 that Holdings will be merged into Dole in a downstream merger to be accounted for as a common control merger under the provisions of FAS 141R. Immediately following the contemplated merger transaction, the entire interest in WWP held by post-merger Dole will be transferred to another entity owned by David H. Murdock (MURCO). The transfer of WWP to MURCO will be accounted for as a common control transfer at carryover basis consistent with the provisions of FAS 141R. Further, WWP long-lived assets will continue to be treated under a held and used model under FAS 144 in the contemplated transfer to MURCO. Subsequent to the transfer of WWP to MURCO, the results of WWP will be presented as a discontinued operation of the merged entity given WWP will not be a part of the ongoing operations of such entity. Dole is also contemplating the offering of at least $300 million of senior secured notes due 2016 with the proceeds used to refinance a portion of the senior notes

due 2010 Notes. Additionally, Dole intends to complete other transactions upon consummation of the IPO Transaction that will result in the elimination of all other cross-default and cross acceleration provisions that exist between Dole s senior secured facilities and certain indebtedness of Holdings and its affiliates. See Note 8 Notes

DHM HOLDING COMPANY, INC.

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

Payable and Long-Term Debt for discussion of existing cross-default and cross acceleration provisions.

NOTE 2 RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

During June 2009, the Financial Accounting Standards Board (FASB) issued FAS No. 168, *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, *a replacement of FASB Statement No. 162* (FAS 168), which establishes the FASB Accounting Standards Codification as the single official source of authoritative US GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force, and related literature. FAS 168 will become effective during Holdings third quarter of 2009. The adoption of FAS 168 is not expected to have an impact on Holdings results of operations or financial position.

During June 2009, the FASB issued FAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167), which changes the approach in determining the primary beneficiary of a variable interest entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. FAS 167 is effective for annual periods beginning after November 15, 2009. Holdings is evaluating the impact, if any, the adoption of FAS 167 will have on its consolidated financial statements.

During May 2009, the FASB issued FAS No. 165, *Subsequent Events* (FAS 165), to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. FAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. FAS 165 was adopted during the second fiscal quarter and it had no impact on Holdings results of operations or financial position. In the preparation of the condensed consolidated financial statements, Holdings evaluated subsequent events after the balance sheet date of June 20, 2009 through September 18, 2009.

During April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Financial Disclosures about Fair Value of Financial Instruments* (FSP), which amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about the fair value of financial instruments for interim reporting periods as well as in annual financial statements. Holdings adopted the FSP during its second fiscal quarter of 2009 and the disclosures required by the FSP are included in Note 14 to the condensed consolidated financial statements. The adoption had no impact on Holdings results of operations or financial position.

During March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (FAS 161). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. Holdings adopted FAS 161 at the beginning of its first fiscal quarter of 2009. The disclosures required by FAS 161 are included in Note 13 to the condensed consolidated financial statements and had no impact on Holdings results of operations or financial position.

During December 2007, the FASB issued FAS 160. FAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Holdings adopted the provisions of FAS 160 as of the beginning of its 2009 fiscal year. FAS 160 is to be applied prospectively as of the beginning of

2009 except for the presentation and disclosure requirements which are to be applied retrospectively. The condensed consolidated financial statements now conform to the presentation required under FAS 160. Other than the change in

F-113

DHM HOLDING COMPANY, INC.

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

presentation of noncontrolling interests, the adoption of FAS 160 had no impact on the Holdings results of operations or financial position.

During December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (FAS 141R). FAS 141R provides revised guidance for recognizing and measuring assets acquired and liabilities assumed in a business combination. FAS 141R will be applied prospectively to business combinations with acquisition dates on or after January 1, 2009. As a result of the adoption, changes to valuation allowances and unrecognized tax benefits established in business combinations will be recognized in earnings.

NOTE 3 OTHER INCOME (EXPENSE), NET

Included in other income (expense), net in Holdings condensed consolidated statements of operations for the quarters and half years ended June 20, 2009 and June 14, 2008 are the following items:

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)			
Unrealized gain (loss) on cross currency swap	$ (24,419)	$ 19,001	$ (6,703)	$ (13,353)
Realized gain on cross currency swap	2,621	2,696	4,941	5,619
Gain (loss) on foreign denominated borrowings	(11,538)	1,584	(4,406)	2,075
Write-off of debt issuance costs			(5,222)	
Other	290	372	296	601
Other income (expense), net	$ (33,046)	$ 23,653	$ (11,094)	$ (5,058)

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

NOTE 4 DISCONTINUED OPERATIONS

During the second quarter of 2008, Holdings approved and committed to a formal plan to divest its fresh-cut flowers operations (Flowers transaction). The first phase of the Flowers transaction was completed during the first quarter of 2009 (refer to Note 12 Assets Held-For-Sale). In addition, during the fourth quarter of 2007, Holdings approved and committed to a formal plan to divest its citrus and pistachio operations (Citrus) located in central California. The operating results of Citrus were included in the fresh fruit operating segment. The sale of Citrus was completed during the third quarter of 2008. In evaluating the two businesses, Holdings concluded that they each met the definition of a discontinued operation as defined in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). Accordingly, the results of operations of these businesses have been reclassified for all periods presented. The

DHM HOLDING COMPANY, INC.

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

operating results of fresh-cut flowers and Citrus for the quarters and half years ended June 20, 2009 and June 14, 2008 are reported in the following tables:

	Quarter Ended June 20, 2009	Quarter Ended June 14, 2008		
	Fresh-Cut Flowers	Fresh-Cut Flowers	Citrus	Total
	(In thousands)			
Revenues	$ 401	$ 29,063	$ 3,148	$ 32,211
Income (loss) before income taxes	$ 315	$ (5,896)	$ (294)	$ (6,190)
Income taxes	(50)	10,396	112	10,508
Income (loss) from discontinued operations, net of income taxes	$ 265	$ 4,500	$ (182)	$ 4,318

	Half Year Ended June 20, 2009	Half Year Ended June 14, 2008		
	Fresh-Cut Flowers	Fresh-Cut Flowers	Citrus	Total
	(In thousands)			
Revenues	$ 3,181	$ 62,879	$ 5,020	$ 67,899
Income (loss) before income taxes	$ 474	$ (9,037)	$ (251)	$ (9,288)
Income taxes	(87)	10,691	94	10,785
Income (loss) from discontinued operations, net of income taxes	$ 387	$ 1,654	$ (157)	$ 1,497
Gain on disposal of discontinued operations, net of income taxes	$ 1,308	$	$	$

For all periods presented, noncontrolling interests were not material.

NOTE 5 INCOME TAXES

Holdings recorded $15.2 million of income tax expense on $119.1 million of pretax income from continuing operations for the half year ended June 20, 2009. Income tax expense included interest expense of $1.2 million (net of associated income tax benefits of approximately $0.3 million) related to Holdings unrecognized tax benefits. An income tax benefit of $66.7 million was recorded for the half year ended June 14, 2008 which included $61.1 million for the favorable settlement of the federal income tax audit for the years 1995 to 2001. Excluding the impact of the favorable settlement, income tax expense was $0.9 million, which included interest expense of $2.1 million (net of associated income tax benefits of approximately $0.7 million) related to Holdings unrecognized tax benefits. Holdings 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.

Under Accounting Principles Board Opinion No. 28, *Interim Financial Reporting* (APB 28), and FASB Interpretation No. 18, *Accounting for Income Taxes in Interim Periods* (FIN 18), Holdings 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

DHM HOLDING COMPANY, INC.

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

APB 28 and FIN 18 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, Holdings income tax provision differs from the U.S. federal statutory rate applied to Holdings pretax income primarily due to operations in foreign jurisdictions that are taxed at a rate lower than the U.S. federal statutory rate offset by the accrual for uncertain tax positions.

Holdings recognizes accrued interest and penalties related to its unrecognized tax benefits as a component of income taxes in the condensed consolidated statements of operations. Accrued interest and penalties before tax benefits were $27.5 million and $26.9 million at June 20, 2009 and January 3, 2009, respectively, and are included as a component of other long-term liabilities in the condensed consolidated balance sheet. Holdings or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, Holdings 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: Holdings believes its tax positions comply with the applicable tax laws and that it is 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 Holdings results of operations.

Internal Revenue Service Audit: On August 27, 2009, the IRS completed its examination of the combined U.S. federal income tax returns of Holdings for the years 2002 to 2005 and issued a Revenue Agent s report (RAR) that includes various proposed adjustments, including 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. Holdings will file a protest letter vigorously challenging the proposed adjustments contained in the RAR and will pursue resolution of these issues with the Appeals Division of the IRS.

Although the timing and ultimate resolution of any issues that might arise from the ongoing IRS examination are highly uncertain, at this time, Holdings does not anticipate that total unrecognized tax benefits will significantly change within the next twelve months.

NOTE 6 INVENTORIES

The major classes of inventories were as follows:

	June 20, 2009	January 3, 2009
	(In thousands)	
Finished products	$ 364,624	$ 344,643

Raw materials and work in progress	141,472	168,670
Crop-growing costs	155,059	210,263
Operating supplies and other	65,323	73,420
	$ 726,478	$ 796,996

Table of Contents

DHM HOLDING COMPANY, INC.

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

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

Goodwill has been allocated to Holdings reporting segments as follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Total
	(In thousands)			
Balance as of January 3, 2009 and June 20, 2009	$ 274,723	$ 71,206	$ 60,611	$ 406,540

Details of Holdings intangible assets were as follows:

	June 20, 2009	January 3, 2009
	(In thousands)	
Amortized intangible assets:		
Customer relationships	$ 38,501	$ 38,501
Other amortized intangible assets	9,217	2,042
	47,718	40,543
Accumulated amortization customer relationships	(21,945)	(20,248)
Other accumulated amortization	(1,465)	(1,452)
Accumulated amortization intangible assets	(23,410)	(21,700)
Amortized intangible assets, net	24,308	18,843
Indefinite-lived intangible assets:		
Trademark and trade names	689,615	689,615
Total identifiable intangible assets, net	$ 713,923	$ 708,458

During May 2009, Holdings acquired all of the assets of Distrifruit, a distributor of fresh fruit located in Romania, in exchange for trade receivables due from the seller. Holdings acquired the assets primarily to obtain control and gain access over Distrifruit s customer base in Romania. At the date of acquisition, the total fair value of the assets acquired was $10 million, consisting of $2.9 million of inventory and property, plant and equipment, net and $7.1 million of intangible assets. Holdings expects to finalize its allocation of the acquisition during the third quarter of 2009. The revenues and earnings of Distrifruit from the acquisition date through June 20, 2009 were not material. Distrifruit

revenues and earnings for the 2009 and 2008 fiscal years also were not material for pro forma disclosure.

Amortization expense of intangible assets totaled $0.9 million and $1 million for the quarters ended June 20, 2009 and June 14, 2008, respectively, and $1.7 million and $2 million for the half years ended June 20, 2009 and June 14, 2008, respectively.

DHM HOLDING COMPANY, INC.

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

As of June 20, 2009, the estimated remaining amortization expense associated with Holdings intangible assets for the remainder of 2009 and in each of the next four fiscal years is as follows (in thousands):

Fiscal Year	Amount
2009	$ 1,980
2010	$ 3,677
2011	$ 3,677
2012	$ 3,677
2013	$ 1,498

Holdings performed its annual impairment review of goodwill and indefinite-lived intangible assets pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, during the second quarter of fiscal 2009. This review indicated no impairment to goodwill or any of Holdings indefinite-lived intangible assets.

NOTE 8 NOTES PAYABLE AND LONG-TERM DEBT

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

	June 20, 2009	January 3, 2009
	(In thousands)	
Unsecured debt:		
8.625% notes due 2009	$	$ 345,000
7.25% notes due 2010	383,000	400,000
8.875% notes due 2011	200,000	200,000
8.75% debentures due 2013	155,000	155,000
Secured debt:		
13.875% notes due 2014	349,903	
Revolving credit facility		150,500
Term loan facilities	828,297	835,444
Contracts and notes, at a weighted-average interest rate of 6% in 2009 (6.1% in 2008) through 2014	9,219	9,221
Capital lease obligations	65,813	60,448
Notes payable	44,140	48,789
Unamortized debt discount	(24,311)	(309)
	2,011,061	2,204,093
Current maturities	(435,036)	(405,537)

	$ 1,576,025	$ 1,798,556

Refer to Note 16 Hotel and Wellness Center, for further information on the Hotel and Wellness Center senior credit facility.

2010 Debt Maturity

During the second quarter of 2009, Dole reclassified to current liabilities its $400 million 7.25% notes due June 2010 (2010 Notes). During the second quarter of 2009, Dole s Board of

DHM HOLDING COMPANY, INC.

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

Directors authorized the repurchase of up to $95 million of the 2010 Notes. Dole subsequently repurchased $17 million and $20 million of the 2010 Notes during the second and third quarters of 2009, respectively.

Dole s current plan is to offer senior secured notes during the third quarter of 2009. Dole plans to use the net proceeds from this offering, together with cash on hand and/or borrowings under the revolving credit facility, to redeem the bulk of the outstanding 2010 notes. Dole intends to redeem or repurchase any remaining 2010 notes during the third and/or fourth quarters of 2009 with cash on hand and/or borrowings under the revolving credit facility. A failure by Dole to timely redeem, repurchase or repay the 2010 Notes at or before maturity could lead to an event of default which would have a material adverse effect on Holdings business, financial condition and results of operations.

2009 Debt Refinancing

On March 18, 2009, Dole completed the sale and issuance of $350 million aggregate principal amount of 13.875% Senior Secured Notes due March 2014 (2014 Notes) at a discount of $25 million. The 2014 Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 (Securities Act) and to persons outside the United States in compliance with Regulation S under the Securities Act. The sale was exempt from the registration requirements of the Securities Act. Interest on the 2014 Notes will be paid semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2009. The 2014 Notes have the benefit of a lien on certain U.S. assets of Dole that is junior to the liens of Dole s senior secured credit facilities (revolving credit and term loan facilities), and are senior obligations of Dole ranking equally with Dole s existing senior debt. Dole used the net proceeds from this offering, together with cash on hand and/or borrowings under the revolving credit facility, to purchase all of the tendered 8.625% notes due May 2009 (2009 Notes) and to irrevocably deposit with the trustee of the 2009 Notes funds that were used to repay the remaining outstanding 2009 Notes at maturity on May 1, 2009.

In connection with these refinancing transactions, Dole amended its senior secured credit facilities, which amendments, among other things, permitted the issuance of new secured debt securities, increased the interest rate on the term and revolving credit facilities and added a leverage maintenance covenant.

Debt Issuance Costs

In connection with the issuance of the 2014 Notes and the amendment of Dole s senior secured credit facilities, Dole incurred debt issuance costs of $17.8 million. Debt issuance costs are capitalized and amortized into interest expense over the term of the underlying debt.

Dole wrote off $5.2 million of deferred debt issuance costs during the quarter ended March 28, 2009 resulting from the amendment of its senior secured credit facilities. This amendment was accounted for as an extinguishment of debt in accordance with EITF 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments*. This write-off was recorded to other income (expense), net in the condensed consolidated statement of operations for the half year ended June 20, 2009.

Dole amortized deferred debt issuance costs of $1.4 million and $2.3 million during the quarter and half year ended June 20, 2009, respectively. Dole amortized deferred debt issuance costs of $0.9 million and $1.9 million during the

quarter and half year ended June 14, 2008.

DHM HOLDING COMPANY, INC.

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

Term Loans and Revolving Credit Facility

As of June 20, 2009, the term loan facilities consisted of $175.3 million of Term Loan B and $653 million of Term Loan C. The term loan facilities bear interest, at Dole s option, at a rate per annum equal to either (i) a base rate plus 3.5% to 4%; or (ii) LIBOR (subject to a minimum of 3%) plus 4.5% to 5%, in each case, based upon Dole s senior secured leverage ratio. The weighted average variable interest rate at June 20, 2009 for Term Loan B and Term Loan C was 8.3%. The term loan facilities require quarterly principal payments, plus a balloon payment due in 2013. Dole has an interest rate swap to hedge future changes in interest rates and a cross currency swap to effectively lower the U.S. dollar fixed interest rate to a Japanese yen fixed interest rate on Term Loan C. Refer to Note 13 Derivative Financial Instruments for additional information related to these instruments.

As of June 20, 2009, the asset based revolving credit facility (ABL revolver) borrowing base was $320 million. There were no amounts outstanding under the ABL revolver at June 20, 2009. The ABL revolver bears interest, at Dole s option, at a rate per annum equal to either (i) a base rate plus 2% to 2.5%, or (ii) LIBOR plus 3% to 3.5%, in each case, based upon Dole s historical borrowing availability under this facility. The ABL revolver matures in April 2011. After taking into account approximately $76.4 million of outstanding letters of credit issued under the ABL revolver, Dole had approximately $243.6 million available for borrowings as of June 20, 2009. In addition, Dole had approximately $97 million of letters of credit and bank guarantees outstanding under its $100 million pre-funded letter of credit facility as of June 20, 2009.

Capital Lease Obligations

At June 20, 2009 and January 3, 2009, included in capital lease obligations were $64.1 million and $58.5 million, respectively, of vessel financing related to two vessel leases denominated in British pound sterling. The increase in the capital lease obligation was due to the strengthening of the British pound sterling against the U.S. dollar during 2009, which resulted in Dole recognizing $6.8 million of unrealized losses. These unrealized losses were recorded as other income (expense), net in the condensed consolidated statement of operations for the half year ended June 20, 2009.

Covenants

Provisions under 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 contains a springing covenant, but that covenant has never been effective and would only become effective if the availability under the ABL revolver were to fall below $35 million for any eight consecutive business days, which it has never done during the life of such facility. At June 20, 2009, Dole had $243.6 million of availability under the ABL revolver.

In addition, as a result of the March 2009 amendment to Dole s senior secured term facilities, Dole is now subject to a first priority senior secured leverage ratio that must be at or below 3.25 to 1.00 as of the last day of the fiscal quarters ending March 28, 2009 through October 10, 2009 and steps down to 3.00 to 1.00 as of the last day of the fiscal quarter ending January 2, 2010. At June 20, 2009, the first priority senior secured leverage ratio was less than 2.25 to 1.00.

A breach of a covenant or other provision in one of the debt instruments governing Dole s current or future indebtedness, or in one of certain debt instruments under which Holdings and an affiliate of its majority stockholder are borrowers, could result in a default under that instrument and, due to

Table of Contents

DHM HOLDING COMPANY, INC.

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

cross-default and cross-acceleration provisions, could result in a default under Dole s other debt instruments. Such debt instruments of Holdings, currently $115 million, and an affiliate of its majority stockholder, currently $90 million, mature on March 3, 2010, and on December 23, 2009, respectively. Upon the occurrence of an event of default under one of the above debt instruments, the lenders or holders of that debt and 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 Holdings and its subsidiaries 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 the existing indebtedness were to accelerate the payment of the indebtedness, Holdings cannot give assurance that its consolidated assets or cash flow would be sufficient to repay in full the outstanding indebtedness, in which event Holdings likely would seek reorganization or protection under bankruptcy or other, similar laws.

Refer to Note 16 Hotel and Wellness Center, for further information on the covenants of the long-term debt of the Hotel and Wellness Center.

Dividends and Capital Contributions

During the half years ended June 20, 2009 and June 14, 2008, capital contributions of $6.3 million and $51.1 million were received from shareholders.

Holdings did not declare or pay a dividend to its parent during either of the half years ended June 20, 2009 and June 14, 2008.

Dole s ability to declare dividends is limited under the terms of its senior notes indentures and senior secured credit facilities. Dole does not at present have the ability to declare future dividends to its parent, Holdings, pursuant to the terms of its senior notes indentures and senior credit facilities. During the half year ended June 20, 2009 and June 14, 2008, approximately $5 million and $1.2 million of dividends were paid to noncontrolling shareholders.

Table of Contents

DHM HOLDING COMPANY, INC.

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

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	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	$ 38	$ 34	$ 1,361	$ 1,439	$ 52	$ 66
Interest cost	4,003	4,288	1,683	2,355	615	905
Expected return on plan assets	(3,898)	(4,186)	(98)	(583)		
Amortization of:						
Unrecognized net loss (gain)	54	341	138	116	(119)	(2)
Unrecognized prior service cost (benefit)			77	19	(797)	(211)
Unrecognized net transition obligation			11	14		
	$ 197	$ 477	$ 3,172	$ 3,360	$ (249)	$ 758

	U.S. Pension Plans Half Year Ended		International Pension Plans Half Year Ended		OPRB Plans Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	$ 76	$ 68	$ 2,720	$ 2,893	$ 104	$ 132
Interest cost	8,006	8,576	3,359	4,734	1,230	1,810
Expected return on plan assets	(7,796)	(8,372)	(196)	(1,170)		
Amortization of:						
Unrecognized net loss (gain)	108	682	276	233	(238)	(4)
			154	39	(1,594)	(422)

Unrecognized prior service cost (benefit)											
Unrecognized net transition obligation						22		28			
	$	394	$	954	$	6,335	$	6,757	$	(498)	$	1,516

F-122

Table of Contents

DHM HOLDING COMPANY, INC.

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

NOTE 10 SEGMENT INFORMATION

Holdings has four reportable operating segments: fresh fruit, fresh vegetables, packaged foods and the Hotel and Wellness Center. 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 Holdings as a whole. EBIT is not defined under accounting principles generally accepted in the United States of America (GAAP) and should not be considered in isolation or as a substitute for net income or cash flow measures prepared in accordance with GAAP or as a measure of Holdings profitability. Additionally, Holdings 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 fashion.

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

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)			
Revenues from external customers:				
Fresh fruit	$ 1,221,433	$ 1,466,922	$ 2,343,415	$ 2,695,450
Fresh vegetables	258,087	279,643	491,529	510,672
Packaged foods	234,892	248,118	475,742	516,623
Hotel and Wellness Center	8,479	10,622	15,943	20,564
Corporate	310	260	626	543
	$ 1,723,201	$ 2,005,565	$ 3,327,255	$ 3,743,852

DHM HOLDING COMPANY, INC.

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

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(In thousands)			
EBIT:				
Fresh fruit	$ 96,466	$ 131,266	$ 195,288	$ 184,153
Fresh vegetables	(3,509)	1,531	12,964	(1,939)
Packaged foods	23,998	6,814	45,888	30,999
Hotel and Wellness Center	(6,368)	(6,392)	(12,938)	(13,520)
Total operating segments	110,587	133,219	241,202	199,693
Corporate:				
Unrealized gain (loss) on cross currency swap	(24,419)	19,001	(6,703)	(13,353)
Operating and other expenses	(12,681)	(9,847)	(19,908)	(24,085)
Corporate	(37,100)	9,154	(26,611)	(37,438)
Interest expense	(51,855)	(43,402)	(91,003)	(90,142)
Income taxes	(8,083)	72,451	(15,229)	66,701
Income from continuing operations	$ 13,549	$ 171,422	$ 108,359	$ 138,814

Holdings equity earnings in unconsolidated subsidiaries, which have been included in EBIT in the table above, relate primarily to the fresh fruit operating segment.

