

BLACKHAWK NETWORK HOLDINGS, INC  
Form 10-K  
March 04, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 3, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35882

BLACKHAWK NETWORK HOLDINGS, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 43-2099257  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

6220 Stoneridge Mall Road 94588  
Pleasanton, CA (Zip Code)

(Address of Principal Executive Offices