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

	June 20, 2009	January 3, 2009
	(In thousands)	
Total assets:		
Fresh fruit	$ 2,293,130	$ 2,322,899
Fresh vegetables	389,331	460,221
Packaged foods	663,420	686,801
Hotel and Wellness Center	340,296	352,056
Total operating segments	3,686,177	3,821,977
Corporate	865,400	832,824
Fresh-cut flowers discontinued operation	12,639	61,989

	$ 4,564,216	$ 4,716,790

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 June 20, 2009, guarantees of $1.8 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.

Table of Contents

DHM HOLDING COMPANY, INC.

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

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 20, 2009, total letters of credit, bank guarantees and bonds outstanding under these arrangements were $205.7 million, of which $97 million was issued under its pre-funded letter of credit facility.

Dole also provides various guarantees, mostly to foreign banks, in the course of it normal business operations to support the borrowings, leases and other obligations of its subsidiaries. Dole guaranteed $213.2 million of its subsidiaries obligations to their suppliers and other third parties as of June 20, 2009.

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.

Holdings is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Holdings 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 Holdings is a party are not expected to have a material adverse effect, individually or in the aggregate, on Holdings financial condition or results of operations.

DBCP Cases: A significant portion of Holdings 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 Dow and Shell 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 245 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 111 labor cases pending in Costa Rica under that country s national insurance program.

Thirty of the 245 lawsuits are currently pending in various jurisdictions in the United States. On June 17, 2009, Los Angeles Superior Court Judge Chaney formalized her April 23, 2009 oral ruling by

DHM HOLDING COMPANY, INC.

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

issuing written Findings of Fact and Conclusions of Law, formally ordering dismissal with prejudice of the two remaining lawsuits brought on behalf of Nicaraguan plaintiffs who had falsely claimed they were sterile as a result of exposure to DBCP on Dole-contracted Nicaraguan banana farms, finding that the plaintiffs, and certain of their attorneys, fabricated their claims, engaged in a long-running conspiracy to commit a fraud on the court, used threats of violence to frighten witnesses and suppress the truth, and conspired with corrupt Nicaraguan judges, depriving Dole and the other companies of due process. On June 9, 2009, the First Circuit Court of Hawaii dismissed the Patrickson case, which had involved ten plaintiffs from Honduras, Costa Rica, Ecuador and Guatemala, finding that their DBCP claims were time-barred by the statute of limitations. In seven cases pending in Los Angeles involving 672 claimants from Ivory Coast, where Dole did not operate when DBCP was in use, plaintiffs counsel, on July 17, 2009, has filed a motion to withdraw as counsel of record in response to a witness who has come forward alleging fraud. The remaining cases are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately $44.2 billion, with lawsuits in Nicaragua representing approximately 88% 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.

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 were 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 plaintiffs. On July 7, 2009, the Second District Court 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 are 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 a hearing to decide whether the judgment was 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.

In Nicaragua, 196 cases are currently filed (of which 20 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 39 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 recently 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.

F-126

DHM HOLDING COMPANY, INC.

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

Of the 20 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 20 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 has 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 has appointed a special prosecutor.

There is one case pending in the U.S. District Court in Miami, Florida seeking enforcement of the August 8, 2005 $98.5 million Nicaraguan judgment. Commencing on September 1, 2009, there will be an evidentiary hearing to consider Dole s request that the Court deny enforcement of this judgment, contending that Nicaragua s judicial system does not provide due process or an impartial judiciary, which also lacks transparency and is corrupt. Miami District Court Judge Paul C. Huck is already aware of the evidence of fraud detailed in Judge Chaney s June 17, 2009 written Findings of Fact and Conclusions of Law.

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 ordered the plaintiffs to properly serve the defendants, or have their request for recognition of these Nicaragua judgments dismissed. 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.

Holdings 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

Table of Contents

DHM HOLDING COMPANY, INC.

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

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 Holdings financial condition 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. Los Angeles Superior Court Judge Chaney had 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 these 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 Holdings financial condition or results of operations.

European Union Antitrust Inquiry: 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 European Commission 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.

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. Dole continues to cooperate with the EC s requests for information.

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

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 our interest in Cervecería Hondureña, 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

DHM HOLDING COMPANY, INC.

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

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 Holdings financial condition or results of operations.

NOTE 12 ASSETS HELD-FOR-SALE

Holdings continuously reviews its assets in order to identify those assets that do not meet Holdings future strategic direction or internal economic return criteria. As a result of this review, Holdings has identified and is in the process of selling specific businesses and long-lived assets. In accordance with FAS 144, Holdings has reclassified these assets as held-for-sale.

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 3, 2009	$ 98,105	$ 38,600	$ 4,182	$ 61,989	$ 202,876
Additions	1,611				1,611
Sales	(24,438)	(35,349)	(968)	(49,350)	(110,105)
Balance as of June 20, 2009	$ 75,278	$ 3,251	$ 3,214	$ 12,639	$ 94,382

At June 20, 2009, assets held-for-sale related primarily to property, plant and equipment, net of accumulated depreciation.

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

Fresh Vegetables	Packaged Foods	Fresh-Cut Flowers Discontinued Operation	Total Liabilities Held-For-Sale

	Fresh Fruit				
			(In thousands)		
Balance as of January 3, 2009	$ 5,247	$	$	$ 45,218	$ 50,465
Additions	2,115				2,115
Sales	(5,247)			(45,218)	(50,465)
Balance as of June 20, 2009	$ 2,115	$	$	$	$ 2,115

Holdings received total cash proceeds of approximately $84 million on assets sold during the half year ended June 20, 2009, which had been classified as held-for-sale. The total realized gain recorded on assets classified as held-for-sale was $18.1 million for the half year ended June 20, 2009, which included $1.3 million related to the fresh-cut flowers discontinued operation. Realized gains related to

DHM HOLDING COMPANY, INC.

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

continuing operations for the half year ended June 20, 2009, of $16.8 million, are shown as a separate component of operating income in the condensed consolidated statement of operations.

Fresh Fruit

During the second quarter of 2009, Holdings reclassified one Chilean farm and the assets and liabilities of an Italian port operation to held-for-sale.

Holdings completed the sale of a portion of its Latin American banana operations during January 2009. Net proceeds from the sale totaled approximately $25.8 million. To date, Holdings has collected $18 million in cash ($2 million in 2008 and $16 million in 2009) and has recorded a $7.8 million receivable which will be collected through January 2010. Holdings also sold a wood box plant in Chile for $0.6 million. Total realized gains recorded on these sales approximated $6.7 million for the half year ended June 20, 2009.

2009 Sales Activity

During the third quarter of 2009, Holdings signed definitive sale agreements to sell some operating properties located in Latin America for approximately $68 million. As of June 20, 2009, the assets and liabilities of these operating properties have not been included in assets or liabilities held-for-sale. Additionally during the third quarter of 2009, Holdings signed a letter of intent to sell an operating property in Chile for approximately $32 million. The sale of these operating properties are expected to close by the end of fiscal 2009.

Fresh Vegetables

During the first quarter of 2009, Holdings completed the sale of 1,100 acres of property located in California. Holdings received net cash proceeds of $44.5 million and recorded a gain on the sale of $9.2 million, which is included in gain on asset sales in the condensed consolidated statement of operations for the half year ended June 20, 2009.

Packaged Foods

During the first half of 2009, Holdings sold approximately 160 acres of peach orchards located in California for approximately $1.9 million and recorded a gain on the sale of $0.9 million.

Fresh-Cut Flowers Discontinued Operation

During January 2009, the first phase of the Flowers transaction was completed. Holdings only retains some of the real estate of the former flowers divisions to be sold in the subsequent phases of the transaction. Net proceeds from the sale totaled approximately $29.3 million. Of this amount, $21 million was collected in cash and the remaining $8.3 million was recorded as a receivable, which will be repaid during January 2011. Holdings recorded a gain on the sale of $1.3 million, which is included as a component of gain on disposal from discontinued operations, net of income taxes in the condensed consolidated statement of operations for the half year ended June 20, 2009.

NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

Holdings 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, Holdings uses derivative instruments to hedge certain foreign currency, bunker fuel and interest rate exposures. Holdings objective is to offset gains and losses resulting from these exposures

DHM HOLDING COMPANY, INC.

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

with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings. Holdings does not hold or issue derivative financial instruments for trading or speculative purposes.

All of Holdings derivative instruments, with the exception of the interest rate swap, are not designated as effective hedges of cash flows as defined by Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* (FAS 133). The interest rate swap is accounted for as a cash flow hedge under FAS 133 and accordingly, unrealized gains or losses are recorded as a component of accumulated other comprehensive income (loss) (AOCI) in the condensed consolidated balance sheets.

Holdings 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 1.1% as of June 20, 2009, with an outstanding notional amount of $320 million.

Holdings executed a cross currency swap during 2006 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 ¥111.9.

During the second quarter of 2009, Holdings amended its cross currency and interest rate swap agreements. The amendments removed early termination provisions which would have allowed the counterparty to settle the swaps at certain specified dates prior to maturity. In addition, the rate at which payments under the cross currency swap were converted from U.S. dollars to Japanese yen increased to ¥114.9 from ¥111.9. In connection with these amendments, Holdings also entered into a collateral arrangement which requires Holdings to provide collateral to its counterparties when the fair market value of the cross currency and interest rate swap exceed a combined liability of $35 million. The measurement date for the collateral required at June 20, 2009 was June 16, 2009, and the fair value of the swaps at the measurement date was a liability of approximately $76 million. Holdings provided cash collateral of $6.1 million, which was recorded as restricted deposits in the condensed consolidated balance sheet, and the remaining $35 million of collateral was issued through letters of credit.

At June 20, 2009, the exchange rate of the Japanese yen to U.S. dollar was ¥96.5. 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.

DHM HOLDING COMPANY, INC.

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

At June 20, 2009, the gross notional value and fair market value of Holdings derivative instruments were as follows:

	Average Strike Price	Notional Amount	Derivative Assets (Liabilities) Balance Sheet Classification		Fair Market Value
			(In thousands)		
Derivatives designated as hedging instruments:					
Interest rate swap		$320,000	Other long-term liabilities	$	(23,253)
Derivatives not designated as hedging instruments:					
Foreign currency hedges (Buy/Sell):					
U.S. Dollar/Euro	EUR 1.44	48,354	Receivables, net	$	1,990
U.S. Dollar/Canadian Dollar	CAD 1.12	10,706	Receivables, net		104
Chilean Peso/U.S. Dollar	CLP 671	9,989	Receivables, net		2,588
U.S. Dollar/Japanese Yen	JPY 101.2	171,249	Accrued Liabilities		(2,801)
Philippine Peso/U.S. Dollar	PHP 47.9	21,407	Accrued Liabilities		(452)
Cross currency swap interest			Receivables, net		1,815
Cross currency swap		320,000	Other long-term liabilities		(49,007)
Bunker fuel hedges	$277	26,544	Receivables, net		2,765
	(per metric ton)	(metric tons)			
Total derivatives not designated as hedging instruments					(42,998)
Total				$	(66,251)

Settlement of the foreign currency and bunker fuel hedges will occur during 2009 and 2010.

The effect of the interest rate swap on the condensed consolidated balance sheet and statement of operations for the quarter and half year ended June 20, 2009 was as follows:

Gain Recognized in AOCI as of	Losses Reclassified into Income

	June 20, 2009	Income Statement Classification	Quarter Ended	Half Year Ended
			(In thousands)	
Derivatives designated as hedging instruments:				
Interest rate swap	$ 4,859	Interest expense	$ 3,461	$ 4,007

F-132

Table of Contents

DHM HOLDING COMPANY, INC.

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

Unrecognized losses of $13 million related to the interest rate swap are expected to be realized into earnings over the next twelve months. These losses will be primarily offset by gains related to the cross currency swap.

Net unrealized gains (losses) and realized gains (losses) on derivatives not designated as hedging instruments for the quarters and half years ended June 20, 2009 and June 14, 2008 were as follows:

		Quarter Ended			
		Unrealized Gains (Losses)		Realized Gains (Losses)	
	Income Statement Classification	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
		(In thousands)			
Derivatives not designated as hedging instruments:					
Foreign currency exchange contracts	Cost of revenues	$ (2,011)	$ 6,968	$ 1,049	$ (5,998)
Bunker fuel contracts	Cost of revenues	3,101	3,613	(250)	711
Cross currency swap	Other income (expense), net	(24,419)	19,001	2,621	2,696
Total		$ (23,329)	$ 29,582	$ 3,420	$ (2,591)

		Half Year Ended			
		Unrealized Gains (Losses)		Realized Gains (Losses)	
	Income Statement Classification	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
		(In thousands)			
Derivatives not designated as hedging instruments:					
Foreign currency exchange contracts	Cost of revenues	$ 7,491	$ 3,175	$ 1,295	$ (8,971)
Bunker fuel contracts	Cost of revenues	6,342	4,051	(2,784)	1,798
Cross currency swap	Other income (expense), net	(6,703)	(13,353)	4,941	5,619
Total		$ 7,130	$ (6,127)	$ 3,452	$ (1,554)

NOTE 14 FAIR VALUE MEASUREMENTS

Holdings financial instruments primarily comprise 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 credit facility, and notes and debentures. For short-term instruments, the carrying amount approximates fair value because of the short maturity of these instruments. For the other long-term financial instruments, excluding Dole s secured and unsecured notes and debentures, and term loans, the carrying amount approximates the fair value since they bear interest at variable rates or fixed rates which approximate market.

Holdings adopted FAS No. 157, *Fair Value Measurements* (FAS 157) as of December 30, 2007 for financial assets and liabilities measured on a recurring basis. Holdings adopted FAS 157 for all nonfinancial assets and liabilities at the beginning of fiscal year 2009. FAS 157 establishes a fair value

Table of Contents

DHM HOLDING COMPANY, INC.

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

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 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 fair values of Holdings 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. Holdings recorded a credit valuation adjustment at June 20, 2009 which reduced the derivative liability balances. The credit valuation adjustment was $3.2 million and $16.3 million at June 20, 2009 and January 3, 2009, respectively. The net change in the credit valuation adjustment resulted in a loss of $13.1 million during the half year ended June 20, 2009. Of this loss, $1.6 million was recorded as interest expense and $11.5 million was recorded as other income (expense), net. For the quarter ended June 20, 2009, the net change in the credit valuation adjustment resulted in a loss of $5.6 million. Of this loss, $1 million was recorded as interest expense and $4.6 million was recorded as other income (expense), net.

The following table provides a summary of the fair values of assets and liabilities under the FAS 157 hierarchy:

	June 20, 2009	Fair Value Measurements at June 20, 2009 Using Significant Other Observable Inputs (Level 2)	Fair Value Measurements at June 20, 2009 Using Significant Unobservable Inputs (Level 3)
		(In thousands)	
Assets and Liabilities Measured on a Recurring Basis			
Assets:			
Foreign currency exchange contracts	$ 4,682	$ 4,682	$
Bunker fuel contracts	2,765	2,765	
	$ 7,447	$ 7,447	$
Liabilities:			
Foreign currency exchange contracts	$ 3,253	$ 3,253	$

Interest rate swap	23,253		23,253	
Cross currency swap	47,192		47,192	
	$ 73,698	$	73,698	$
Assets Measured on a Nonrecurring Basis				
Distrifruit assets	$ 10,037	$		$ 10,037

Table of Contents

DHM HOLDING COMPANY, INC.

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

Nonfinancial Items Measured at Fair Value on a Nonrecurring Basis

Nonfinancial assets such as goodwill and indefinite-lived intangible assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. Holdings performed a goodwill and indefinite-lived intangible asset impairment analysis during the second quarter of 2009 and determined that its goodwill and indefinite-lived intangible assets were not impaired at June 20, 2009.

The goodwill and indefinite-lived intangible asset impairment analysis was performed using a combination of discounted cash flow models and market multiples. As discussed in Note 7, the fair value of the Distrifruit business was also determined based on a discounted cash flow model. The discounted cash flow models used estimates and assumptions including pricing and volume data, anticipated growth rates, profitability levels, tax rates and discount rates.

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. Holdings has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose Holdings 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. Holdings does not anticipate any such losses.

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 value and estimated fair values of Dole s debt is summarized below:

	June 20, 2009		January 3, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Secured and unsecured notes and debentures	$ 1,087,903	$ 1,091,559	$ 1,100,000	$ 809,400
Term loans	828,297	828,297	835,444	585,855

Refer to Note 16 Hotel and Wellness Center, for further information on the fair value of debt of the Hotel and Wellness Center.

DHM HOLDING COMPANY, INC.

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

NOTE 15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share including a reconciliation of the numerator and denominator are as follows:

	Quarter Ended		Half Year Ended	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
	(Amounts in thousands)			
Numerator:				
Income (loss) from continuing operations	$ 13,549	$ 171,422	$ 108,359	$ 138,814
Income from discontinued operations	265	4,318	387	1,497
Gain on disposal of discontinued operations			1,308	
Net (income) loss attributable to noncontrolling interests	(26)	300	59	703
Net income attributable to DHM Holding Company, Inc.	$ 13,788	$ 176,040	$ 110,113	$ 141,014
Denominator:				
Basic and Diluted weighted average shares outstanding	1	1	1	1
Basic and Diluted Earnings Per Share:				
Income from continuing operations	$ 14	$ 171	$ 108	$ 139
Income from discontinued operations		5	1	1
Gain on sale of discontinued operations			1	
Net income attributable to noncontrolling interests				1
Net income attributable to DHM Holding Company, Inc.	$ 14	$ 176	$ 110	$ 141

NOTE 16 HOTEL AND WELLNESS CENTER

WWP, a Delaware limited liability company, operates pursuant to an operating agreement (the Operating Agreement) between Holdings and Arcus Enterprises, Inc., a Delaware corporation (collectively, the Members). WWP operates and owns a hotel and wellbeing center located in Westlake Village, California. The hotel facilities consist of a 269-room five star hotel (the Hotel) and a full-service spa and fitness center. WWP also operates and owns a TV production facility and a separate conference center that focuses on health and wellbeing programming and awareness. In addition, the WWP leases space to a health and longevity institute clinic containing a medical and diagnostic and imaging suite.

The Hotel is managed by Four Seasons Hotels limited (Four Seasons) pursuant to a hotel management agreement that expires 10 years from the opening date of the Hotel, subject to seven 10-year extensions at the option of Four Seasons. Pursuant to the Management Agreement, Four Seasons provides services to the Hotel. Amounts charged by Four

Seasons to Holdings for these services were immaterial for all periods presented.

Under the provisions of FAS 144, long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment currently exist with respect to the long-lived assets of WWP including evidence that a significant decline in market value due to currently depressed market conditions has occurred as well as recent operating losses sustained by the WWP entity. Holdings has performed an undiscounted

Table of Contents

DHM HOLDING COMPANY, INC.

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

cash flow test consistent with the provisions of FAS 144 during the week of September 7, 2009. Significant assumptions with respect to this impairment test include the useful life of the primary asset, capital expenditures required to maintain the asset group, the mature level of occupancy and daily room rental rates of the Hotel and Wellness Center given WWP began operations in late 2006, and future required staffing and other costs. Holdings has evaluated these assumptions and the resulting projections of future undiscounted cash flows of WWP in view of the currently depressed market conditions and in comparison with the results of other comparable properties in performing its impairment test. Holdings impairment test indicates that WWP s undiscounted cash flows exceed the carrying value of its long-lived assets and accordingly no impairment is required.

Hotel and Wellness Center Senior Secured Credit Facility

Long-term debt related to the senior secured credit facility at June 20, 2009 and January 3, 2008 consisted of the following:

	June 20, 2009	January 3, 2009
	(In thousands)	
Senior credit facility of DHM Holding Company, Inc	$ 135,000	$ 135,000
Less: current maturities	(135,000)	(20,000)
Total long-term debt	$	$ 115,000

Senior Credit Facility: Holdings is the borrower under a $135 million senior credit facility (the DHM Loan), which matures on March 3, 2010. WWP, Mr. David H. Murdock, individually, the David H. Murdock Living Trust, and a company controlled by Mr. David H. Murdock, are guarantors of the DHM Loan. Should Holdings not repay amounts owed under the DHM Loan, the creditors under the DHM Loan have the right to demand repayment of the outstanding borrowings from any or all of the guarantors. The Hotel and Wellness Center property and equipment, which is pledged as collateral for the DHM Loan, as well as cash flows generated from the Hotel and Wellness Center operations, could be used as a source to repay amounts owed under the DHM Loan. Other entities controlled either directly or indirectly by Holdings could also be used as a source to repay amounts owed under the DHM Loan. However, certain legal restrictions and other unrelated debt obligations owed by these other entities could prevent these other entities from providing a source of repayment, whether through liquidation of assets or cash flows from operations.

In March 2008, Holdings amended and restated the DHM Loan whereby payments totaling $45 million were made to reduce the principal balance. The terms of the amended and restated DHM Loan required a $20 million reduction of principal in June 2009, with the remaining principal balance due in March 2010. The $20 million principal payment was made during June 2009. Under the terms of the amended and restated DHM Loan, the senior credit facility commitment was reduced from $180 million to $135 million, effectively resulting in no additional borrowing availability under the amended and restated DHM Loan as of the date of the refinancing. Holdings was also required

to fund $2 million in an interest reserve account, which is presented as a restricted cash deposit in the accompanying condensed consolidated balance sheets as of June 20, 2009 and January 3, 2009.

At June 20, 2009 and January 3, 2009, total borrowings under the DHM Loan were $135 million. The DHM Loan bears interest at the Prime Lending Rate, plus a margin ranging from 2.00% to 3.00%, dependent upon the borrowing availability of the DHM Loan. At June 20, 2009 and January 3, 2009, the effective interest rates were 3.70% and 4.195%, respectively. Total interest expense incurred

Table of Contents

DHM HOLDING COMPANY, INC.

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

under the DHM Loan during the half years ended June 20, 2009 and June 14, 2008, was $2.5 million and $4.5 million, respectively.

WWP amortized deferred debt issuance costs of $0.3 million and $0.6 million during the quarter and half year ended June 20, 2009, respectively. WWP amortized deferred debt issuance costs of $0.3 million and $0.8 million during the quarter and half year ended June 14, 2008, respectively.

Covenants under the DHM Loan required to be maintained by Holdings consisted of a number of restrictive financial covenants, including minimum net worth and debt service coverage ratios, and nonfinancial covenants. At June 20, 2009, Holdings was in compliance with these covenants. Any default under the DHM loan would result in a default under Dole s senior secured credit facilities under the existing cross default and cross acceleration provisions set forth in these senior secured credit facilities.

The carrying value of the DHM loan approximates its fair value since the long-term debt bears interest at a variable rate, which approximates fair value.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of DHM Holding Company, Inc.:

We have audited the accompanying consolidated balance sheets of DHM Holding Company, Inc. and subsidiaries (the Company) as of January 3, 2009 and December 29, 2007, and the related consolidated statements of operations, shareholders equity, and cash flows for the years ended January 3, 2009, December 29, 2007, and December 30, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 3, 2009 and December 29, 2007, and the results of its operations and its cash flows for the years ended January 3, 2009, December 29, 2007, and December 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, at the beginning of its fiscal 2009 year. Additionally, the Company adopted a new accounting standard for fair value measurements during the year ended January 3, 2009, new accounting standards for uncertainty in income taxes and planned major maintenance activities effective at the beginning of its fiscal 2007 year, and effective December 30, 2006, a new accounting standard for retirement benefits.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
September 18, 2009

Table of Contents

DHM HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended January 3, 2009, December 29, 2007 and December 30, 2006

	2008	2007	2006
		(In thousands)	
Revenues, net	$ 7,659,748	$ 6,856,546	$ 5,993,098
Cost of revenues	(6,909,287)	(6,235,310)	(5,422,927)
Gross margin	750,461	621,236	570,171
Selling, marketing and general and administrative expenses	(530,805)	(506,168)	(452,154)
Gain on asset sales (Note 9)	26,976		
Operating income	246,632	115,068	118,017
Other income (expense), net	(14,066)	1,847	8,002
Interest income	6,530	7,999	8,097
Interest expense	(184,895)	(208,734)	(172,421)
Income (loss) from continuing operations before income taxes and equity earnings	54,201	(83,820)	(38,305)
Income taxes	60,906	11,980	(15,399)
Equity in earnings of unconsolidated subsidiaries	6,388	1,696	177
Income (loss) from continuing operations	121,495	(70,144)	(53,527)
Loss from discontinued operations, net of income taxes	(27,391)	(15,719)	(50,386)
Gain on disposal of discontinued operations, net of income taxes	3,315		2,814
Net income (loss)	97,419	(85,863)	(101,099)
Less: Net (income) loss attributable to noncontrolling interests	2,201	1,726	(559)
Net income (loss) attributable to DHM Holding Company, Inc.	$ 99,620	$ (84,137)	$ (101,658)
Earnings per share Basic and Diluted:			
Income (loss) from continuing operations	$ 121	$ (70)	$ (54)
Net income (loss) attributable to DHM Holding Company, Inc.	$ 100	$ (84)	$ (102)

See Notes to Consolidated Financial Statements

Table of Contents

DHM HOLDING COMPANY, INC.

CONSOLIDATED BALANCE SHEETS
As of January 3, 2009 and December 29, 2007

	2008	2007
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 90,945	$ 98,957
Receivables, net of allowances of $41 million and $62 million, respectively	809,373	842,587
Inventories	796,996	751,881
Prepaid expenses	70,334	71,808
Deferred income tax assets	21,273	12,085
Assets held-for-sale (Note 9)	202,876	76,244
Total current assets	1,991,797	1,853,562
Restricted deposits	2,000	
Investments	73,085	69,336
Property, plant and equipment, net of accumulated depreciation of $1.03 billion and $0.98 billion, respectively	1,050,331	1,340,139
Hotel and Wellness Center property and equipment, net of accumulated depreciation of $37 million and $19 million, respectively (Note 22)	344,518	361,079
Goodwill	406,540	509,518
Intangible assets, net	708,458	721,790
Other assets, net	140,061	156,407
Total assets	$ 4,716,790	$ 5,011,831
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	$ 512,374	$ 545,069
Liabilities held-for-sale (Note 9)	50,465	
Accrued liabilities	500,362	524,386
Current portion of long-term debt	356,748	14,171
Current portion of Hotel and Wellness Center long term-debt (Note 22)	20,000	45,000
Notes payable	48,789	83,018
Total current liabilities	1,488,738	1,211,644
Long-term debt	1,798,556	2,316,208
Hotel and Wellness Center long-term debt (Note 22)	115,000	134,261
Deferred income tax liabilities	222,795	259,307
Other long-term liabilities	414,063	533,518
Commitments and contingencies (Notes 16 and 18)		
Shareholders equity		
Common stock $0.001 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in capital	475,210	412,878

Retained earnings	166,654	67,034
Accumulated other comprehensive loss	(42,903)	(16)
Equity attributable to DHM Holding Company, Inc.	598,961	479,896
Equity attributable to noncontrolling interests	78,677	76,997
Total shareholders equity	677,638	556,893
Total liabilities and shareholders equity	$ 4,716,790	$ 5,011,831

See Notes to Consolidated Financial Statements

Table of Contents

DHM HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended January 3, 2009, December 29, 2007 and December 30, 2006

	2008	2007	2006
		(In thousands)	
Operating Activities			
Net income (loss)	$ 97,419	$ (85,863)	$ (101,099)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	157,256	173,160	150,771
Net unrealized (gains) losses on financial instruments	25,086	31,473	(10,671)
Asset write-offs and net (gain) loss on sale of assets	(50,751)	6,826	(1,814)
Impairment of discontinued operations	17,000		22,574
Noncontrolling interests in discontinued operations and gain on disposal of discontinued operations, net of income taxes	12,760	400	2,331
Equity in earnings of unconsolidated subsidiaries	(6,388)	(1,696)	(177)
Amortization of debt issuance costs	5,499	5,449	5,354
Write-off of debt issuance costs			9,134
Noncash interest expense on Hotel and Wellness Center long-term debt	739	12,420	2,383
Provision for deferred income taxes	(56,011)	(51,966)	(30,361)
Unrecognized tax benefits on federal income tax audit settlement (Note 7)	(60,906)		
Pension and other postretirement benefit plan expense	21,656	19,539	15,383
Gain on settlement of Hurricane Katrina		(5,200)	
Other	(128)	503	2,063
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:			
Receivables	(35,778)	(68,965)	(50,836)
Inventories	(58,626)	(96,228)	(49,830)
Prepaid expenses and other assets	(11,418)	(9,501)	(2,935)
Income taxes	27,641	13,573	19,542
Accounts payable	29,876	87,685	399
Accrued liabilities	(44,929)	27,265	28,450
Other long-term liabilities	(41,421)	(25,749)	(12,879)
Cash flow provided by (used in) operating activities	28,576	33,125	(2,218)
Investing Activities			
Proceeds from sales of assets and businesses, net of cash disposed	226,483	41,718	31,273
Hurricane Katrina insurance proceeds		5,200	
Acquisitions and investments, net of cash acquired			(22,950)
Capital additions	(85,096)	(106,821)	(125,056)
Capital additions for Hotel and Wellness Center	(2,256)	(40,271)	(168,108)
	(2,000)		

Payment of restricted deposit for Hotel and Wellness Center long-term debt			
Proceeds from liquidation of Hotel and Wellness Center restricted cash		4,000	
Repurchase of common stock in going-private merger transaction	(245)	(1,480)	(267)
Repayment of employee notes receivable			(390)
Cash flow provided by (used in) investing activities	136,886	(97,654)	(285,498)
Financing Activities			
Short-term debt borrowings	94,943	119,389	101,381
Short-term debt repayments	(132,266)	(91,176)	(52,872)
Long-term debt borrowings, net of debt issuance costs	1,348,050	1,167,530	2,260,545
Long-term debt repayments	(1,482,800)	(1,169,213)	(2,119,698)
Long-term debt borrowings for Hotel and Wellness Center, net of debt issuance costs			157,282
Long-term debt repayments for Hotel and Wellness Center	(47,439)		
Capital contribution from parent	62,558		
Capital contribution from WWP noncontrolling shareholder	5,344	11,856	16,917
Proceeds from Hotel and Wellness Center related party notes payable		2,000	
Repayment of Hotel and Wellness Center related party notes payable	(2,000)		
Dividends paid to noncontrolling shareholders	(13,447)	(10,485)	(1,834)
Cash flow provided by (used in) financing activities	(167,057)	29,901	361,721
Effect of foreign currency exchange rate changes on cash	(6,417)	3,663	1,849
Increase (decrease) in cash and cash equivalents	(8,012)	(30,965)	75,854
Cash and cash equivalents at beginning of period	98,957	129,922	54,068
Cash and cash equivalents at end of period	$ 90,945	$ 98,957	$ 129,922

See Notes to Consolidated Financial Statements

Table of Contents

DHM HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended January 3, 2009, December 29, 2007 and December 30, 2006 (Continued)

Supplemental cash flow information

At January 3, 2009, December 29, 2007 and December 30, 2006, accounts payable included approximately $6.7 million, $17.8 million and $52.2 million, respectively, for capital expenditures. Of the $17.8 million of capital expenditures included in accounts payable at December 29, 2007, approximately $16.7 million had been paid during fiscal 2008. Of the $52.2 million of capital expenditures included in accounts payable at December 30, 2006, approximately $51.6 million had been paid during fiscal 2007.

Income tax payments, net of refunds, for the years ended January 3, 2009, December 29, 2007 and December 30, 2006 were $15.5 million, $23.7 million and $25.7 million, respectively.

Interest payments on borrowings totaled $183.5 million, $189.5 million and $163.8 million during the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

During the year ended January 3, 2009, Holdings recorded $77.8 million of tax related adjustments that resulted from changes to unrecognized tax benefits that existed at the time of the going-private merger transaction. This tax-related adjustment resulted in a decrease to goodwill and a decrease to the liability for unrecognized tax benefits. Refer to Note 7 Income Taxes for additional information.

See Notes to Consolidated Financial Statements

Table of Contents

DHM HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
For the Years Ended January 3, 2009, December 29, 2007 and December 30, 2006

	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	Comprehe Income (Loss)
				(In thousands)					
ance at ember 31, 2005	$	$ 412,003	$ 226,394	$ (22,735)	$ 3,433	$ 2,822	$ 47,437	$ 669,354	
loss			(101,658)				559	(101,099)	$ (101,0
controlling rests in ontinued rations							2,331	2,331	
dends paid							(1,834)	(1,834)	
ealized foreign ency translation hedging gains ses)					17,557	(3,965)	53	13,645	13,6
lassification of zed gains to net						(3,204)		(3,204)	(3,2
nge in employee efit plans, net of me taxes				(4,799)				(4,799)	(4,7
ustment to adopt 158, net of me taxes				(3,246)				(3,246)	
ital contribution n noncontrolling eholder							16,917	16,917	

er							94	94	
ance at ember 30, 2006	$	$ 412,003	$ 124,736	$ (30,780)	$ 20,990	$ (4,347)	$ 65,557	$ 588,159	$ (95,4
income (loss)			(84,137)				(1,726)	(85,863)	$ (85,8
controlling rests in ontinued rations							400	400	
dends paid							(10,485)	(10,485)	
ealized foreign ency translation hedging gains ses)					21,271	(1,362)	57	19,966	19,9
lassification of zed gains to net						(9,816)		(9,816)	(9,8
nge in employee efit plans, net of me taxes				4,028				4,028	4,0
48 adoption			26,435					26,435	
n on sale of land ffiliate, net of me taxes		875					11,338	12,213	
ital contribution n noncontrolling eholder							11,856	11,856	
ance at ember 29, 2007	$	$ 412,878	$ 67,034	$ (26,752)	$ 42,261	$ (15,525)	$ 76,997	$ 556,893	$ (71,6
income			99,620				(2,201)	97,419	$ 97,4
controlling rests in ontinued rations							481	481	

controlling rests gain on sale iscontinued rations							12,279	12,279	
dends paid							(14,108)	(14,108)	
ealized foreign ency translation hedging losses					(17,452)	(18,877)	(19)	(36,348)	(36,3
lassification of zed losses to net me						5,272		5,272	5,2
nge in employee efit plans, net of me taxes				(12,580)				(12,580)	(12,5
iness dispositions				(1,628)	2,378			750	7
s on sale of land ffiliate, net of me taxes		(226)					(96)	(322)	
ital contribution n parent		62,558						62,558	
ital contribution n noncontrolling eholder							5,344	5,344	
ance at January 3, 9	$	$ 475,210	$ 166,654	$ (40,960)	$ 27,187	$ (29,130)	$ 78,677	$ 677,638	$ 54,5

See Notes to Consolidated Financial Statements

F-144

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

DHM Holding Company, Inc. (Holdings) wholly owns Dole Food Company, Inc. (Dole) and owns 85% of Westlake Wellbeing Properties, LLC (WWP or the Hotel and Wellness Center). Refer to Note 22 Hotel and Wellness Center, for further information on the nature of Hotel and Wellness Center operations. In connection with the consummation of the proposed initial public offering of Dole common stock, as discussed below in greater detail, a series of related transactions will be undertaken that will result in the following: Holdings will be merged down into Dole and Holdings will cease to exist as a separate entity, the 85% interest in WWP will be transferred out to another entity owned by David H. Murdock and so will not be any part of the ongoing operations of Dole, and all existing cross-default and cross-acceleration provisions will be eliminated between Dole s senior secured facilities, on the one hand, and currently existing Holdings debt associated with WWP and certain indebtedness of an affiliate of Holdings, on the other hand.

Dole was incorporated under the laws of Hawaii in 1894 and was reincorporated under the laws of Delaware in July 2001.

Dole is engaged in the worldwide sourcing, processing, distributing and marketing of high quality, branded food products, including fresh fruit and vegetables, as well as packaged foods.

The operations of Dole are conducted throughout North America, Latin America, Europe (including eastern European countries), Asia (primarily in Japan, Korea, the Philippines and Thailand), the Middle East and Africa (primarily in South Africa). As a result of its global operating and financing activities, Dole is exposed to certain risks including changes in commodity pricing, fluctuations in interest rates, fluctuations in foreign currency exchange rates, as well as other environmental and business risks in both sourcing and selling locations.

Dole s principal products are produced on both Dole-owned and leased land and are also acquired through associated producer and independent grower arrangements. Dole s products are primarily packed and processed by Dole and sold to wholesale, retail and institutional customers and other food product companies.

In March 2003, Dole completed a going-private merger transaction (going-private merger transaction). The privatization resulted from the acquisition by David H. Murdock, Dole s Chairman, of the approximately 76% of the shares of the common stock of Dole that he and his affiliates did not already own. As a result of the transaction, Dole became wholly-owned by Mr. Murdock through Holdings.

Proposed Initial Public Offering Transaction: It is currently expected that immediately prior to the closing of the proposed initial public offering of shares of Dole common stock (IPO Transaction), the registration statement process of which commenced in August 2009 that Holdings will be merged into Dole in a downstream merger to be accounted for as a common control merger under the provisions of FAS 141R. Immediately following the contemplated merger transaction, the entire interest in WWP held by post-merger Dole will be transferred to another entity owned by David H. Murdock (MURCO). The transfer of WWP to MURCO will be accounted for as a common control transfer at carryover basis consistent with the provisions of FAS 141R. Further, WWP long-lived assets will continue to be treated under a held and used model under FAS 144 in the contemplated transfer to MURCO. Subsequent to the transfer of WWP to MURCO, the results of WWP will be presented as a discontinued operation of the merged entity given WWP will not be a part of the ongoing operations of such entity. Dole is also contemplating the offering of at least $300 million of senior secured notes due 2016 with the proceeds used to refinance a portion of the senior notes

due 2010 Notes. Additionally, Dole intends to complete other transactions upon consummation of the IPO Transaction that will result in the elimination of all other cross-default and cross acceleration provisions that exist between Dole s senior secured facilities and certain indebtedness of Holdings and its affiliates. See Note 12 Notes

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Payable and Long-Term Debt for discussion of existing cross-default and cross acceleration provisions.

Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Basis of Consolidation: Holdings consolidated financial statements include the accounts of Dole and its consolidated subsidiaries and the accounts of WWP and its consolidated subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Annual Closing Date: Holdings fiscal year ends on the Saturday closest to December 31. The fiscal years 2008, 2007 and 2006 ended on January 3, 2009, December 29, 2007 and December 30, 2006, respectively. Holdings operates under a 52/53 week year. Fiscal 2008 was a 53-week year. Fiscal 2007 and 2006 were both 52-week years. The impact of the additional week in fiscal 2008 was not material to Holdings consolidated statement of operations or consolidated statement of cash flows.

Revenue Recognition: Holdings recognizes revenue at the point title and risk of loss is transferred to the customer, collection is reasonably assured, persuasive evidence of an arrangement exists and the price is fixed or determinable. Refer to Note 22 Hotel and Wellness Center, for details on WWP s revenue recognition policies.

Sales Incentives: Holdings offers sales incentives and promotions to its customers (resellers) and to its consumers. These incentives include consumer coupons and promotional discounts, volume rebates and product placement fees. Holdings follows the requirements of Emerging Issues Task Force No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor s Products).* Consideration given to customers and consumers related to sales incentives is recorded as a reduction of revenues. Estimated sales discounts are recorded in the period in which the related sale is recognized. Volume rebates are recognized as earned by the customer, based upon the contractual terms of the arrangement with the customer and, where applicable, Holdings estimate of sales volume over the term of the arrangement. Adjustments to estimates are made periodically as new information becomes available and actual sales volumes become known. Adjustments to these estimates have historically not been significant to Holdings.

Agricultural Costs: Recurring agricultural costs include costs relating to irrigation, fertilizing, disease and insect control and other ongoing crop and land maintenance activities. Recurring agricultural costs are charged to operations as incurred or are recognized when the crops are harvested and sold, depending on the product. Non- recurring agricultural costs, primarily comprising of soil and farm improvements and other long-term crop growing costs that benefit multiple harvests, are deferred and amortized over the estimated production period, currently from two to seven years.

Shipping and Handling Costs: Amounts billed to third-party customers for shipping and handling are included as a component of revenues. Shipping and handling costs incurred are included as a component of cost revenues and represent costs incurred by Holdings to ship product from the sourcing locations to the end consumer markets.

Marketing and Advertising Costs: Marketing and advertising costs, which include media, production and other promotional costs, are generally expensed in the period in which the marketing or advertising first takes place. In limited circumstances, Holdings capitalizes payments related to the right to stock products in customer outlets or to provide funding for various merchandising programs over a specified contractual period. In such cases, Holdings

amortizes the costs over the life of the underlying contract. The amortization of these costs, as well as the cost of certain other marketing and advertising arrangements with customers, are classified as a reduction in revenues. Advertising and marketing costs, included in selling, marketing and general and administrative expenses,

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amounted to $72.9 million, $77.1 million and $70.6 million during the years ended January 3, 2009, December 29, 2007 and December 30, 2006.

Research and Development Costs: Research and development costs are expensed as incurred. Research and development costs were not material for the years ended January 3, 2009, December 29, 2007 and December 30, 2006.

Income Taxes: Holdings accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Income taxes, which would be due upon the repatriation of foreign subsidiary earnings, have not been provided where the undistributed earnings are considered indefinitely invested. A valuation allowance is provided for deferred income tax assets for which it is deemed more likely than not that future taxable income will not be sufficient to realize the related income tax benefits from these assets. Holdings establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by Financial Accounting Standards Boards (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109* (FIN 48), which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. The impact of provisions for uncertain tax positions, as well as the related net interest and penalties, are included in Income taxes in the consolidated statements of operations.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand and highly liquid investments, primarily money market funds and time deposits, with original maturities of three months or less.

Grower Advances: Holdings makes advances to third-party growers primarily in Latin America and Asia for various farming needs. Some of these advances are secured with property or other collateral owned by the growers. Holdings monitors these receivables on a regular basis and records an allowance for these grower receivables based on estimates of the growers ability to repay advances and the fair value of the collateral. Grower advances are stated at the gross advance amount less allowances for potentially uncollectible balances.

Inventories: Holdings inventories are valued at the lower of cost or market. Costs related to certain packaged foods products are determined using the average cost basis. Costs related to other inventory categories, including fresh fruit and vegetables are determined on the first-in, first-out basis. Specific identification and average cost methods are also used primarily for certain packing materials and operating supplies. Crop growing costs primarily represent the costs associated with growing bananas on Dole-owned farms or growing vegetables on third-party farms where Holdings bears substantially all of the growing risk. Inventory related to the Hotel and Wellness Center are immaterial to the financial statements.

Investments: Investments in affiliates and joint ventures with ownership of 20% to 50% are recorded on the equity method, provided Holdings has the ability to exercise significant influence. All other non-consolidated investments are accounted for using the cost method. At January 3, 2009 and December 29, 2007, substantially all of Holdings

investments have been accounted for under the equity method.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment: Property, plant and equipment is stated at cost plus the fair value of asset retirement obligations, if any, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of these assets. Holdings reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation of recoverability is required, the estimated undiscounted future cash flows directly associated with the asset are compared to the asset s carrying amount. If this comparison indicates that there is an impairment, the amount of the impairment is calculated by comparing the carrying value to discounted expected future cash flows or comparable market values, depending on the nature of the asset. All long-lived assets, for which management has committed itself to a plan of disposal by sale, are reported at the lower of carrying amount or fair value less cost to sell. Long-lived assets to be disposed of other than by sale are classified as held and used until the date of disposal. Routine maintenance and repairs are charged to expense as incurred.

Goodwill and Intangibles: Goodwill represents the excess cost of a business acquisition over the fair value of the net identifiable assets acquired. Goodwill and indefinite-lived intangible assets are reviewed for impairment annually, or more frequently if certain impairment indicators arise. Goodwill is allocated to various reporting units, which are either the operating segment or one reporting level below the operating segment. Fair values for goodwill and indefinite-lived intangible assets are determined based on discounted cash flows, market multiples or appraised values, as appropriate.

Holdings indefinite-lived intangible asset, consisting of the DOLE brand, is considered to have an indefinite life because it is expected to generate cash flows indefinitely and as such is not amortized. Holdings intangible assets with a definite life consist primarily of customer relationships. Amortizable intangible assets are amortized on a straight-line basis over their estimated useful lives. The weighted average useful life of Holdings customer relationships is 11 years.

Concentration of Credit Risk: Financial instruments that potentially subject Holdings to a concentration of credit risk principally consist of cash equivalents, derivative contracts, grower advances and trade receivables. Holdings maintains its temporary cash investments with high quality financial institutions, which are invested primarily in short-term U.S. government instruments and certificates of deposit. The counterparties to Holdings derivative contracts are major financial institutions. Grower advances are principally with farming enterprises located throughout Latin America and Asia and are secured by the underlying crop harvests. Credit risk related to trade receivables is mitigated due to the large number of customers dispersed worldwide. To reduce credit risk, Holdings performs periodic credit evaluations of its customers but does not generally require advance payments or collateral. Additionally, Holdings maintains allowances for credit losses. No individual customer accounted for greater than 10% of Holdings revenues during the years ended January 3, 2009, December 29, 2007 and December 30, 2006. No individual customer accounted for greater than 10% of accounts receivable as of January 3, 2009 or December 29, 2007.

Fair Value of Financial Instruments: Holdings financial instruments are primarily composed 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, revolving credit facility, notes and debentures. For short-term instruments, the carrying amount approximates fair value because of the short maturity of these instruments. For the other long-term financial instruments, excluding Holdings unsecured notes and debentures, and term loans, the carrying amount approximates the fair value since they bear interest at variable rates or fixed rates which approximate market.

Holdings also holds derivative instruments to hedge against foreign currency exchange, fuel pricing and interest rate movements. Holdings derivative financial instruments are recorded at fair value (Refer to Note 17 for additional information). Holdings estimates the fair values of its derivatives

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on quoted market prices or pricing models using current market rates less any credit valuation adjustments. Refer to Note 22 Hotel and Wellness Center, for information regarding the fair value of WWP s financial instruments.

Foreign Currency Exchange: For subsidiaries with transactions that are denominated in a currency other than the functional currency, the net foreign currency exchange transaction gains or losses resulting from the translation of monetary assets and liabilities to the functional currency are included in determining net income. Net foreign currency exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries whose functional currency is not the U.S. dollar are recorded as a part of cumulative translation adjustment in shareholders equity. Unrealized foreign currency exchange gains and losses on certain intercompany transactions that are of a long-term-investment nature (i.e. settlement is not planned or anticipated in the foreseeable future) are also recorded in cumulative translation adjustment in shareholders equity.

Leases: Holdings leases fixed assets for use in operations where leasing offers advantages of operating flexibility and is less expensive than alternative types of funding. Holdings also leases land in countries where land ownership by foreign entities is restricted. Holdings leases are evaluated at inception or at any subsequent modification and, depending on the lease terms, are classified as either capital leases or operating leases, as appropriate under Statement of Financial Accounting Standards No. 13, *Accounting for Leases.* For operating leases that contain rent escalations, rent holidays or rent concessions, rent expense is recognized on a straight-line basis over the life of the lease. The majority of Holdings leases are classified as operating leases. Holdings principal operating leases are for land and machinery and equipment. Holdings capitalized leases primarily consist of two vessel leases. Holdings decision to exercise renewal options is primarily dependent on the level of business conducted at the location and the profitability thereof. Holdings leasehold improvements were not significant at January 3, 2009 or December 29, 2007.

Guarantees: Holdings makes guarantees as part of its normal business activities. These guarantees include guarantees of the indebtedness of some of its key fruit suppliers and other entities integral to Holdings operations. Holdings also issues bank guarantees as required by certain regulatory authorities, suppliers and other operating agreements as well as to support the borrowings, leases and other obligations of its subsidiaries. The majority of Holdings guarantees relate to guarantees of subsidiary obligations and are scoped out of the initial measurement and recognition provisions of FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Estimates and assumptions include, but are not limited to, the areas of customer and grower receivables, inventories, impairment of assets, useful lives of property, plant and equipment, intangible assets, marketing programs, income taxes, self-insurance reserves, retirement benefits, financial instruments and commitments and contingencies. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

During September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. FAS 157 requires companies to disclose the fair value of

financial instruments according to a fair value hierarchy as defined in the standard. In February 2008, the FASB issued FASB Staff Position 157-1,

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 (FSP 157-1) and FSP 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-1 amends FAS 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and was adopted by Holdings, as it applies to its financial instruments, effective December 30, 2007. Refer to Note 17 Derivative Financial Instruments.

Recently Issued Accounting Pronouncements

During June 2009, the Financial Accounting Standards Board (FASB) issued FAS No. 168, *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, *a replacement of FASB Statement No. 162* (FAS 168), which establishes the FASB Accounting Standards Codification as the single official source of authoritative US GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force, and related literature. FAS 168 will become effective during Holdings third quarter of 2009. The adoption of FAS 168 is not expected to have an impact on Holdings results of operations or financial position.

During May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). FAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation and presentation of financial statements in accordance with generally accepted accounting principles. This statement will be effective 60 days after the Securities and Exchange Commission approves the Public Company Accounting Oversight Board s amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* . Holdings does not anticipate that the adoption of FAS 162 will have an effect on its consolidated financial statements.

During March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (FAS 161). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008, and will be applicable to Holdings in the first quarter of fiscal 2009. Holdings is currently evaluating the impact, if any, the adoption of FAS 161 will have on its consolidated financial statements.

During December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (FAS 160).* FAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Holdings adopted the provisions of FAS 160 as of the beginning of its 2009 fiscal year. FAS 160 is to be applied prospectively as of the beginning of 2009 except for the presentation and disclosure requirements which are to be applied retrospectively. The consolidated financial statements now conform to the presentation required under FAS 160. Other than the change in presentation of noncontrolling interests, the adoption of FAS 160 had no impact on Holdings results of operations or financial position.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (FAS 141R). FAS 141R provides revised guidance for recognizing and measuring assets acquired and liabilities assumed in a business combination. It establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed and also requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. Changes in acquired tax contingencies, including those existing at the date of adoption, will be recognized in earnings if outside the maximum measurement period (generally one year). FAS 141R will be applied prospectively to business combinations with acquisition dates on or after January 1, 2009. Following the date of adoption of FAS 141R, the resolution of such items at values that differ from recorded amounts will be adjusted through earnings, rather than goodwill.

Note 3 2009 Debt Maturity and Debt Issuance

Refer to Note 22 Hotel and Wellness Center, for information regarding the Hotel and Wellness Center Debt.

During the second quarter of 2008, Dole reclassified to current liabilities its $350 million 8.625% notes due May 2009 (2009 Notes). Dole also completed the early redemption of $5 million of the 2009 Notes during the third quarter of 2008.

On February 13, 2009, Dole commenced a tender offer to purchase for cash any and all of the outstanding 2009 Notes for a purchase price equal to $980 per $1,000 of 2009 Notes validly tendered, with an additional payment of $20 per $1,000 of 2009 Notes tendered early in the process. In connection with the tender offer, Dole sought consents to certain amendments to the indenture governing the 2009 Notes to eliminate substantially all of the restrictive covenants and certain events of default contained therein. On March 4, 2009, Dole announced that it had received the required consents necessary to amend the indenture with respect to the 2009 Notes and, accordingly, executed the supplemental indenture effecting such amendments, which became operative on March 18, 2009, when Dole accepted and paid for the tendered 2009 Notes. The tender offer expired on March 17, 2009.

On March 18, 2009, Dole completed the sale and issuance of $350 million aggregate principal amount of 13.875% Senior Secured Notes due March 2014 (2014 Notes) at a discount of $25 million. The 2014 Notes were sold to qualified institutional investors pursuant to Rule 144A under the Securities Act of 1933 (Securities Act) and to persons outside the United States in compliance with Regulation S under the Securities Act. The sale was exempt from the registration requirements of the Securities Act. Interest on the 2014 Notes will be paid semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2009. The 2014 Notes have the benefit of a lien on certain U.S. assets of Dole that is junior to the liens of Dole s senior secured credit facilities, and are senior obligations of Dole ranking equally with Dole s existing senior debt. Dole used the net proceeds from this offering, together with cash on hand and/or borrowings under the revolving credit facility, to purchase all of the tendered 2009 Notes and to irrevocably deposit with the trustee of the 2009 Notes funds that will be sufficient to repay the remaining outstanding 2009 Notes at maturity on May 1, 2009.

In connection with these refinancing transactions, Dole amended its senior secured credit facilities. Such amendments, among other things, (i) permit debt securities secured by a junior lien to be issued to refinance its senior notes due in 2009 and 2010 in an amount up to the greater of (x) $500 million and (y) the amount of debt that would not cause the senior secured leverage ratio to exceed 3.75 to 1.00; (ii) add a new restricted payments basket of up to $50 million to

be used to prepay its senior notes due in 2009 and 2010 subject to pro forma compliance with the senior secured

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

credit facilities and $70 million of unused availability under the revolving credit facility; (iii) increase the applicable margin for (x) the term loan facilities to LIBOR plus 5.00% or the base rate plus 4.00% subject to a 50 basis point step down when the priority senior secured leverage ratio is less than or equal to 1.75 to 1.00 and (y) for the revolving credit facility, to a range of LIBOR plus 3.00% to 3.50% or the base rate plus 2.00% to 2.50%; (iv) provide for a LIBOR floor of 3.00% per annum for the term loan facilities; (v) add a first priority secured leverage maintenance covenant to the term loan facilities; and (vi) provide for other technical and clarifying changes. These amendments became effective concurrently with the closing of the 2014 Notes offering.

Note 4 Other Income (Expense), Net

Included in other income (expense), net in Holdings consolidated statements of operations for fiscal 2008, 2007 and 2006 are the following items:

	2008	2007	2006
		(In thousands)	
Unrealized gain (loss) on the cross currency swap	$ (50,411)	$ (10,741)	$ 20,664
Realized gain on the cross currency swap	11,209	12,780	4,102
Gains (losses) on foreign denominated borrowings	24,889	(1,414)	(9,270)
Other	247	1,222	(7,494)
Other income (expense), net	$ (14,066)	$ 1,847	$ 8,002

Refer to Note 17 Derivative Financial Instruments for further discussion regarding Holdings cross currency swap.

Note 5 Discontinued Operations

During the second quarter of 2008, Holdings approved and committed to a formal plan to divest its fresh-cut flowers operations (Flowers transaction). The first phase of the Flowers transaction was completed during the first quarter of 2009. In addition, during the fourth quarter of 2007, Holdings approved and committed to a formal plan to divest its citrus and pistachio operations (Citrus) located in central California. The operating results of Citrus were included in the fresh fruit operating segment. The sale of Citrus was completed during the third quarter of 2008 and the sale of the fresh-cut flowers operations was completed during the first quarter of 2009. Refer to Note 9 Assets Held-For-Sale. In evaluating the two businesses, Holdings concluded that they each met the definition of a discontinued operation as defined in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). Accordingly, the results of operations of these businesses have been reclassified for all periods presented.

During the fourth quarter of 2006, Holdings completed the sale of its Pacific Coast Truck Center (Pac Truck) business for $20.7 million. The Pac Truck business consisted of a full service truck dealership that provided medium and heavy-duty trucks to customers in the Pacific Northwest region. Holdings received $15.3 million of net proceeds from the sale after the assumption of $5.4 million of debt and realized a gain of approximately $2.8 million on the sale, net

of income taxes of $2 million. The sale of Pac Truck qualified for discontinued operations treatment under FAS 144. Accordingly, the historical results of operations of this business have been reclassified for all periods presented. The operating results of Pac Truck were included in the other operating segment.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The operating results of fresh-cut flowers, Citrus and Pac Truck for fiscal 2008, 2007 and 2006 are reported in the following table:

	Fresh-Cut Flowers	Citrus	Pac Truck	Total
		(In thousands)		
2008				
Revenues	$ 106,919	$ 5,567	$	$ 112,486
Loss before income taxes	$ (43,235)	$ (1,408)	$	$ (44,643)
Income taxes	16,936	316		17,252
Loss from discontinued operations, net of income taxes	$ (26,299)	$ (1,092)	$	$ (27,391)
Gain on disposal of discontinued operations, net of income taxes of $4.3 million	$	$ 3,315	$	$ 3,315
2007				
Revenues	$ 110,153	$ 13,586	$	$ 123,739
Income (loss) before income taxes	$ (19,146)	$ 733	$	$ (18,413)
Income taxes	2,994	(300)		2,694
Income (loss) from discontinued operations, net of income taxes	$ (16,152)	$ 433	$	$ (15,719)
2006				
Revenues	$ 160,074	$ 20,527	$ 47,851	$ 228,452
Income (loss) before income taxes	$ (57,001)	$ 3,767	$ 397	$ (52,837)
Income taxes	4,379	(1,765)	(163)	2,451
Income (loss) from discontinued operations, net of income taxes	$ (52,622)	$ 2,002	$ 234	$ (50,386)
Gain on disposal of discontinued operations, net of income taxes of $2 million	$	$	$ 2,814	$ 2,814

Included in the fresh-cut flowers loss before income taxes for fiscal 2008 is a $17 million impairment charge. Refer to Note 9 Assets Held-For-Sale for further information.

Included in the fresh-cut flowers loss before income taxes for fiscal 2007 and 2006 are $1.1 million and $29 million, respectively, of charges related to restructuring costs and impairment charges associated with the write-off of certain long-lived assets, intangible assets and inventory. During the third quarter of 2006, Holdings restructured its fresh-cut flowers division to better focus on high-value products and flower varieties, and position the business unit for future growth. In connection with the restructuring, fresh-cut flowers ceased its farming operations in Ecuador, closed two farms in Colombia and downsized other Colombian farms.

Income from noncontrolling interests included in Citrus income (loss) from discontinued operations was $0.5 million, $0.4 million and $2.3 million for fiscal years 2008, 2007 and 2006, respectively. Gain on disposal of discontinued operations, net of income taxes, for Citrus for fiscal 2008 included income from noncontrolling interests of $12.3 million.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 Restructurings and Related Asset Impairments

During the first quarter of 2006, the commercial relationship substantially ended between Holdings wholly-owned subsidiary, Saba, and Saba s largest customer. Saba is a leading importer and distributor of fruit, vegetables and flowers in Scandinavia. Saba s financial results are included in the fresh fruit reporting segment. Holdings restructured certain lines of Saba s business and as a result, incurred $12.8 million of total related costs. Of the $12.8 million incurred during the year ended December 30, 2006, $9 million is included in cost of revenues and $3.8 million in selling, marketing, and general and administrative expenses in the consolidated statement of operations. Total restructuring costs include $9.9 million of employee severance costs which impacted 275 employees, $2.4 million of contractual lease obligations as well as $0.5 million of fixed asset write-offs. At December 29, 2007 all of the restructuring costs had been paid.

In connection with Holdings ongoing farm optimization programs in Asia, $2.8 million and $6.7 million of crop-related costs were written-off during 2007 and 2006, respectively. These non-cash charges have been recorded in cost of revenues in the consolidated statements of operations.

Note 7 Income Taxes

Income tax expense (benefit) was as follows:

	2008	2007 (In thousands)	2006
Current			
Federal, state and local	$ 835	$ 735	$ 406
Foreign	22,753	15,399	18,644
	23,588	16,134	19,050
Deferred			
Federal, state and local	(29,109)	(45,156)	(22,900)
Foreign	(3,723)	(3,573)	(5,581)
	(32,832)	(48,729)	(28,481)
Non-current tax expense	(51,662)	20,615	24,830
	$ (60,906)	$ (11,980)	$ 15,399

Pretax earnings attributable to foreign operations including earnings from discontinued operations, equity method investments and minority interests were $185.5 million, $53.9 million and $30.7 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively. Holdings has not provided for U.S. federal

income and foreign withholding taxes on approximately $2.3 billion of the excess of the amount for financial reporting over the tax basis of investments that are essentially permanent in duration. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is currently not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings reported income tax expense (benefit) on continuing operations differed from the expense calculated using the U.S. federal statutory tax rate for the following reasons:

	2008	2007	2006
		(In thousands)	
Expense (benefit) computed at U.S. federal statutory income tax rate of 35%	$ 18,971	$ (29,337)	$ (13,407)
Foreign income taxed at different rates	(40,236)	8,963	27,440
State and local income tax, net of federal income taxes	(9,320)	(5,008)	(2,335)
Valuation allowances	9,788	11,071	6,842
U.S. Appeals Settlement and Other FIN 48 Related	(36,993)		
Permanent items and other	(3,116)	2,331	(3,141)
Income tax expense (benefit)	$ (60,906)	$ (11,980)	$ 15,399

Deferred tax assets (liabilities) comprised the following:

	January 3, 2009	December 29, 2007
	(In thousands)	
Intangibles	$ (295,362)	$ (293,666)
Property, plant and equipment	(149,586)	(164,382)
Investment and other asset basis differences	34,534	20,394
Postretirement benefits	59,132	56,538
Operating accruals	71,698	65,743
Tax credit carryforwards	21,753	20,889
Net operating loss and other carryforwards	152,561	195,552
Valuation allowances	(144,084)	(174,398)
Other, net	47,832	26,108
	$ (201,522)	$ (247,222)

Holdings has gross federal, state and foreign net operating loss carryforwards of $218.4 million, $1.1 billion and $119.9 million, respectively, at January 3, 2009. Holdings has recorded deferred tax assets of $72.9 million for federal net operating loss and other carryforwards, which, if unused, will expire between 2023 and 2028. Holdings has recorded deferred tax assets of $48.9 million for state operating loss carryforwards, which, if unused, will start to expire in 2009. Holdings has recorded deferred tax assets of $30.8 million for foreign net operating loss carryforwards which are subject to varying expiration rules. Tax credit carryforwards of $21.8 million include foreign tax credit

carryforwards of $18.4 million which will expire in 2011, U.S. general business credit carryforwards of $0.3 million which expire between 2023 and 2027, and state tax credit carryforwards of $3.1 million with varying expiration dates. Holdings has recorded a U.S. deferred tax asset of $35.8 million for disallowed interest expense which, although subject to certain limitations, can be carried forward indefinitely.

A valuation allowance has been established to offset foreign tax credit carryforwards, state net operating loss carryforwards, certain foreign net operating loss carryforwards and certain other deferred tax assets in foreign jurisdictions. Holdings has deemed it more likely than not that future taxable income in the relevant taxing jurisdictions will be insufficient to realize all of the related income tax benefits for these assets.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Total deferred tax assets and deferred tax liabilities were as follows:

	January 3, 2009	December 29, 2007
	(In thousands)	
Deferred tax assets	$ 520,754	$ 518,416
Deferred tax asset valuation allowance	(144,084)	(174,398)
	376,670	344,018
Deferred tax liabilities	(578,192)	(591,240)
Net deferred tax liabilities	$ (201,522)	$ (247,222)
Current deferred tax assets consist of:		
Deferred tax assets, net of valuation allowance	$ 54,508	$ 47,763
Deferred tax liabilities	(33,235)	(35,678)
Net current deferred tax assets	21,273	12,085
Non-current deferred tax liabilities consist of:		
Deferred tax assets, net of valuation allowance	322,162	296,255
Deferred tax liabilities	(544,957)	(555,562)
Net non-current deferred tax liabilities	(222,795)	(259,307)
Net deferred tax liabilities	$ (201,522)	$ (247,222)

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows (in thousands):

	January 3, 2009	December 29, 2007
	(In thousands)	
Unrecognized tax benefits opening balance	$ 204,421	$ 200,641
Gross increases tax positions in prior period	14,361	10,837
Gross decreases tax positions in prior period	(346)	(13,448)
Gross increases tax positions in current period	4,654	8,284
Settlements*	(105,139)	(1,793)
Lapse of statute of limitations	(2,083)	(100)

Unrecognized tax benefits ending balance	$ 115,868	$ 204,421

* 2008 activity includes $110 million reduction in gross unrecognized tax benefits due to the settlement of the federal income tax audit for the years 1995 to 2001 less a cash refund received of $6 million on this settlement plus various state and foreign audit settlements totaling approximately $1 million.

The total for unrecognized tax benefits, including interest, was $143 million and $269 million at January 3, 2009 and December 29, 2007, respectively. The change is primarily due to the settlement of the federal income tax audit for the years 1995 to 2001. If recognized, approximately $131.5 million, net of federal and state tax benefits, would be recorded as a component of income tax expense and accordingly impact the effective tax rate.

Holdings recognizes accrued interest and penalties related to its unrecognized tax benefits as a component of income taxes in the consolidated statements of operations. Accrued interest and

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

penalties before tax benefits were $26.9 million and $64.6 million at January 3, 2009 and December 29, 2007, respectively, and are included as a component of other long-term liabilities in the consolidated balance sheet. The decrease is primarily attributable to the reduction in liabilities for unrecognized tax benefits associated with the settlement of the federal income tax audit for the years 1995-2001. Interest and penalties recorded in Holdings consolidated statements of operations for 2008, 2007 and 2006 were ($32.2) million, including the impact of the settlement, $17.2 million and $6.9 million, respectively.

Holdings or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, Holdings 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: Holdings believes its tax positions comply with the applicable tax laws and that it is 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 year. Management considers it unlikely that the resolution of these matters will have a material adverse effect on Holdings results of operations.

1995 2001 Federal Income Tax Audit: In June 2006, the IRS completed an examination of Holdings federal income tax returns for the years 1995 to 2001 and issued a Revenue Agent s Report (RAR) that included various proposed adjustments. The net tax deficiency associated with the RAR was $175 million for which Holdings provided $110 million of gross unrecognized tax benefits, plus penalties and interest. Holdings filed a protest letter contesting the proposed adjustments contained in the RAR. During January 2008, Holdings was notified that the Appeals Branch of the IRS had finalized its review of Holdings protest and that the Appeals Branch s review supported Holdings position in all material respects. On June 13, 2008, the Appeals review was approved by the Joint Committee on Taxation. The impact of the settlement on Holdings year ended January 3, 2009 consolidated financial statements is $136 million, which includes a $110 million reduction in gross unrecognized tax benefits recorded in other long-term liabilities plus a reduction of $26 million for interest and penalties, net of federal and state tax benefits. Of this amount, $61 million reduced Holdings income tax provision and effective tax rate for the year ended January 3, 2009 and the remaining $75 million reduced goodwill.

2002 2005 Federal Income Tax Audit: On August 27, 2009, the IRS completed its examination of the combined U.S. federal income tax returns of Holdings for the years 2002 to 2005 and issued a Revenue Agent s report (RAR) that includes various proposed adjustments, including 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. Holdings will file a protest letter vigorously challenging the proposed adjustments contained in the RAR and will pursue resolution of these issues with the Appeals Division of the IRS.

At this time, Holdings does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statutes of limitations within the next twelve months.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Details of Certain Assets and Liabilities

Details of receivables and inventories were as follows:

	January 3, 2009	December 29, 2007
	(In thousands)	
Receivables		
Trade	$ 685,268	$ 710,550
Notes and other	127,524	147,053
Grower advances	34,861	41,302
Income tax refund	3,077	5,402
	850,730	904,307
Allowance for doubtful accounts	(41,357)	(61,720)
	$ 809,373	$ 842,587
Inventories		
Finished products	$ 344,643	$ 355,502
Raw materials and work in progress	168,670	155,166
Crop-growing costs	210,263	172,980
Operating supplies and other	73,420	68,233
	$ 796,996	$ 751,881

Accounts payable consists primarily of trade payables.

Accrued liabilities included the following:

	January 3, 2009	December 29, 2007
	(In thousands)	
Employee-related costs and benefits	$ 130,825	$ 150,947
Amounts due to growers	64,746	98,130
Marketing and advertising	64,256	60,972
Shipping related costs	49,622	51,427
Materials and supplies	27,217	34,678
Interest	26,087	31,335

Unrealized hedging losses	80,760	28,462
Other	56,849	68,435
	$ 500,362	$ 524,386

Other long-term liabilities were as follows:

	January 3, 2009	**December 29, 2007**
	(In thousands)	
Accrued postretirement and other employee benefits	$ 245,357	$ 249,230
Liability for unrecognized tax benefits	83,051	209,854
Other	85,655	74,434
	$ 414,063	$ 533,518

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 Assets Held-for-Sale

Holdings continuously reviews its assets in order to identify those assets that do not meet Holdings future strategic direction or internal economic return criteria. As a result of this review, Holdings has identified and is in the process of selling certain businesses and long-lived assets. In accordance with FAS 144, Holdings has reclassified these assets as held-for-sale.

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

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Fresh-Cut Flowers Discontinued Operation	Total Assets Held-For-Sale
			(In thousands)		
Balance as of December 29, 2007	$ 34,159	$ 3,251	$	$ 38,834	$ 76,244
Additions	252,581	35,349	4,452	71,833	364,215
Sales	(188,635)		(270)	(31,678)	(220,583)
Long-lived asset impairment				(17,000)	(17,000)
Balance as of January 3, 2009	$ 98,105	$ 38,600	$ 4,182	$ 61,989	$ 202,876

Total liabilities held-for-sale by segment were are follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Fresh-Cut Flowers Discontinued Operation	Total Liabilities Held-For-Sale
			(In thousands)		
Balance as of December 29, 2007	$	$	$	$	$
Additions	56,879			45,218	102,097
Sales	(51,632)				(51,632)
Balance as of January 3, 2009	$ 5,247	$	$	$ 45,218	$ 50,465

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The major classes of assets and liabilities held-for-sale included in Holdings consolidated balance sheet at January 3, 2009 were as follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Fresh-Cut Flowers Discontinued Operation	Total
			(In thousands)		
Assets held-for-sale:					
Receivables	$ 3,314	$	$	$ 14,000	$ 17,314
Inventories	6,301			2,883	9,184
Property, plant and equipment, net of accumulated depreciation	85,629	38,600	4,182	30,069	158,480
Other assets, net	2,861			15,037	17,898
Total assets held-for-sale	$ 98,105	$ 38,600	$ 4,182	$ 61,989	$ 202,876
Liabilities held-for-sale:					
Accounts payable and accrued liabilities	$ 5,037	$	$	$ 18,028	$ 23,065
Long-term debt				25,857	25,857
Deferred income tax and other liabilities	210			1,333	1,543
Total liabilities held-for-sale	$ 5,247	$	$	$ 45,218	$ 50,465

Holdings received cash proceeds of $226.5 million on assets sold during the year ended January 3, 2009, including $214 million on assets which had been reclassified as held-for-sale. The total realized gain recorded on assets classified as held-for-sale, excluding the 2008 amortization of the deferred gain on the ship discussed below, was $18 million for the year ended January 3, 2009. Holdings also realized gains on assets not classified as held-for-sale, totaling $9 million for fiscal 2008. Total realized gains on asset sales of $27 million are shown as a separate component of operating income in the consolidated statement of operations for 2008. The net book value associated with these sales from continuing operations was approximately $103 million.

Fresh Fruit

During the year ended January 3, 2009, Holdings added $252.6 million to the assets held-for-sale balance in the fresh fruit reporting segment. These assets primarily consist of a packing and cooling facility and wood box plant located in Chile and approximately 11,000 acres of Hawaiian land.

During the fourth quarter of 2008, Holdings entered into a binding letter of intent to sell certain portions of its Latin American banana operations. The related assets and liabilities from these operations were reclassified to held-for-sale during the fourth quarter of 2008. The sale closed during the first quarter of 2009.

During the third quarter ended October 4, 2008, Holdings entered into a definitive purchase and sale agreement to sell its JP Fresh subsidiary in the United Kingdom and its Dole France subsidiary which were in the European ripening and distribution business to Compagnie Fruitière Paris. Compagnie Fruitière Paris is a subsidiary of Compagnie Fruitière Paris. Compagnie Fruitière Paris is a subsidiary of Compagnie Financière de Participations, a company in which Dole holds a non-controlling 40% ownership interest. The sale closed during the fourth quarter of 2008.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2008 Sales and 2009 Sales Activity

Holdings sold the following assets during the year ended January 3, 2009, which had been classified as held-for-sale: approximately 2,200 acres of land parcels in Hawaii, additional agricultural acreage in California, two Chilean farms, property located in Turkey and a breakbulk refrigerated ship. In addition, Holdings sold its JP Fresh and Dole France subsidiaries. The amount of cash collected on these sales totaled approximately $133.6 million. The total sales proceeds of $133.6 million includes $12.7 million for the sale of the ship. Holdings also entered into a lease agreement for the same ship and recognized a deferred gain of $11.9 million on the sale. The deferred gain is amortized over the 3 year lease term.

During the fourth quarter of 2007, Holdings reclassified approximately 4,400 acres of land and other related assets of its citrus and pistachio operations located in central California as assets held-for-sale. These assets were held by non-wholly owned subsidiaries of Holdings. In March 2008, Holdings entered into an agreement to sell these assets. The sale was completed during the third quarter of 2008 and the subsidiaries received net proceeds of $44 million. Holdings share of these net proceeds was $28.1 million. Holdings recorded a gain of $3.3 million, net of income taxes, which was recorded as gain on disposal of discontinued operations, net of income taxes, for the year ended January 3, 2009.

During January 2009, Holdings completed the sale of certain portions of its Latin American banana operations. Net sales proceeds from the sale totaled approximately $27.3 million. Of this amount, $15.8 million was collected in cash and the remaining $11.5 million was recorded as a receivable, to be collected over the next twelve months.

During the third quarter of fiscal 2009, Holdings signed definitive sales agreements to sell certain operating properties in Latin America for approximately $68 million. Additionally, during the third quarter of 2009, Holdings signed a letter of intent to sell an operating property in Chile for approximately $32 million. These sales are expected to close by the end of fiscal 2009.

Fresh Vegetables

During the fourth quarter of 2008, Holdings reclassified approximately 1,100 acres of vegetable property located in California as assets held-for-sale and signed a definitive purchase and sale agreement to sell this property. The sale closed during March 2009 and Holdings received net cash proceeds of $44.5 million.

Packaged Foods

During the second quarter of 2008, Holdings reclassified approximately 600 acres of peach orchards located in California as assets held-for-sale. During the fourth quarter of 2008, Holdings sold 40 acres for approximately $0.7 million.

Fresh-Cut Flowers Discontinued Operation

During the second quarter of 2008, Holdings approved and committed to a formal plan to divest its fresh-cut flowers operating segment. Accordingly, all the assets and liabilities were reclassified as held-for-sale.

During the third quarter of 2008, Holdings signed a binding letter of intent to sell its fresh-cut flowers division (Flowers transaction). The sale of the fresh-cut flowers division is expected to take place in phases. The first phase closed during the first quarter of 2009 as a stock-sale transaction. The remaining assets can be purchased by the same buyer under separate option contracts that

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expire in one year. The remaining phases are expected to close within the next year. If the options on the remaining assets are exercised, Holdings will receive additional sales proceeds of approximately $26 million on assets with a net book value of $10 million.

Included in liabilities held-for-sale of $45.2 million is $25.9 million of long-term debt of the former flowers subsidiaries. This debt ceased to be an obligation of Holdings upon the closing of the first phase of the Flowers transaction.

Holdings recorded an impairment loss of $17 million on the assets sold in the first phase of the Flowers transaction. The impairment charge represents the amount by which the net book value exceeds the fair market value less cost to sell. The fair market value of the assets was determined by the sales price agreed upon in the binding letter of intent. The impairment loss was recorded as a component of loss from discontinued operations, net of income taxes, for the year ended January 3, 2009.

2008 Sales and First Quarter 2009 Sales

Holdings reclassified its fresh-cut flowers headquarters facility, located in Miami, Florida as assets held-for-sale during the third quarter of 2007. Holdings completed the sale of this facility during the third quarter of 2008 and received net cash proceeds of $34 million. In addition, Holdings received net cash proceeds of $1.9 million on the sale of two farms. The gain realized on the sale of these assets, net of income taxes, was approximately $3.1 million and is included as a component of loss from discontinued operations, net of income taxes in the consolidated statement of operations for the year ended January 3, 2009.

During January 2009, the first phase of the Flowers transaction was completed. Holdings retains only certain real estate of the former flowers divisions to be sold in the subsequent phases of the transaction. Net sales proceeds from the sale totaled approximately $30 million. Of this amount, $21.7 million was collected in cash and the remaining $8.3 million was recorded as a receivable, to be collected over the next two years.

Note 10 Property, Plant and Equipment

Major classes of Dole s property, plant and equipment were as follows:

	January 3, 2009	December 29, 2007
	(In thousands)	
Land and land improvements	$ 523,355	$ 698,853
Buildings and leasehold improvements	398,371	430,968
Machinery and equipment	810,722	803,353
Vessels and containers	201,178	218,970
Vessels and equipment under capital leases	91,392	98,006
Construction in progress	52,658	70,379

	2,077,676	2,320,529
Accumulated depreciation	(1,027,345)	(980,390)
	$ 1,050,331	$ 1,340,139

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation for Dole s property, plant and equipment is computed by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Land improvements	5 to 40
Buildings and leasehold improvements	2 to 50
Machinery and equipment	2 to 35
Vessels and containers	5 to 20
Vessels and equipment under capital leases	Shorter of useful life or life of lease

Depreciation expense on Dole s property, plant and equipment for continuing operations totaled $133.4 million, $146.9 million and $139 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively. Depreciation expense on property, plant and equipment for discontinued operations totaled $1.1 million, $4.2 million and $5.8 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively. Refer to Note 22 Hotel and Wellness Center, for information regarding the Hotel and Wellness Center property and equipment.

Note 11 Goodwill and Intangible Assets

Goodwill has been allocated to Holdings reporting segments as follows:

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Total
		(In thousands)		
Balance as of December 30, 2006	$ 386,625	$ 93,874	$ 65,241	$ 545,740
Adoption of FIN 48	(22,965)	(6,000)	(1,226)	(30,191)
Tax-related adjustments	(4,588)	(1,199)	(244)	(6,031)
Balance as of December 29, 2007	$ 359,072	$ 86,675	$ 63,771	$ 509,518
Tax-related adjustments	(59,208)	(15,469)	(3,160)	(77,837)
Transfer to assets held-for-sale	(24,751)			(24,751)
Other	(390)			(390)
Balance as of January 3, 2009	$ 274,723	$ 71,206	$ 60,611	$ 406,540

The tax-related adjustments in 2007 resulted from changes to deductible temporary differences, operating loss or tax credit carryforwards and contingencies that existed at the time of the going-private merger transaction. The tax-related adjustments in 2008 resulted from changes to unrecognized tax benefits that existed at the time of the going- private merger transaction which were due to the settlement of the federal income tax audit as discussed in Note 7 Income

Taxes.

During the third quarter of 2008, Holdings reclassified all of the assets and liabilities of JP Fresh to assets held-for-sale. The sale of JP Fresh was completed during the fourth quarter of 2008. Goodwill and intangible assets related to JP Fresh totaled $24 million and $7.3 million, respectively.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Details of Holdings intangible assets were as follows:

	January 3, 2009	December 29, 2007
	(In thousands)	
Amortized intangible assets:		
Customer relationships	$ 38,501	$ 48,906
Other amortized intangible assets	2,042	2,135
	40,543	51,041
Accumulated amortization customer relationships	(20,248)	(17,483)
Other accumulated amortization	(1,452)	(1,383)
Accumulated amortization intangible assets	(21,700)	(18,866)
Amortized intangible assets, net	18,843	32,175
Indefinite-lived intangible assets:		
Trademark and trade names	689,615	689,615
Total identifiable intangible assets, net	$ 708,458	$ 721,790

Amortization expense of identifiable intangibles totaled $4.3 million, $4.5 million and $4.5 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively. Estimated remaining amortization expense associated with Holdings identifiable intangible assets in each of the next five fiscal years is as follows (in thousands):

Fiscal Year	Amount
2009	$ 3,677
2010	$ 3,677
2011	$ 3,677
2012	$ 3,677
2013	$ 1,498

Holdings performed its annual impairment review of goodwill and indefinite-lived intangible assets pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (FAS 142), during the second quarter of fiscal 2008. This review indicated no impairment to goodwill or any of Holdings indefinite-lived intangible assets. As market conditions change, Holdings continues to monitor and perform updates of its impairment testing of recoverability of goodwill and long-lived assets.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Notes Payable and Long-Term Debt

For details on the Hotel and Wellness Center senior secured credit facility, refer to Note 22 Hotel and Wellness Center. Notes payable and long-term debt for Dole consisted of the following amounts:

	January 3, 2009	December 29, 2007
	(In thousands)	
Unsecured debt:		
8.625% notes due 2009	$ 345,000	$ 350,000
7.25% notes due 2010	400,000	400,000
8.875% notes due 2011	200,000	200,000
8.75% debentures due 2013	155,000	155,000
Secured debt:		
Revolving credit facility	150,500	176,400
Term loan facilities	835,444	960,375
Contracts and notes, at a weighted-average interest rate of 6.1% in 2008 (8.4% in 2007) through 2014	9,221	3,255
Capital lease obligations	60,448	85,959
Unamortized debt discount	(309)	(610)
Notes payable	48,789	83,018
	2,204,093	2,413,397
Current maturities	(405,537)	(97,189)
	$ 1,798,556	$ 2,316,208

Notes Payable

Dole borrows funds on a short-term basis to finance current operations. The terms of these borrowings range from one month to three months. Dole s notes payable at January 3, 2009 consist primarily of foreign borrowings in Asia and Latin America.

Notes and Debentures

In April 2002, Dole completed the sale and issuance of $400 million aggregate principal amount of Senior Notes due 2009 (the 2009 Notes). The 2009 Notes are redeemable, at the discretion of Dole, at par plus a make-whole amount, if any, and accrued and unpaid interest, any time prior to maturity. The 2009 Notes were issued at 99.50% of par. In 2005 in conjunction with an amendment and restatement of its senior secured credit agreement, Dole repurchased $50 million of its 2009 Notes. During September 2008, Dole completed the early redemption of $5 million of its 2009 Notes at a price of 99% of the principal amount plus accrued interest through the date of redemption. Refer to Note 3

2009 Debt Maturity and Debt Issuance.

In May 2003, Dole issued and sold $400 million aggregate principal amount of 7.25% Senior Notes due 2010 (the 2010 Notes). The 2010 Notes were issued at par. Dole may redeem some or all of the 2010 Notes at a redemption price of 100% of their principal amount during 2009 and thereafter, plus accrued and unpaid interest.

In connection with the going-private merger transaction of 2003, Dole issued $475 million aggregate principal amount of 8.875% Senior Notes due 2011 (the 2011 Notes). The 2011 Notes

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

were issued at par. Dole may redeem some or all of the 2011 Notes at a redemption price of 100% of their principal amount during 2009 and thereafter, plus accrued and unpaid interest. In 2005 in conjunction with an amendment and restatement of its senior secured credit agreement, Dole repurchased $275 million of its 2011 Notes.

In July 1993, Dole issued and sold debentures due 2013 (the 2013 Debentures). The 2013 Debentures are not redeemable prior to maturity and were issued at 99.37% of par.

Interest on the notes and debentures is paid semi-annually.

None of Dole s notes or debentures are subject to any sinking fund requirements. The notes and debentures are guaranteed by Dole s wholly-owned domestic subsidiaries.

April 2006 Amendments to Credit Facilities

In April 2006, Dole completed an amendment and restatement of its senior secured credit agreement. The purposes of this refinancing included increasing the combined size of Dole s revolving credit and letter of credit facilities, eliminating certain financial maintenance covenants, realizing currency gains arising out of Dole s then existing yen-denominated term loan, and refinancing the higher-cost bank indebtedness of Dole s immediate parent, Dole Holding Company, LLC (DHC) at the lower-cost Dole Food Company, Inc. level. Dole obtained $975 million of term loan facilities and $100 million in a pre-funded letter of credit facility, both of which mature in April 2013. The proceeds of the term loans were used to repay the then outstanding term loans and revolving credit facilities, as well as pay a dividend of $160 million to DHC, which proceeds were used to repay its existing debt facility.

In addition, Dole entered into a new asset based revolving credit facility (ABL revolver) of $350 million. The facility is secured by and is subject to a borrowing base consisting of up to 85% of eligible accounts receivable plus a predetermined percentage of eligible inventory, as defined in the credit facility. The ABL revolver matures in April 2011.

Revolving Credit Facility and Term Loans

As of January 3, 2009, the term loan facilities consisted of $176.8 million of Term Loan B and $658.6 million of Term Loan C, bearing interest at LIBOR plus a margin ranging from 1.75% to 2%, dependent upon Dole s senior secured leverage ratio. The weighted average variable interest rates at January 3, 2009 for Term Loan B and Term Loan C were LIBOR plus 2%, or 4.3%. The term loan facilities require quarterly principal payments, plus a balloon payment due in 2013. Related to the term loan facilities, Holdings holds an interest rate swap to hedge future changes in interest rates and a cross currency swap to effectively lower the U.S. dollar fixed interest rate of 7.2% to a Japanese yen fixed interest rate of 3.6%. Refer to Note 17 Derivative Financial Instruments for additional discussion of Holdings hedging activities.

As of January 3, 2009, the ABL revolver borrowing base was $328.6 million and the amount outstanding under the ABL revolver was $150.5 million, bearing interest at LIBOR plus a margin ranging from 1.25% to 1.75%, dependent upon Dole s historical borrowing availability under this facility. At January 3, 2009, the weighted average variable interest rate for the ABL revolver was LIBOR plus 1.5%, or 2.2%. The ABL revolver matures in April 2011. After taking into account approximately $5.3 million of outstanding letters of credit issued under the ABL revolver, Dole

had approximately $172.8 million available for borrowings as of January 3, 2009. In addition, Dole had approximately $71 million of letters of credit and bank guarantees outstanding under its pre-funded letter of credit facility as of January 3, 2009.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A commitment fee, which fluctuated between 0.25% and 0.375%, was paid based on the total unused portion of the revolving credit facility. In addition, there is a facility fee on the pre-funded letter of credit facility. Dole paid a total of $1 million, $0.7 million and $1 million in commitment and facility fees for the years ended January 3, 2009, December 29, 2007 and December 30, 2006.

The revolving credit facility and term loan facilities are collateralized by substantially all of Dole s tangible and intangible assets, other than certain intercompany debt, certain equity interests and each of Dole s U.S. manufacturing plants and processing facilities that has a net book value exceeding 1% of Dole s net tangible assets. Refer to Note 3 2009 Debt Maturity and Debt Issuance for information on the March 2009 amendments to the credit facilities.

Capital Lease Obligations

At January 3, 2009 and December 29, 2007, included in capital lease obligations was $58.5 million and $83.4 million, respectively, of vessel financing related to two vessel leases denominated in British pound sterling. The reduction in the capital lease obligation was primarily due to the weakening of the British pound sterling against the U.S. dollar during 2008, which resulted in Dole recognizing $21.3 million of unrealized gains. These unrealized gains were recorded as other income (expense), net in the consolidated statement of operations. The interest rates on these leases are based on LIBOR plus a spread. The remaining $1.9 million of capital lease obligations relate primarily to machinery and equipment. Interest rates under these leases are fixed. The capital lease obligations are collateralized by the underlying leased assets. Total payments, including principal and interest, through the remaining life of the lease total approximately $98.7 million. These leases expire in 2024.

Covenants

Provisions under the indentures to 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 senior secured revolving credit facility contains a springing covenant, but that covenant has never been effective and would only become effective if the availability under the revolving credit facility were to fall below $35 million for any eight consecutive business days, which it has never done during the life of such facility. In the event that such availability were to fall below $35 million for such eight consecutive business day period, the springing covenant would require that Dole s fixed charge coverage ratio, defined as (x) consolidated EBITDA for the four consecutive fiscal quarters then ending divided by (y) consolidated fixed charges for such four fiscal quarter period, equal or exceed 1.00:1.00. Dole expects such fixed charge coverage ratio to continue to be in excess of 1.00:1.00. At January 3, 2009, Dole was in compliance with all applicable covenants. Dole amended its senior secured credit facilities to, among other things, permit Dole to issue a certain amount of junior lien notes; the amendment became effective concurrently with the closing of the 2014 Notes offering. The amendment to the term loan facilities will impose a first priority secured leverage maintenance covenant on Dole, which Dole expects to continue to be able to satisfy.

A breach of a covenant or other provision in one of the debt instruments governing Dole s current or future indebtedness, or a debt instrument under which Holdings is the borrower, could result in a default under that instrument and, due to cross-default and cross-acceleration provisions, could result in a default under Dole s other debt instruments. Such debt instruments of Holdings, currently $135 million, matures on March 3, 2010. Upon the occurrence of an event of default under one of the above debt instruments, the lenders or holders of that debt and 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 Holdings and its subsidiaries were unable to repay those amounts, the lenders

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under the existing indebtedness were to accelerate the payment of the indebtedness, Holdings cannot give assurance that its consolidated assets or cash flow would be sufficient to repay in full the outstanding indebtedness, in which event Holdings likely would seek reorganization or protection under bankruptcy or other, similar laws.

Holdings entered into an amended and restated loan agreement for $135 million on March 17, 2008 (DHM Loan) in connection with its investment in WWP. The obligations under such loan agreement mature on March 3, 2010. Failure to make payments due under the DHM Loan would give lenders under this loan agreement the right to accelerate that debt. Any default under the DHM Loan would result in a default under Dole s senior secured credit facilities under the existing cross-default and cross-acceleration provisions set forth in those senior secured credit facilities. If such a default were to occur, Dole s senior secured credit facilities could be declared due at the request of the lenders holding a majority of the senior secured debt under the applicable agreement and unless the default were waived Dole would no longer have the ability to request advances or letters of credit under its revolving credit facility. The acceleration of the indebtedness under the senior secured credit facilities would, if not cured within 30 days, also allow the holders of 25% or more in principal amount of any series of Dole s notes or debentures to accelerate the maturity of such series. For further information on the DHM Loan, refer to Note 22 Hotel and Wellness Center.

Debt Issuance Costs

Expenses related to the issuance of long-term debt are capitalized and amortized to interest expense over the term of the underlying debt. During the years ended January 3, 2009, December 29, 2007 and December 30, 2006, Dole amortized deferred debt issuance costs of $4.1 million, $4.1 million and $4.4 million, respectively.

Dole wrote off $8.1 million of deferred debt issuance costs during the year ended December 30, 2006. The 2006 write-off was a result of a refinancing transaction that occurred in April 2006. This write-off was recorded to other income (expense), net in the consolidated statement of operations for the year ended December 30, 2006.

Fair Value of Debt

Dole estimates the fair value of Dole s 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 value and estimated fair values of Dole s debt is summarized below:

	January 3, 2009		December 29, 2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Unsecured notes and debentures	$ 1,100,000	$ 809,400	$ 1,105,000	$ 1,029,350
Term loans	835,444	585,855	960,375	902,753

For information regarding the fair value of the Hotel and Wellness Center s senior secured credit facility, refer to Note 22 Hotel and Wellness Center.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Maturities of Notes Payable and Long-Term Debt of Dole

Maturities with respect to notes payable and long-term debt as of January 3, 2009 were as follows (in thousands):

Fiscal Year	Amount
2009	$ 405,537
2010	412,114
2011	363,189
2012	12,910
2013	960,498
Thereafter	49,845
Total	$ 2,204,093

Other

In addition to amounts available under the revolving credit facility, Dole has uncommitted lines of credit of approximately $142.9 million at various local banks, of which $85.3 million was available at January 3, 2009. These lines of credit are used primarily for short-term borrowings, foreign currency exchange settlement and the issuance of letters of credit or bank guarantees. Several of Dole s uncommitted lines of credit expire in 2009 while others do not have a commitment expiration date. These arrangements may be cancelled at any time by Dole or the banks. Dole s ability to utilize these lines of credit may be impacted by the terms of its senior secured credit facilities and bond indentures.

Note 13 Employee Benefit Plans

Holdings sponsors a number of defined benefit pension plans covering certain employees worldwide. Benefits under these plans are generally based on each employee s eligible compensation and years of service, except for certain hourly plans, which are based on negotiated benefits. In addition to pension plans, Holdings has other postretirement benefit (OPRB) plans that provide certain health care and life insurance benefits for eligible retired employees. Covered employees may become eligible for such benefits if they fulfill established requirements upon reaching retirement age.

Holdings sponsors one qualified pension plan for U.S. employees, which is funded. All but one of Holdings international pension plans and all of its OPRB plans are unfunded.

All pension benefits for U.S. salaried employees were frozen in 2002. The assumption for the rate of compensation increase of 2.5% on the U.S. plans represents the rate associated with those participants whose benefits are negotiated under collective bargaining arrangements.

Holdings uses a December 31 measurement date for all of its plans.

Adoption of FAS 158

As of December 30, 2006, Holdings adopted Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158), which changed the accounting rules for reporting and disclosures related to pension and other postretirement benefit plans. FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur as a component of comprehensive income. The standard also requires an employer to measure the funded status as of the date of its year-end statement of financial position. The adoption in 2006

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

had no effect on the computation of net periodic benefit expense for pensions and postretirement benefits.

Pension Protection Act of 2006 and Worker, Retiree, and Employer Recovery Act of 2008

In August 2006, the Pension Protection Act of 2006 was signed into law. This legislation changed the method of valuing the U.S. qualified pension plan assets and liabilities for funding purposes, as well as the minimum funding requirements. The Worker, Retiree, and Employer Recovery Act of 2008 was signed into law in December 2008. The combined effect of these laws will be larger contributions over the next eight to ten years, with the goal of being fully funded by the end of that period. The amount of unfunded liability in future years will be affected by future contributions, demographic changes, investment returns on plan assets, and interest rates, so full funding may be achieved sooner or later. Holdings anticipates funding pension contributions with cash from operations.

As a result of the Pension Protection Act of 2006 and the decrease in the value of the U.S. qualified plan s assets, Holdings anticipates contributions averaging approximately $12 million per year over the next nine years. Holdings also anticipates that certain forms of benefit payments, such as lump sums, will be partially restricted over the next few years.

OPRB Plan Amendment

During the fourth quarter of 2008, Holdings amended its domestic OPRB Plan. This amendment became effective January 1, 2009. Holdings replaced health care coverage (including prescription drugs) for Medicare eligible retirees and surviving spouses who are age 65 and older with a new Health Reimbursement Arrangement (HRA), whereby each participant will be provided an annual amount in an HRA account. The HRA account will be used to offset health care costs. This plan amendment will reduce the benefit obligation by $21.8 million. The amortization of this reduction in liability, combined with a lower interest cost, will reduce the expense for this plan by approximately $4.2 million for the next 8 years and by $1.5 million thereafter.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Obligations and Funded Status The status of Holdings defined benefit pension and OPRB plans was as follows:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended January 3, 2009	Year Ended December 29, 2007
	(In thousands)					
Change in projected benefit obligation						
Benefit obligation at beginning of period	$ 308,097	$ 310,186	$ 141,714	$ 134,098	$ 63,803	$ 68,628
Service cost	149	149	7,069	6,947	284	308
Interest cost	18,481	17,139	10,314	8,820	3,920	4,639
Participant contributions				458		
Plan amendments			3,448		(20,960)	
Foreign currency exchange rate changes			(11,721)	10,298		
Actuarial (gain) loss	(34,261)	5,778	2,822	(7,736)	(1,610)	(5,194)
Divestitures			(44,158)			
Curtailments, settlements and terminations, net					(158)	
Benefits paid	(25,404)	(25,155)	(14,666)	(11,171)	(5,254)	(4,578)
Benefit obligation at end of period	$ 267,062	$ 308,097	$ 94,822	$ 141,714	$ 40,025	$ 63,803
Change in plan assets						
Fair value of plan assets at beginning of period	$ 237,881	$ 236,712	$ 38,485	$ 35,036	$	$
Actual return on plan assets	(49,237)	17,451	2,123	1,167		
Company contributions	2,293	8,873	17,874	11,826	5,254	4,578
Participant contributions				458		
Foreign currency exchange rate changes			(3,001)	1,169		
Benefits paid	(25,404)	(25,155)	(14,666)	(11,171)	(5,254)	(4,578)
Divestitures			(36,891)			
Fair value of plan assets at end of period	$ 165,533	$ 237,881	$ 3,924	$ 38,485	$	$

Funded status	$	(101,529)	$	(70,216)	$	(90,898)	$	(103,229)	$	(40,025)	$	(63,803)
Amounts recognized in the Consolidated Balance Sheets												
Current liabilities	$	(2,224)	$		$	(5,729)	$		$	(4,271)	$	
Long-term liabilities		(99,305)		(70,216)		(85,169)		(103,229)		(35,754)		(63,803)
	$	(101,529)	$	(70,216)	$	(90,898)	$	(103,229)	$	(40,025)	$	(63,803)

During the fourth quarter of 2008, Holdings sold two European businesses, each of which had defined benefit plans. The sale of these businesses has been reflected in the tables above as divestitures. Refer to Note 9 Assets Held-For-Sale.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amounts recognized in accumulated other comprehensive loss at January 3, 2009 and December 29, 2007 are as follows:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended January 3, 2009	Year Ended December 29, 2007
	(In thousands)					
Net actuarial loss (gain)	$ 74,383	$ 42,754	$ 11,592	$ 7,970	$ (8,091)	$ (6,136)
Prior service cost (benefit)	1	1	3,718	392	(25,506)	(5,460)
Net transition obligation			81	149		
Income taxes	(27,894)	(16,034)	(584)	(208)	13,260	3,324
Total	$ 46,490	$ 26,721	$ 14,807	$ 8,303	$ (20,337)	$ (8,272)

All of Holdings pension plans were underfunded at January 3, 2009, having accumulated benefit obligations exceeding the fair value of plan assets. The accumulated benefit obligation for all defined benefit pension plans was $333.8 million and $417.6 million at January 3, 2009 and December 29, 2007, respectively. The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	January 3, 2009	December 29, 2007
	(In thousands)	
Projected benefit obligation	$ 361,884	$ 449,811
Accumulated benefit obligation	$ 333,814	$ 417,581
Fair value of plan assets	$ 169,457	$ 276,366

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of Net Periodic Benefit Cost and Other Changes Recognized in Other Comprehensive Loss

The components of net periodic benefit cost and other changes recognized in other comprehensive loss for Holdings U.S. and international pension plans and OPRB plans were as follows:

	U.S. Pension Plans			International Pension Plans		
	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended December 30, 2006	Year Ended January 3, 2009	Year Ended December 29, 2007	Year Ended December 30, 2006
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	$ 149	$ 149	$ 1,550	$ 7,069	$ 6,947	$ 4,443
Interest cost	18,481	17,139	16,878	10,314	8,820	7,165
Expected return on plan assets	(18,139)	(17,721)	(18,021)	(2,378)	(2,473)	(905)
Amortization of:						
Unrecognized net loss	1,485	1,236	652	493	525	201
Unrecognized prior service cost	1	1	1	79	79	69
Unrecognized net transition obligation				59	56	51
Curtailments, settlements and terminations, net				918	653	1,197
	$ 1,977	$ 804	$ 1,060	$ 16,554	$ 14,607	$ 12,221
Other changes recognized in other comprehensive loss:						
Net loss (gain)	$ 33,115	$ 6,049		$ 3,030	$ (6,430)	
Prior service cost				3,449		
Amortization of:						
Unrecognized net loss (gain)	(1,485)	(1,236)		698	(1,178)	
Unrecognized prior service cost	(1)	(1)		(79)	(79)	
Unrecognized net transition obligation				(59)	(56)	
Foreign currency adjustment				(159)	646	
Income taxes	(11,860)	(499)		(376)	860	

Total recognized in other comprehensive loss	$ 19,769	$ 4,313	$ 6,504	$ (6,237)
Total recognized in net periodic benefit cost and other comprehensive loss, net of income taxes	$ 21,746	$ 5,117	$ 23,058	$ 8,370

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	OPRB Plans Year Ended		
	January 3, 2009	December 29, 2007	December 30, 2006
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	$ 284	$ 308	$ 282
Interest cost	3,921	4,639	3,908
Amortization of:			
Unrecognized net loss (gain)	(8)	95	(112)
Unrecognized prior service benefit	(914)	(914)	(914)
Curtailments, settlements and terminations, net	(158)		(1,062)
	$ 3,125	$ 4,128	$ 2,102
Other changes recognized in other comprehensive loss:			
Net gain	$ (1,963)	$ (5,194)	
Prior service benefit	(20,960)		
Amortization of:			
Unrecognized net (loss) gain	8	(95)	
Unrecognized prior service benefit	914	914	
Income taxes	9,936	2,271	
Total recognized in other comprehensive loss	$ (12,065)	$ (2,104)	
Total recognized in net periodic benefit cost and other comprehensive loss, net of income taxes	$ (8,940)	$ 2,024	

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $1.3 million of expense. The estimated actuarial net gain and prior service benefit for the OPRB plans that will be amortized from accumulated other comprehensive loss into periodic benefit cost over the next fiscal year is $4.1 million of income.

Assumptions

Weighted-average assumptions used to determine benefit obligations at January 3, 2009 and December 29, 2007 are as follows:

U.S. Pension	International

	Plans		Pension Plans		OPRB Plans	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Rate assumptions:						
Discount rate	6.75%	6.25%	8.30%	7.52%	7.03%	6.44%
Rate of compensation increase	2.50%	2.50%	6.00%	5.22%		

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended January 3, 2009 and December 29, 2007 are as follows:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	2008	2007	2008	2007	2008	2007
Rate assumptions:						
Discount rate	6.25%	5.75%	8.47%	6.61%	6.44%	5.91%
Compensation increase	2.50%	2.50%	5.85%	5.15%		
Rate of return on plan assets	8.00%	8.00%	7.70%	6.73%		

International plan discount rates, assumed rates of increase in future compensation and expected long-term return on assets differ from the assumptions used for U.S. plans due to differences in the local economic conditions in the countries in which the international plans are based.

The APBO for Holdings U.S. OPRB plan in 2008 and 2007 was determined using the following assumed annual rate of increase in the per capita cost of covered health care benefits:

Fiscal Year	Year Ended January 3, 2009	Year Ended December 29, 2007
Health care costs trend rate assumed for next year	8%	9%
Rate of increase to which the cost of benefits is assumed to decline (the ultimate trend rate)	5.5%	5.5%
Year that the rate reaches the ultimate trend rate	2012	2012

The health care plan offered to retirees in the U.S. who are age 65 or older was changed effective January 1, 2009 to provide the reimbursement of health care expenses up to a certain fixed amount. There is no commitment to increase the fixed dollar amount and no increase was assumed in determining the APBO. Therefore, the trend rate applies only to benefits for U.S. retirees prior to age 65 and to foreign retirees.

A one-percentage-point change in assumed health care cost trend rates would have the following impact on Holdings OPRB plans:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In thousands)	
Increase (decrease) in service and interest cost	$ 110	$ (98)

Increase (decrease) in postretirement benefit obligation	$ 1,470	$ (1,292)

Plan Assets

The following is the plan s target asset mix, which management believes provides the optimal tradeoff of diversification and long-term asset growth:

Asset Class	**Target Allocation**
Fixed income securities	40%
Equity securities	55%
Private equity and venture capital funds	5%

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings U.S. pension plan weighted-average asset allocations at January 3, 2009 and December 29, 2007 by asset category, are as follows:

Asset Class	Plan Assets at January 3, 2009	Plan Assets at December 29, 2007
Fixed income securities	53%	41%
Equity securities	45%	57%
Private equity and venture capital funds	2%	2%
Total	100%	100%

The plan s asset allocation includes a mix of fixed income investments designed to reduce volatility and equity investments designed to maintain funding ratios and long-term financial health of the plan. The equity investments are diversified across U.S. and international stocks as well as growth, value, and small and large capitalizations.

Private equity and venture capital funds are used to enhance long-term returns while improving portfolio diversification. Holdings employs a total return investment approach whereby a mix of fixed income and equity investments is used to maximize the long-term return of plan assets with a prudent level of risk. The objectives of this strategy are to achieve full funding of the accumulated benefit obligation, and to achieve investment experience over time that will minimize pension expense volatility and minimize Holdings contributions required to maintain full funding status. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

Holdings actual weighted average asset allocation varied from Holdings target allocation at January 3, 2009 due to the economic volatility in the stock and bond markets during 2008. Holdings is currently assessing its positions and expects to rebalance its portfolio during 2009.

The pension plan did not hold any of Holdings or Dole common stock at January 3, 2009 and December 29, 2007.

Holdings determines the expected return on pension plan assets based on an expectation of average annual returns over an extended period of years. Holdings also considers the weighted-average historical rate of returns on securities with similar characteristics to those in which Holdings pension assets are invested.

Holdings applies the 10% corridor approach to amortize unrecognized actuarial gains (losses) on both its U.S. and international pension and OPRB plans. Under this approach, only actuarial gains (losses) that exceed 10% of the greater of the projected benefit obligation or the market-related value of the plan assets are amortized. The amortization period is based on the average remaining service period of active employees expected to receive benefits under each plan or over the life expectancy of inactive participants where all, or nearly all, participants are inactive. For the year ended January 3, 2009, the average remaining service period used to amortize unrecognized actuarial

gains (losses) for its domestic plans was approximately 10.5 years.

Plan Contributions and Estimated Future Benefit Payments

During 2008, Holdings did not make any contributions to its qualified U.S. pension plan. Under the minimum funding requirements of the Pension Protection Act of 2006, no contribution was required for fiscal 2008. Holdings expects to contribute approximately $8 million to its U.S. qualified plan in 2009, which is the estimated minimum funding requirement calculated under the Pension Protection

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Act of 2006. Future contributions to the U.S. pension plan in excess of the minimum funding requirement are voluntary and may change depending on Holdings operating performance or at management s discretion. Holdings expects to make $15.7 million of payments related to its other U.S. and foreign pension and OPRB plans in 2009.

The following table presents estimated future benefit payments:

Fiscal Year	U.S. Pension Plans	International Pension Plans	OPRB Plans
		(In thousands)	
2009	$ 23,126	$ 8,471	$ 4,271
2010	22,848	8,941	4,179
2011	22,385	8,546	4,114
2012	22,375	9,110	3,999
2013	22,039	9,268	3,911
2014-2018	106,662	57,967	18,457
Total	$ 219,435	$ 102,303	$ 38,931

Defined Contribution Plans

Holdings offers defined contribution plans to eligible employees. Such employees may defer a percentage of their annual compensation in accordance with plan guidelines. Some of these plans provide for a Company match that is subject to a maximum contribution as defined by the plan. Holdings contributions to its defined contribution plans totaled $8.1 million, $7.6 million and $7.3 million in the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

Multi-Employer Plans

Holdings is also party to various industry-wide collective bargaining agreements that provide pension benefits. Total contributions to these plans for eligible participants were approximately $1.6 million, $2.8 million and $3.7 million in the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

Note 14 Shareholders Equity

Holdings authorized share capital as of January 3, 2009 and December 29, 2007 consisted of 1,000 shares of $0.001 par value common stock of which 1,000 shares were issued and outstanding. All issued and outstanding shares are owned by David H. Murdock and by other entities owned by David H. Murdock.

Dividends

Holdings did not declare or pay a dividend to its parent during either of the years ended January 3, 2009 and December 29, 2007 and December 30, 2006. Dividends paid during the year ended January 3, 2009, December 29, 2007, and December 30, 2006 represent dividends paid to WWP s noncontrolling shareholder.

Dole s ability to declare dividends is limited under the terms of its senior notes indentures and senior secured credit facilities. As of January 3, 2009, Dole had no ability to declare and pay dividends or other similar distributions.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Contributions and Return of Capital

During the year ended January 3, 2009, capital contributions of $62.6 million were received from Holdings shareholders.

There were no capital contributions or return of capital transactions during the years ended December 29, 2007 and December 30, 2006.

During the year ended January 3, 2009, December 29, 2007, and December 30, 2006, capital contributions of $5.3 million, $11.9 million, and $16.9 million were received from WWP s noncontrolling shareholder.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of changes to shareholders equity, other than contributions from or distributions to shareholders, and net income (loss). Holdings other comprehensive income (loss) principally consists of unrealized foreign currency translation gains and losses, unrealized gains and losses on cash flow hedging instruments and pension liability. The components of, and changes in, accumulated other comprehensive income (loss) are presented in Holdings Consolidated Statements of Shareholders Equity.

Note 15 Business Segments

As discussed in Note 5, Holdings approved and committed to a formal plan to divest its fresh-cut flowers operating segment and accordingly reclassified the results of operations to discontinued operations. As a result of this reclassification of the fresh-cut flowers segment, Holdings now has four reportable operating segments.

Holdings has four reportable operating segments: fresh fruit, fresh vegetables, packaged foods, and the Hotel and Wellness Center. 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 (loss) 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 Holdings as a whole. EBIT is not defined under accounting principles generally accepted in the United States of America (GAAP) and should not be considered in isolation or as a substitute for net income or cash flow measures prepared in accordance with GAAP or as a measure of Holdings profitability. Additionally, Holdings 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 fashion.

In the tables below, only revenues from external customers and EBIT reflect results from continuing operations. Total assets, depreciation and amortization and capital additions reflect results from continuing and discontinued operations for 2008, 2007 and 2006.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The results of operations and financial position of the four reportable operating segments and corporate were as follows:

Results of Operations:

	2008	2007	2006
		(In thousands)	
Revenues from external customers			
Fresh fruit	$ 5,401,145	$ 4,736,902	$ 3,968,963
Fresh vegetables	1,086,888	1,059,401	1,082,416
Packaged foods	1,130,791	1,023,257	938,336
Hotel and Wellness Center	39,796	35,734	2,235
Corporate	1,128	1,252	1,148
	$ 7,659,748	$ 6,856,546	$ 5,993,098
EBIT			
Fresh fruit	$ 305,782	$ 172,175	$ 104,976
Fresh vegetables	1,123	(21,668)	(7,241)
Packaged foods	70,944	80,093	93,449
Hotel and Wellness Center	(27,023)	(33,101)	(17,595)
Total operating segments	350,826	197,499	173,589
Corporate:			
Unrealized gain (loss) on cross currency swap	(50,411)	(10,741)	20,664
Operating and other expenses	(54,931)	(60,148)	(59,960)
Corporate	(105,342)	(70,889)	(39,296)
Interest expense	(184,895)	(208,734)	(172,421)
Income taxes	60,906	11,980	(15,399)
Income (loss) from continuing operations, net of income taxes	$ 121,495	$ (70,144)	$ (53,527)

Corporate EBIT includes general and administrative costs not allocated to operating segments.

Substantially all of Holdings equity earnings in unconsolidated subsidiaries, which have been included in EBIT in the table above, relate to the fresh fruit operating segment.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Position:

	January 3, 2009	December 29, 2007
	(In thousands)	
Total assets		
Fresh fruit	$ 2,322,899	$ 2,528,169
Fresh vegetables	460,221	476,501
Packaged foods	686,801	693,515
Hotel and Wellness Center	352,056	368,609
Total operating segments	3,821,977	4,066,794
Corporate	832,824	832,459
Fresh-cut flowers discontinued operations	61,989	112,578
	$ 4,716,790	$ 5,011,831

Depreciation and amortization and capital additions by segment were as follows:

	2008	2007	2006
		(In thousands)	
Depreciation and amortization			
Fresh fruit	$ 90,289	$ 96,480	$ 92,196
Fresh vegetables	19,420	18,414	15,744
Packaged foods	25,419	32,989	31,454
Hotel and wellness center	18,428	17,555	1,424
Total operating segments	153,556	165,438	140,818
Corporate	2,532	3,498	4,136
Discontinued operations	1,168	4,224	5,817
	$ 157,256	$ 173,160	$ 150,771
Capital additions			
Fresh fruit	$ 44,381	$ 52,511	$ 41,286
Fresh vegetables	9,152	27,433	52,990
Packaged foods	20,111	23,913	19,728
Hotel and Wellness Center	1,864	9,898	195,512

Total operating segments	75,508	113,755	309,516
Corporate	255	158	975
Discontinued operations	3,016	3,215	4,356
	$ 78,779	$ 117,128	$ 314,847

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings revenues from external customers and tangible long-lived assets by country/region were as follows:

	2008	2007 (In thousands)	2006
Revenues from external customers			
United States	$ 3,022,764	$ 2,705,666	$ 2,583,055
Japan	723,195	590,218	578,504
Sweden	564,499	474,139	354,390
Germany	551,555	470,570	439,741
United Kingdom	242,258	329,999	108,040
Canada	287,758	262,217	222,846
Other Euro zone countries	944,470	817,082	744,416
Other international	1,323,249	1,206,655	962,106
	$ 7,659,748	$ 6,856,546	$ 5,993,098

No individual country in the Other international category above had material revenues from external customers.

	January 3, 2009	December 29, 2007
	(In thousands)	
Tangible long-lived assets		
United States	$ 828,341	$ 1,015,950
Oceangoing assets	134,681	161,531
Philippines	144,114	148,786
Costa Rica	96,916	97,576
Honduras	79,298	77,093
Chile	48,647	56,974
Ecuador	64,426	54,254
Other international	140,487	245,461
	$ 1,536,910	$ 1,857,625

Note 16 Operating Leases and Other Commitments

In addition to obligations recorded on Holdings Consolidated Balance Sheet as of January 3, 2009, Holdings has commitments under cancelable and non-cancelable operating leases, primarily for land, machinery and equipment, vessels and containers and office and warehouse facilities. A significant portion of Holdings lease payments are fixed.

Total rental expense, including rent related to cancelable and non-cancelable leases, was $204.2 million, $169.2 million and $153 million (net of sublease income of $17.1 million, $16.6 million and $16.4 million) for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

Holdings modified the terms of its corporate aircraft lease agreement during 2007. The modification primarily extended the lease period from terminating in 2010 to 2018. Holdings corporate aircraft lease agreement includes a residual value guarantee of up to $4.8 million at the termination of the lease in 2018.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of January 3, 2009, Holdings non-cancelable minimum lease commitments, including the residual value guarantee, before sublease income, were as follows (in thousands):

Fiscal Year	Amount
2009	$ 143,054
2010	110,736
2011	85,026
2012	62,842
2013	47,677
Thereafter	115,034
Total	$ 564,369

Total expected future sublease income for Holdings is expected to be earned over 7 years is $42.6 million.

In order to secure sufficient product to meet demand and to supplement Holdings own production, Holdings has entered into non-cancelable agreements with independent growers, primarily in Latin America and North America, to purchase substantially all of their production subject to market demand and product quality. Prices under these agreements are generally tied to prevailing market rates and contract terms generally range from one to ten years. Total purchases under these agreements were $658.8 million, $564.5 million and $474.5 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

At January 3, 2009, aggregate future payments under such purchase commitments (based on January 3, 2009 pricing and volumes) are as follows (in thousands):

Fiscal Year	Amount
2009	$ 622,921
2010	395,143
2011	348,642
2012	218,687
2013	184,596
Thereafter	131,404
Total	$ 1,901,393

In order to ensure a steady supply of packing supplies and to maximize volume incentive rebates, Holdings has entered into contracts for the purchase of packing supplies; some of these contracts run through 2010. Prices under these agreements are generally tied to prevailing market rates. Purchases under these contracts for the years ended

January 3, 2009, December 29, 2007 and December 30, 2006 were approximately $292.6 million, $272.7 million and $207.6 million, respectively.

Under these contracts, Holdings was committed at January 3, 2009, to purchase packing supplies, assuming current price levels, as follows (in thousands):

Fiscal Year	**Amount**
2009	$ 158,638
2010	133,875
Total	$ 292,513

F-182

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings has numerous collective bargaining agreements with various unions covering approximately 35% of Holdings hourly full-time and seasonal employees. Of the unionized employees, 35% are covered under a collective bargaining agreement that will expire within one year and the remaining 65% are covered under collective bargaining agreements expiring beyond the upcoming year. These agreements are subject to periodic negotiation and renewal. Failure to renew any of these collective bargaining agreements may result in a strike or work stoppage; however, management does not expect that the outcome of these negotiations and renewals will have a material adverse impact on Holdings financial condition or results of operations.

Refer to Note 22 Hotel and Wellbeing Center, for further information on Hotel and Wellbeing Center commitments.

Note 17 Derivative Financial Instruments

Holdings 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, Holdings uses derivative instruments to hedge certain foreign currency, bunker fuel and interest rate exposures. Holdings 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. Holdings does not hold or issue derivative financial instruments for trading or speculative purposes.

Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* (FAS 133), establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability and measured at fair value. FAS 133 also requires that changes in the derivative s fair value be recognized currently in earnings unless specific criteria are met and that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. For those instruments that qualify for hedge accounting as cash flow hedges, any unrealized gains or losses are included in accumulated other comprehensive income (loss), with the corresponding asset or liability recorded on the balance sheet. Any portion of a cash flow hedge that is deemed to be ineffective is recognized into current period earnings. When the transaction underlying the hedge is recognized into earnings, the related other comprehensive income (loss) is reclassified to current period earnings.

Through the first quarter of 2007, all of Holdings derivative instruments, with the exception of the cross currency swap, were designated as effective hedges of cash flows as defined by FAS 133. However, during the second quarter of 2007, Holdings elected to discontinue its designation of both its foreign currency and bunker fuel hedges as cash flow hedges under FAS 133. The interest rate swap continues to be accounted for as a cash flow hedge under FAS 133. As a result, all changes in the fair value of Holdings derivative financial instruments from the time of discontinuation of hedge accounting are reflected in Holdings consolidated statements of operations. Gains and losses on foreign currency and bunker fuel hedges are recorded as a component of cost of revenues in the consolidated statement of operations. Gains and losses related to the interest rate swap are recorded as a component of interest expense in the consolidated statements of operations.

Foreign Currency Hedges

Some of Holdings divisions operate in functional currencies other than the U.S. dollar. As a result, Holdings enters into cash flow derivative instruments to hedge portions of anticipated revenue streams and operating expenses. At

January 3, 2009, Holdings had forward contract hedges for forecasted revenue transactions denominated in the Japanese yen, the Euro and the Swedish krona and for forecasted operating expenses denominated in the Chilean peso, Colombian peso and the Philippine

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

peso. Holdings uses foreign currency exchange forward contracts and participating forward contracts to reduce its risk related to anticipated dollar equivalent foreign currency cash flows.

In addition, the net assets of some of Holdings foreign subsidiaries are exposed to foreign currency translation gains and losses, which are included as a component of accumulated other comprehensive income (loss) in shareholders equity. Holdings has historically not attempted to hedge this equity risk.

At January 3, 2009, the gross notional value and fair market value of Holdings foreign currency hedges were as follows:

	Gross Notional Value			Fair Market Value Assets	Average
	Participating Forwards	Forwards	Total	(Liabilities)	Strike Price
		(In thousands)			
Foreign Currency Hedges(Buy/Sell):					
U.S. Dollar/Japanese Yen	$ 147,474	$	$ 147,474	$ (9,800)	JPY 104
U.S. Dollar/Euro	100,207		100,207	5,206	EUR 1.43
Euro/Swedish Krona		4,709	4,709	(153)	SEK 11.09
Chilean Peso/U.S. Dollar		22,495	22,495	419	CLP 668
Colombian Peso/U.S. Dollar		52,262	52,262	(441)	COP 2,294
Philippine Peso/U.S. Dollar		39,053	39,053	(846)	PHP 47.5
Total	$ 247,681	$ 118,519	$ 366,200	$ (5,615)	

At December 29, 2007 Holdings had outstanding hedges denominated in the Japanese yen, the Euro, the Canadian dollar, the Chilean peso and the Thai baht. The fair market value of these hedges was a liability of $12.1 million at December 29, 2007.

Bunker Fuel Hedges

Holdings enters into bunker fuel hedges for its shipping operations to reduce its risk related to price fluctuations on anticipated bunker fuel purchases. At January 3, 2009, the notional volume and the fair market value of Holdings bunker fuel hedges were as follows:

	Notional Volume	Fair Market Value	Average Price

	(metric tons)	(In thousands)	(per metric ton)
Bunker Fuel Hedges:			
Rotterdam	15,018	$ (3,576)	$ 418

At December 29, 2007, the fair market value of the bunker fuel hedges was an asset of $1.1 million, which included $0.4 million related to unsettled bunker fuel hedges that received FAS 133 treatment prior to the discontinuation of hedge accounting during the second quarter of 2007.

For both the foreign currency and bunker fuel hedges, the fair market value of these instruments is recorded in the consolidated balance sheet as either a current asset or current liability. Settlement of these hedges will occur during 2009.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net unrealized gains (losses) and realized gains (losses) included as a component of cost of revenues sold in the consolidated statement of operations on the foreign currency and bunker fuel hedges for fiscal 2008, 2007 and 2006 were as follows:

	2008	2007	2006
		(In thousands)	
Unrealized Gains (Losses):			
Foreign currency exchange contracts and other	$ 6,002	$ (12,065)	$
Foreign currency exchange contracts discontinued operations	447		(492)
Bunker fuel contracts	(4,325)	749	(1,088)
	2,124	(11,316)	(1,580)
Realized Gains (Losses):			
Foreign currency exchange contracts	(11,255)	12,719	2,203
Foreign currency exchange contracts discontinued operations	(736)	6,098	(1,436)
Bunker fuel contracts	678	3,903	(3,465)
	(11,313)	22,720	(2,698)
	$ (9,189)	$ 11,404	$ (4,278)

With the exception of some Colombian peso hedges, all unrealized gains (losses) on foreign currency and bunker fuel hedges for 2006 were included as a component of other comprehensive income (loss) in shareholders equity. Unrealized losses for 2006 included in the table above relate to Colombian peso hedges that did not receive FAS 133 treatment and the ineffective portion of bunker fuel hedges. The realized and unrealized gains (losses) related to discontinued operations were included as a component of loss from discontinued operations.

Interest Rate and Cross Currency Swaps

As discussed in Note 12, Holdings completed an amendment and restatement of its senior secured credit facilities in April 2006. As a result of this refinancing transaction, Holdings recognized a gain of $6.5 million related to the settlement of its interest rate swap associated with its then existing Term Loan A. This amount was recorded to other income (expense), net in the consolidated statement of operations for the year ended December 30, 2006.

In June 2006, subsequent to the refinancing transaction, Holdings entered into an interest rate swap in order 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 June 2011. The interest rate swap fixed the interest rate at 7.24%. The paying and receiving rates under the interest rate swap were 5.49% and 4.82% as of January 3, 2009, with an outstanding notional amount of $320 million. The critical terms of the interest rate swap were substantially the same as those of Term Loan C, including quarterly principal and interest settlements. The interest rate swap hedge has been designated as an effective hedge of cash flows as defined by FAS 133. The fair value of the interest rate swap

was a liability of $26.5 million and $15.9 million at January 3, 2009 and December 29, 2007, respectively. Net payments of the interest rate swap are recorded as a component of interest expense in the consolidated statements of operations for 2008 and 2007. Net payments were $5.6 million and $0.4 million for the years ended January 3, 2009 and December 29, 2007, respectively.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, in June 2006, Holdings 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 7.24% 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 ¥111.9. At January 3, 2009, the exchange rate of the Japanese yen to U.S. dollar was ¥90.6. 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. The fair market value of the cross currency swap was a liability of $40.5 million and an asset of $9.9 million at January 3, 2009 and December 29, 2007, respectively.

The unrealized gains (losses) and realized gains on the cross currency swap for fiscal 2008, 2007 and 2006 were as follows:

	2008	2007	2006
		(In thousands)	
Unrealized gains (losses)	$ (50,411)	$ (10,741)	$ 20,664
Realized gains	11,209	12,780	4,102
	$ (39,202)	$ 2,039	$ 24,766

Realized and unrealized gains and losses on the cross currency swap are recorded through other income (expense), net in the consolidated statements of operations.

FAS 157

As discussed in Note 2, Holdings adopted FAS 157 as of December 30, 2007 for financial assets and liabilities measured on a recurring basis and the impact of the adoption was not material. FAS 157 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 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 fair values of Holdings 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. Holdings recorded a credit valuation

adjustment at January 3, 2009 which reduced the derivative liability balances by approximately $16.3 million and resulted in a corresponding decrease in the unrealized loss recorded for the derivative instruments. Approximately $2.7 million of the credit valuation adjustment was recorded as a component of interest expense and $13.6 million was recorded as a component of other income (expense), net.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a summary of the fair values of assets and liabilities under the FAS 157 hierarchy:

	January 3, 2009	Fair Value Measurements at January 3, 2009 Using Significant Other Observable Inputs (Level 2)
	(In thousands)	
Assets and Liabilities Measured on a Recurring Basis		
Assets:		
Foreign currency exchange contracts	$ 5,625	$ 5,625
Liabilities:		
Foreign currency exchange contracts	$ 11,240	$ 11,240
Bunker fuel contracts	3,576	3,576
Interest rate swap	26,467	26,467
Cross currency swap	40,488	40,488
	$ 81,771	$ 81,771

Credit Risk

The counterparties to the foreign currency exchange forward contracts, bunker fuel hedges and the interest rate swap consist of a number of major international financial institutions. Holdings has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose Holdings 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. Holdings does not anticipate any such losses.

Note 18 Contingencies

Dole is a guarantor of indebtedness to some of its key fruit suppliers and other entities integral to Dole s operations. At January 3, 2009, guarantees of $3.2 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 January 3, 2009, total letters of credit, bank guarantees and bonds

outstanding under these arrangements were $107.3 million, of which $71 million were issued under its 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 $218.8 million of its subsidiaries obligations to their suppliers and other third parties as of January 3, 2009.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 following a change of control (as defined) of Dole.

Holdings is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Holdings 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 Holdings is a party are not expected to have a material adverse effect, individually or in the aggregate, on Holdings financial condition or results of operations.

DBCP Cases: A significant portion of Holdings 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 Dow and Shell 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 249 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 150 labor cases pending in Costa Rica under that country s national insurance program.

Thirty-three of the 249 lawsuits are currently pending in various jurisdictions in the United States. Eighteen lawsuits in Los Angeles Superior Court brought by foreign workers who alleged exposure to DBCP in countries where Dole did not even have operations during the relevant period, are to be dismissed without prejudice by March 30, 2009 pursuant to a tolling agreement which terminates on December 31, 2012. Two additional lawsuits in Texas and in Hawaii were also dismissed. On April 21-23, 2009 the Los Angeles Superior Court will hold a scheduled hearing on an order to show cause as why the two pending lawsuits (including the case with a previous trial date of September 10, 2009) brought by Nicaraguan plaintiffs should not be terminated with prejudice, pursuant to the court s stated inherent power and responsibility to terminate litigation if deliberate and egregious misconduct makes any sanctions other than dismissal inadequate to ensure a fair trial. One of two U.S. law firms representing the plaintiffs in these two pending lawsuits has filed a notice of discharge of attorneys of record; and the second law firm has filed a motion to be relieved as counsel for the plaintiffs. Another case pending in Hawaii Superior Court with 10 plaintiffs from Costa Rica, Guatemala, Ecuador and Panama currently has a trial date of January 18, 2010. The remaining cases

are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$44.5 billion, with lawsuits in Nicaragua representing approximately 88% 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.

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 plaintiffs. The parties in this lawsuit have filed appeals. Once the court makes its determination of costs, Dole will file an appeal bond, which will further stay the judgment pending the resolution of the appeal. Additionally, the court appointed a mediator to explore possible settlement of all DBCP cases currently pending before the court.

In Nicaragua, 196 cases are currently filed (of which 20 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 39 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 recently 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.

The 20 active cases are currently pending in civil courts in Managua (9), Chinandega (10) and Puerto Cabezas (1), all of which have been brought under Law 364 except for one of the cases pending in Chinandega. In 2 of the 9 cases in Managua (Dole has not been ordered to answer in seven cases), Dole has sought to have the cases returned to the United States pursuant to Law 364. Dole s requests are still pending and Dole expects to make similar requests in the remaining seven cases at the appropriate time. In four of the 10 cases in Chinandega (Dole has not been ordered to answer in six cases), Dole has sought to have the cases returned to the United States pursuant to Law 364. In one case, the Chinandega court has ordered the plaintiffs to respond to our request; in two cases, the court had denied Dole s requests, and Dole has appealed that decision; and in the other case, the court has not yet ruled on Dole s request. In the one case in Puerto Cabezas, Dole has sought to have the case returned to the United States, and Dole has appealed the court s denial of Dole s request.

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

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 has 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 has appointed a special prosecutor.

Claimants have also sought to enforce the Nicaraguan judgments in Colombia, Ecuador, and Venezuela. In addition, there is one case pending in the U.S. District Court in Miami, Florida seeking enforcement of the August 8, 2005 $98.5 million Nicaraguan judgment. This case is currently stayed. 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). These cases are currently inactive. 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.

Holdings 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 Holdings financial condition 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 other 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. Although no assurance can be given concerning the outcome of these 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 Holdings financial condition or results of operations.

European Union Antitrust Inquiry: On October 15, 2008, the European Commission (EC) adopted a Decision against Dole Food Company, Inc. and Dole Fresh Fruit Europe OHG (collectively

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dole) 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. On November 28 and 29, 2007, the EC conducted searches of certain of Dole s offices in Italy and Spain, as well as of other companies offices located in these countries.

Dole received the Decision on October 21, 2008 and appealed the Decision on December 24, 2008.

On December 3, 2008, the EC agreed in writing that if Dole makes an initial payment of $10 million to the EC on or before January 22, 2009, the EC will stay the deadline for a provisional payment, or coverage by a prime bank guaranty, of the remaining balance (plus interest as from January 22, 2009), until April 30, 2009. Dole made this initial $10 million (7.6 million) payment on January 21, 2009 and it will be included in other assets in Holdings first quarter 2009 condensed consolidated balance sheet.

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

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 our interest in Cervecería Hondureña, 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 Holdings financial condition or results of operations.

Hurricane Katrina Cases: Dole was one of a number of parties sued, including the Mississippi State Port Authority as well as other third-party terminal operators, in connection with the August 2005 Hurricane Katrina. The plaintiffs asserted that they suffered property damage because of the defendants alleged failure to reasonably secure shipping containers at the Gulfport, Mississippi port terminal before Hurricane Katrina hit. Dole prevailed in its motions to dismiss several of these cases, and the remainder were voluntarily withdrawn. No further litigation is pending against Dole related to Hurricane Katrina, and any new claims would now be time-barred.

Spinach E. coli Outbreak: On September 15, 2006, Natural Selection Foods LLC recalled all packaged fresh spinach that Natural Selection Foods produced and packaged with Best-If-Used-By dates from August 17 through October 1,

2006, because of reports of illness due to E. coli O157:H7 following consumption of packaged fresh spinach produced by Natural Selection Foods. These packages were sold under 28 different brand names, only one of which was ours. At that time, Natural

F-191

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Selection Foods produced and packaged all of our spinach items. Dole has no ownership or other economic interest in Natural Selection Foods.

The U.S. Food and Drug Administration announced on September 29, 2006 that all spinach implicated in the current outbreak has traced back to Natural Selection Foods. The FDA stated that this determination was based on epidemiological and laboratory evidence obtained by multiple states and coordinated by the Centers for Disease Control and Prevention. The trace back investigation has narrowed to four implicated fields on four ranches. FDA and the State of California announced October 12, 2006 that the test results for certain samples collected during the field investigation of the outbreak of E. coli O157:H7 in spinach were positive for E. coli O157:H7. Specifically, samples of cattle feces on one of the implicated ranches tested positive based on matching genetic fingerprints for the same strain of E. coli O157:H7 found in the infected persons. To date, 204 cases of illness due to E. coli O157:H7 infection have been reported to the Centers for Disease Control and Prevention (203 in 26 states and one in Canada) including 31 cases involving a type of kidney failure called Hemolytic Uremic Syndrome (HUS), 104 hospitalizations, and three deaths. The vast majority of the spinach E. coli O157:H7 claims were handled outside the formal litigation process, and Dole expects that to continue to be true for the few remaining claims. Since Natural Selection Foods, not Dole, produced and packaged the implicated spinach products, Dole has tendered the defense of these and other claims to Natural Selection Foods and its insurance carriers and has sought indemnity from Natural Selection Foods, based on the provisions of the contract between Dole and Natural Selection Foods. Dole (and its insurance carriers) that grew the implicated spinach for Natural Selection Foods is involved in the resolution of the E. coli O157:H7 claims. Management expects that the spinach E. coli O157:H7 matter will not have a material adverse effect on Holdings financial condition or results of operations.

Note 19 Related Party Transactions

David H. Murdock, Holdings Chairman, owns, *inter alia,* Castle & Cooke, Inc. (Castle), a transportation equipment leasing company, a private dining club and a hotel. During the years ended January 3, 2009, December 29, 2007 and December 30, 2006, Holdings paid Mr. Murdock s companies an aggregate of approximately $9.3 million, $7.2 million and $7.6 million, respectively, primarily for the rental of truck chassis, generator sets and warehousing services. Castle purchased approximately $0.7 million, $0.7 million and $1.1 million of products from Dole during the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

Holdings and Castle are responsible for 68% and 32%, respectively, of all obligations under an aircraft lease arrangement. Each party is responsible for the direct costs associated with its use of this aircraft, and all other indirect costs are shared proportionately. During the year ended January 3, 2009, December 29, 2007 and December 30, 2006, Holdings proportionate share of the direct and indirect costs for this aircraft was $2.2 million, $2 million and $1.9 million, respectively.

Holdings and Castle operate their risk management departments on a joint basis. Insurance procurement and premium costs are based on the relative risk borne by each company as determined by the insurance underwriters. Administrative costs of the risk management department, which were not significant, are shared on a 50-50 basis.

Holdings retains risk for commercial property losses sustained by Holdings and Castle totaling $3 million in the aggregate and $3 million per occurrence, above which Holdings has coverage provided through third-party insurance carriers. The arrangement provides for premiums to be paid to Holdings by Castle in exchange for Holdings retained

risk. Holdings received approximately $0.5 million, $0.6 million and $0.6 million from Castle during 2008, 2007 and 2006, respectively.

Table of Contents

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings had a number of other transactions with Castle and other entities owned by Mr. Murdock, generally on an arms-length basis, none of which, individually or in the aggregate, were material. Holdings had outstanding net accounts receivable of $1.2 million and a note receivable of $5.7 million due from Castle at January 3, 2009 and outstanding net accounts receivable of $0.5 million and a note receivable of $6 million due from Castle at December 29, 2007.

During the first quarter of 2007, Holdings and Castle executed a lease agreement pursuant to which Holdings fresh vegetables operations occupy an office building in Monterey, California, which is owned by Castle. Rent expense for the years ended January 3, 2009 and December 29, 2007 totaled $1.4 million and $1 million, respectively.

Note 20 Impact of Hurricane Katrina

During the third quarter of 2005, Holdings operations in the Gulf Coast area of the United States were impacted by Hurricane Katrina. Holdings fresh fruit division utilizes the Gulfport, Mississippi port facility to receive and store product from its Latin American operations. The Gulfport facility, which is leased from the Mississippi Port Authority, incurred significant damage from Hurricane Katrina. As a result of the damage sustained at the Gulfport terminal, Holdings diverted shipments to other Dole port facilities including Freeport, Texas; Port Everglades, Florida; and Wilmington, Delaware. Holdings resumed discharging shipments of fruit and other cargo in Gulfport during the fourth quarter of 2005. The rebuilding of Holdings Gulfport facility was completed during 2007.

The financial impact to Holdings fresh fruit operations included the loss of cargo and equipment, property damage and additional costs associated with re-routing product to other ports in the region. Equipment that was destroyed or damaged included refrigerated and dry shipping containers, as well as chassis and generator-sets used for land transportation of the shipping containers. Holdings maintains customary insurance for its property, including shipping containers, as well as for business interruption.

The Hurricane Katrina related expenses, insurance proceeds and net gain (loss) on the settlement of the claims for 2007, 2006 and 2005 were as follows:

	2007	2006	2005	Cumulative
		(In thousands)		
Total Cargo and Property Policies:				
Expenses	$ (551)	$ (1,768)	$ (10,088)	$ (12,407)
Insurance proceeds	9,607	8,004	6,000	23,611
Net gain (loss)	$ 9,056	$ 6,236	$ (4,088)	$ 11,204

Total charges of $12.4 million include direct incremental expenses of $6.1 million, write-offs of owned assets with a net book value of $4.1 million and leased assets of $2.2 million representing amounts due to lessors. Holdings settled all of its cargo claim for $9.2 million in December 2006 and, as a result, recognized a gain of $5.2 million in 2006. In December 2007, Holdings settled all of its property claim for $14.4 million. Holdings realized a gain of $9.1 million

in 2007 associated with the settlement of its property claim, of which $5.2 million was for the reimbursement of lost and damaged property. The realized gains associated with the settlements of both the cargo and property claims are recorded in cost of revenues in the consolidated statement of operations in 2007 and 2006.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 21 Earnings Per Share

The calculation of basic and diluted earnings per share including a reconciliation of the numerator and denominator are as follows:

	Fiscal Year Ended		
	January 3, 2009	**December 29, 2007**	**December 30, 2006**
	(Amounts in thousands)		
Numerator:			
Income (loss) from continuing operations	$ 121,495	$ (70,144)	$ (53,527)
Loss from discontinued operations	(27,391)	(15,719)	(50,386)
Gain (loss) on sale of discontinued operations	3,315		2,814
Net (income) loss attributable to noncontrolling interests	2,201	1,726	(559)
Net income (loss) attributable to DHM Holding Company, Inc.	$ 99,620	$ (84,137)	$ (101,658)
Denominator:			
Basic and Diluted weighted average shares outstanding	1	1	1
Basic and Diluted Earnings Per Share:			
Income from continuing operations	$ 121	$ (70)	$ (54)
Loss from discontinued operations	(27)	(16)	(50)
Gain on sale of discontinued operations	4		3
Net (income) loss attributable to noncontrolling interests	2	2	(1)
Net income (loss) attributable to DHM Holding Company, Inc.	$ 100	$ (84)	$ (102)

Note 22 Hotel and Wellness Center

WWP, a Delaware limited liability company, operates pursuant to an operating agreement (the Operating Agreement) between Holdings and Arcus Enterprises, Inc., a Delaware corporation (collectively, the Members). WWP operates and owns a hotel and wellbeing center located in Westlake Village, California. The hotel facilities consist of a 269-room five star hotel (the Hotel) and a full-service spa and fitness center. WWP also operates and owns a TV production facility and a separate conference center that focuses on health and wellbeing programming and awareness. In addition, WWP leases space to a health and longevity institute clinic containing a medical and diagnostic and imaging suite.

The Hotel is managed by Four Seasons Hotels limited (Four Seasons) pursuant to a hotel management agreement that expires 10 years from the opening date of the Hotel, subject to seven 10-year extensions at the option of Four Seasons. Pursuant to the Management Agreement, Four Seasons provides services to the Hotel. Amounts charged by Four

Seasons to Holdings for these services were immaterial for all periods presented.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies Specific to the Hotel and Wellness Center

Fair Value of Financial Instruments The Hotel and Wellness Center financial instruments are primarily composed of receivables, trade payables, and the senior credit facility. For short-term instruments such as the receivables and trade payables, the carrying amount approximates fair value because of the short maturity of these instruments. The carrying amount of the senior credit facility approximates its fair value since the long-term debt bears interest at a variable rate, which approximates the market.

Capitalized Interest Interest costs associated with major development and construction projects are capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of Holdings outstanding borrowings. Capitalization of interest ceases when the project is substantially complete, with the capitalized interest balance being depreciated over the estimated useful lives of the related assets associated with the project.

Revenue Recognition Revenues from rooms, food and beverage, and other operating departments at the Hotel, are recognized as earned at the time of sale or rendering of service, net of estimated sales, returns, and discounts. Cash received in advance of the sale or rendering of services is recorded as advance deposits, which is included as a component of accrued expenses in the accompanying balance sheets and totaled $1,805,200 and $1,171,100 at December 31, 2008 and 2007, respectively. Lease revenues are recognized based upon the terms of the lease contracts.

Holdings leases space to a health and longevity institute for which a director of Dole wholly-owns and David H. Murdock has ownership interests. The minimum lease term is 15 years commencing on November 29, 2006, with minimum annual lease escalations of 3% per annum. Future non-cancelable rental income under this lease for the next five years and thereafter at January 3, 2009 are as follows (in thousands):

Fiscal Year	Amount
2009	$ 1,136
2010	1,170
2011	1,205
2012	1,241
2013	1,278
Thereafter	11,711
Total	$ 17,741

Property and Equipment Related to the Hotel and Wellness Center

Depreciation of the Hotel and Wellness Center property and equipment is computed by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and leasehold improvements	40
Furniture and fixtures	7 to 15
Machinery and equipment	5 to 7
Communication and information systems	5

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment at January 3, 2009 and December 29, related to the Hotel and Wellness Center consisted of the following:

	2008	2007
	(In thousands)	
Land	$ 9,965	$ 9,965
Land improvements	36,662	36,540
Buildings	230,061	230,431
Machinery and equipment	31,766	29,322
Furniture and fixtures	68,165	66,469
Communication and information systems	2,065	1,990
Antiques	3,146	3,120
Construction in progress	13	2,142
	381,843	379,979
Accumulated depreciation	(37,325)	(18,900)
Total property and equipment	$ 344,518	$ 361,079

Depreciation expense on property, plant and equipment related to the Hotel and Wellness Center totaled $17.5 million, $16.7 million and $1.4 million for the years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively.

As of January 3, 2009 and December 29, 2007, capitalized interest associated with major development and construction projects totaled $22.7 million and have been included within the Hotel and Wellness Center property and equipment in the accompanying balance sheets. As of January 3, 2009 and December 29, 2007, accumulated depreciation associated with the capitalized interest was $2.1 million and $1.0 million, respectively. No depreciation costs were incurred during 2006 related to the amortization of capitalized interest. No interest costs were capitalized during the years ended January 3, 2009 and December 29, 2007.

Under the provisions of FAS 144, long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment currently exist with respect to the long-lived assets of WWP including evidence that a significant decline in market value due to currently depressed market conditions has occurred as well as recent operating losses sustained by the WWP entity. Holdings has performed an undiscounted cash flow test consistent with the provisions of FAS 144 during the week of September 7, 2009. Significant assumptions with respect to this impairment test include the useful life of the primary asset, capital expenditures required to maintain the asset group, the mature level of occupancy and daily room rental rates of the Hotel and Wellness Center given WWP began operations in late 2006, and future required staffing and other costs. Holdings has evaluated these assumptions and the resulting projections of future undiscounted cash flows of WWP in view of the currently depressed market conditions and in comparison with the results of other comparable properties in performing its impairment test. Holdings impairment test indicates that WWP s undiscounted cash flows

exceed the carrying value of its long-lived assets and accordingly no impairment is required.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Hotel and Wellness Center Senior Secured Credit Facility

Long-term debt related to the senior secured credit facility at January 3, 2009 and December 29, 2007 consisted of the following:

	2008	2007
	(In thousands)	
Senior credit facility of DHM Holding Company, Inc	$ 135,000	$ 179,261
Less: current maturities	(20,000)	(45,000)
Total long-term debt	$ 115,000	$ 134,261

Senior Credit Facility Holdings is the borrower under a $135 million senior credit facility (the DHM Loan), which matures on March 3, 2010. Holdings, Mr. David H. Murdock, individually, the David H. Murdock Living Trust, and a company controlled by Mr. David H. Murdock, are guarantors of the DHM Loan. Should DHM Holding Company, Inc. not repay amounts owed under the DHM Loan, the creditors under the DHM Loan have the right to demand repayment of the outstanding borrowings from any or all of the guarantors. The Hotel and Wellness Center property and equipment, which is pledged as collateral for the DHM Loan, as well as cash flows generated from the Hotel and Wellness Center operations, could be used as a source to repay amounts owed under the DHM Loan. Other entities controlled either directly or indirectly by Holdings could also be used as a source to repay amounts owed under the DHM Loan. However, certain legal restrictions and other unrelated debt obligations owed by these other entities could prevent these other entities from providing a source of repayment, whether through liquidation of assets or cash flows from operations.

In March 2008, Holdings amended and restated the DHM Loan whereby contributions totaling $45 million were made by David H. Murdock and his affiliates to reduce the principal balance. The terms of the amended and restated DHM Loan required a $20 million reduction of principal in June 2009, with the remaining principal balance due in March 2010. The $20 million principal payment was made during June 2009 through a capital contribution made by David H. Murdock. Under the terms of the amended and restated DHM Loan, the senior credit facility commitment was reduced from $180 million to $135 million, effectively resulting in no additional borrowing availability under the amended and restated DHM Loan as of the date of the refinancing. Holdings was also required to fund $2 million in an interest reserve account, which is presented as a restricted cash deposit in the accompanying consolidated balance sheet as of January 3, 2009.

At January 3, 2009 and December 29, 2007, total borrowings under the DHM Loan were $135 million and $179.3 million, respectively. The DHM Loan bears interest at the Prime Lending Rate, plus a margin ranging from 2.00% to 3.00%, dependent upon the borrowing availability of the DHM Loan. At January 3, 2009 and December 29, 2007, the effective interest rates were 4.195% and 6.625%, respectively. Total interest expense incurred under the DHM Loan during the years ended January 3, 2009, December 29, 2007 and December 30, 2006, was $8.6 million, $12.4 million and $8 million, respectively. Of the total interest expense incurred under the DHM Loan during the years ended January 3, 2009, December 29, 2007 and December 30, 2006, $0.7 million, $12.4 million and

$2.4 million, respectively, represented noncash interest expense which was added to the principal borrowings of the DHM Loan.

The June 2009 required reduction of principal of $20 million has been presented as a current liability within the accompanying balance sheet as of January 3, 2009. All other amounts owed under the DHM Loan have been presented as a noncurrent liability within the accompanying consolidated balance sheet as of January 3, 2009.

DHM HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expenses related to the issuance of long-term debt are capitalized and amortized to interest expense over the term of the underlying debt. During the years ended January 3, 2009, December 29, 2007 and December 30, 2006, WWP amortized deferred debt issuance costs of $1.4 million, $1.3 million and $0.9 million, respectively.

Covenants under the DHM Loan required to be maintained by Holdings consisted of a number of restrictive financial covenants, including minimum net worth and debt service coverage ratios, and nonfinancial covenants. At January 3, 2009, Holdings was in compliance with these covenants.

Table of Contents

Sourcing/Farming Ripening/Distribution Port Facilities Processing Plants Corporate Headquarters Countries where Dole products are sold NORTH AMERICA Canada Mexico United States LATIN AMERICA AND CARIBBEAN Argentina Chile Colombia Costa Rica Dominican Republic Ecuador Guatemala Honduras Jamaica Martinique Panama Peru Puerto Rico Uruguay

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Table of Contents

EUROPE, MIDDLE EAST AND AFRICA Albania Algeria Austria Azerbaijan Bahrain Belarus Belgium Bosnia Bulgaria Cameroon Croatia Czech Republic Denmark Estonia Egypt Finland France Georgia Germany Ghana Greece Hungary Iceland India Ireland Israel Italy Ivory Coast Jordan Kazakhstan Kenya Kuwait Latvia Lebanon Lithuania Luxembourg Macedonia Malta Morocco Namibia Netherlands Norway Oman Poland Portugal Qatar Romania Russia Saudi Arabia Senegal Slovakia Slovenia South Africa Spain Sweden Switzerland Tajikistan Tunisia Turkey Ukraine United Arab Emirates United Kingdom Uzbekistan ASIA Australia China Hong Kong Japan New Zealand Philippines Singapore South Korea Sri Lanka Taiwan Thailand

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Table of Contents

Shares

DOLE FOOD COMPANY, INC.

Common Stock

Goldman, Sachs & Co. **BofA Merrill Lynch** **Deutsche Bank Securities** **Wells Fargo Securities**

Through and including , 2009 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 13. *OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.*

The table below lists various expenses, other than underwriting discounts and commissions, we expect to incur in connection with the sale and distribution of the securities being registered hereby. All the expenses are estimates, except the Securities and Exchange Commission registration fee, the FINRA filing fee and the NYSE listing fee.

Type	Amount
Securities and Exchange Commission Registration Fee	$ 27,900
FINRA Filing Fee	50,500
NYSE Fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	$ *

* To be filed by amendment

ITEM 14. *INDEMNIFICATION OF DIRECTORS AND OFFICERS.*

Section 102 of the Delaware General Corporation Law, or the DGCL, allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides for the indemnification of officers, directors and other corporate agents in terms sufficiently broad to indemnify such persons under circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Our certificate of incorporation and bylaws provide for indemnification of our officers, directors, employees and agents to the extent and under the circumstances permitted under the Delaware General Corporation Law.

In addition to the indemnification provided by our certificate of incorporation and bylaws, we will enter into agreements to indemnify our directors and executive officers. These agreements, among other things, will require us to indemnify these directors and officers for certain expenses, including attorneys fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in our right, arising out of that person s services as a director or officer of us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

The Underwriting Agreement (Exhibit 1.1) provides for indemnification by the underwriters of us, our directors and officers, and by us and the selling stockholder of the underwriters, for some liabilities arising under the Securities Act, and affords some rights of contributions with respect thereto.

ITEM 15. ***RECENT SALES OF UNREGISTERED SECURITIES.***

On March 18, 2009, the Company completed the sale and issuance of $350 million aggregate principal amount of 13.875% Senior Secured Notes due March 2014, or the 2014 Notes, at a discount

Table of Contents

of $25 million. The 2014 Notes were sold to qualified institutional investors pursuant to Rule 144A under the Securities Act of 1933, as amended, or the Securities Act, and to persons outside the United States in compliance with Regulation S under the Securities Act. The sale of the 2014 Notes to the initial purchasers was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. Interest on the 2014 Notes will be paid semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2009. The 2014 Notes have the benefit of a lien on certain U.S. assets of the Company that is junior to the liens of the Company s senior secured credit facilities, and are senior obligations of the Company ranking equally with the Company s existing senior debt. The Company used the net proceeds from this offering, together with cash on hand and/or borrowings under the revolving credit facility, to purchase all of the tendered 8.625% notes due May 2009 , or the 2009 Notes, and to irrevocably deposit with the trustee of the 2009 Notes funds that was sufficient to repay the remaining outstanding 2009 Notes at maturity on May 1, 2009.

ITEM 16. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.*

Exhibit Number	Title
1.1**	Form of Underwriting Agreement.
3.1(i)#	Amended and Restated Certificate of Incorporation of Dole Food Company, Inc., as currently in effect.
3.1(ii)*	Amended and Restated Certificate of Incorporation of Dole Food Company, Inc., to be in effect upon consummation of this offering.
3.2(i)#	By-Laws of Dole Food Company, Inc., as currently in effect.
3.2(ii)*	Amended and Restated Bylaws of Dole Food Company, Inc., to be in effect upon consummation of this offering.
4.1#	Indenture, dated as of July 15, 1993, between Dole and Chase Manhattan Bank and Trust Company (formerly Chemical Trust Company of California).
4.2#	Form of First Supplemental Indenture, dated as of April 30, 2002, between Dole and J.P. Morgan Trust Company, National Association, to the Indenture dated as of July 15, 1993, pursuant to which $400 million of Dole s senior notes due 2009 were issued.
4.3#	Officers Certificate, dated August 3, 1993, pursuant to which $175 million of Dole s debentures due 2013 were issued.
4.4#	Second Supplemental Indenture, dated as of March 28, 2003, between Dole and Wells Fargo Bank, National Association (successor trustee to J.P. Morgan Trust Company), to the Indenture dated as of July 15, 1993.
4.5	Agreement of Removal, Appointment and Acceptance, dated as of March 28, 2003, by and among Dole, J.P. Morgan Trust Company, National Association, successor in interest to Chemical Trust Company of California, as Prior Trustee, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.5 to Dole s Registration Statement on Form S-4, filed with the Commission on June 25, 2003, File No. 333-106493).
4.6	Third Supplemental Indenture, dated as of June 25, 2003, by and among Dole, Miradero Fishing Company, Inc., the guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.6 to Dole s Registration Statement on Form S-4, filed with the Commission on June 25, 2003, File No. 333-106493).
4.7*	Indenture, dated as of March 28, 2003, among Dole, the guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee, pursuant to which $475 million of Dole s 87/8% senior notes due 2011 were issued.
4.8	

First Supplemental Indenture, dated as of June 25, 2003, by and among Dole, Miradero Fishing Company, Inc., the guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.8 to Dole s Registration Statement on Form S-4, filed with the Commission on June 25, 2003, File No. 333-106493).

Exhibit Number	Title
4.9*	Form of Global Note and Guarantee for Dole s new 87/8% senior notes due 2011 (included as Exhibit B to Exhibit Number 4.7 hereto).
4.10	Indenture, dated as of May 29, 2003, among Dole, the guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee, pursuant to which $400 million of Dole s 71/4% senior notes due 2010 were issued (incorporated by reference to Exhibit 4.11 to Dole s Registration Statement on Form S-4, filed with the Commission on June 25, 2003, File No. 333-106493).
4.11	First Supplemental Indenture, dated as of June 25, 2003, by and among Dole, Miradero Fishing Company, Inc., the guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.12 to Dole s Registration Statement on Form S-4, filed with the Commission on June 25, 2003, File No. 333-106493).
4.12	Form of Global Note and Guarantee for Dole s 71/4% senior notes due 2010 (included as Exhibit A to Exhibit Number 4.11 hereto).
4.13*	Form of Dole Food Company, Inc. Master Retirement Savings Trust Agreement, dated as of February 1, 1999, between Dole and The Northern Trust Company.
4.14	Indenture, dated as of March 18, 2009, among Dole Food Company, Inc., the guarantors signatory thereto and U.S. Bank National Association, as trustee, pursuant to which $349,903,000 of Dole s 13.875% senior secured notes due 2014 were issued (incorporated by reference to Exhibit 4.15 to Dole s Current Report on Form 8-K, filed with the Commission on March 24, 2009).
4.15	Form of Global Note for Dole s 13.875% senior secured notes due 2014 (included as Exhibits A to Exhibit 4.14 hereto).
4.16	Form of Guarantee for Dole s 13.875% senior secured notes due 2014 (included as Exhibit D to Exhibit 4.14 hereto).
4.17	Registration Rights Agreement, dated as of March 18, 2009, among Dole Food Company, Inc. and the guarantors named therein, as issuers, and Deutsche Bank Securities, Inc., Banc of America Securities LLC, Scotia Capital (USA) Inc., Rabo Securities USA, Inc. and Goldman, Sachs & Co., as initial purchasers (incorporated by reference to Exhibit 4.17 to Dole s Current Report on Form 8-K, filed with the Commission on March 24, 2009).
4.18**	Form of Common Stock Certificate.
5.1**	Opinion of Company Counsel.
10.1	Credit Agreement, dated as of March 28, 2003, amended and restated as of April 18, 2005 and further amended and restated as of April 12, 2006, among DHM Holding Company, Inc., a Delaware corporation, Dole Holding Company, LLC, a Delaware limited liability company, Dole Food Company, Inc., a Delaware corporation, Solvest, Ltd., a company organized under the laws of Bermuda, the Lenders from time to time party hereto, Deutsche Bank AG New York Branch, as Deposit Bank, Deutsche Bank AG New York Branch, as Administrative Agent, Banc Of America Securities LLC, as Syndication Agent, The Bank of Nova Scotia, as Documentation Agent and Deutsche Bank Securities Inc., as Lead Arranger and Sole Book Runner (incorporated by reference to Exhibit 10.1 to Dole s Annual Report on Form 10-K for the fiscal year ended December 31, 2005).
10.2	Amendment No. 1, dated as of March 18, 2009, to the Credit Agreement included as Exhibit 10.1 hereto (incorporated by reference to Exhibit 10.2 to Dole s Current Report on Form 8-K, filed with the Commission on March 24, 2009).
10.3	Credit Agreement, dated as of April 12, 2006, among DHM Holding Company, Inc., a Delaware corporation, Dole Holding Company, LLC, a Delaware limited liability company, Dole Food Company, Inc., a Delaware corporation, the Lenders party hereto from time to time, Deutsche Bank AG New York Branch, as Administrative Agent, Banc of America Securities LLC, as Syndication

Agent, Deutsche Bank Securities LLC and Banc of America Securities LLC, as Joint Book Running Managers and Deutsche Bank Securities Inc. as Lead Arranger (incorporated by reference to Exhibit 10.2 to Dole s Annual Report on Form 10-K for the fiscal year ended December 31, 2005).

Exhibit Number	Title
10.4	Amendment No. 1, dated as of March 18, 2009, to the Credit Agreement included as Exhibit 10.3 hereto (incorporated by reference to Exhibit 10.4 to Dole s Current Report on Form 8-K, filed with the Commission on March 24, 2009).
10.5#	Dole s Supplemental Executive Retirement Plan, Fourth Restatement, effective January 1, 2009.
10.6#	Dole s Excess Savings Plan, Restated, effective January 1, 2009.
10.7#	Amendment 2009-1, effective July 1, 2009, to Dole s Excess Savings Plan.
10.8#	Dole s Non-Employee Directors Deferred Cash Compensation Plan, as Amended and Restated, effective January 1, 2009.
10.9#	Severance Pay Plan for Employees of Dole Food Company, Inc. and Participating Divisions and Subsidiaries, effective January 1, 2006.
10.10#	Amendment to Severance Pay Plan for Employees of Dole Food Company, Inc. and Participating Divisions and Subsidiaries, dated December 30, 2008.
10.11#	Form of Change of Control Agreement entered into with Messrs. David H. Murdock, C. Michael Carter and Joseph S. Tesoriero.
10.12#	Form of Indemnification Agreement.
21#	Subsidiaries of Dole Food Company, Inc.
23.1**	Consent of Gibson, Dunn & Crutcher, LLP (included as part of Exhibit 5.1).
23.2*	Consent of Deloitte & Touche LLP (with respect to Dole financial information).
23.3*	Consent of Deloitte & Touche LLP (with respect to DHM Holdings financial information).
24.1#	Power of Attorney.

* Filed herewith

** To be filed by amendment

Previously filed

Table of Contents

ITEM 16.

DOLE FOOD COMPANY, INC.
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions	Deductions(A)	Charged to Other Accounts(B)	Balance at End of Period
			(In thousands)		
Year Ended January 3, 2009					
Allowance for doubtful accounts					
Trade receivables	$ 47,238	$ 8,438	$ (25,513)	$ (1,245)	$ 28,918
Notes and other current receivables	14,482	2,362	(2,764)	(1,641)	12,439
Long-term notes and other receivables	18,536	3,362	(3,005)	1,295	20,188
Year Ended December 29, 2007					
Allowance for doubtful accounts					
Trade receivables	$ 47,806	$ 18,060	$ (18,918)	$ 290	$ 47,238
Notes and other current receivables	14,826	3,098	(3,428)	(14)	14,482
Long-term notes and other receivables	17,927	4,011	(7,205)	3,803	18,536
Year Ended December 30, 2006					
Allowance for doubtful accounts					
Trade receivables	$ 44,154	$ 16,259	$ (9,857)	$ (2,750)	$ 47,806
Notes and other current receivables	14,431	2,382	(1,936)	(51)	14,826
Long-term notes and other receivables	12,583	2,045	(1,161)	4,460	17,927

Note:

(A) Includes write-offs of uncollectible amounts

(B) Includes purchase accounting and transfers among balance sheet accounts

II-5

Table of Contents

ITEM 17. ***UNDERTAKINGS.***

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, or the Act, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(b) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Westlake Village, California, on September 18, 2009.

DOLE FOOD COMPANY, INC.

By: /s/ C. Michael Carter

C. Michael Carter
Executive Vice President, General Counsel and Corporate Secretary

Pursuant to the requirements of the Securities Act of 1933, the following persons have signed this Amendment No. 1 to Registration Statement in the capacities and on the date indicated.

Signature	Title	Date
* David H. Murdock	Chairman and Director	September 18, 2009
* David A. DeLorenzo	President and Chief Executive Officer (Principal Executive Officer) and Director	September 18, 2009
* C. Michael Carter	Executive Vice President, General Counsel and Corporate Secretary and Director	September 18, 2009
* Scott A. Griswold	Executive Vice President, Corporate Development and Director	September 18, 2009
* Roberta Wieman	Executive Vice President, Chief of Staff and Director	September 18, 2009
* Joseph S. Tesoriero	Vice President and Chief Financial Officer (Principal Financial Officer)	September 18, 2009
* Yoon J. Hugh	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	September 18, 2009
* Andrew J. Conrad	Director	September 18, 2009

Table of Contents

* Justin Murdock	Vice President, New Products and Corporate Development and Director	September 18, 2009
* Edward C. Roohan	Director	September 18, 2009

*By: /s/ C. Michael Carter

C. Michael Carter
Attorney-in-Fact

II-8

Table of Contents

EXHIBIT INDEX

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24.1#	Power of Attorney.

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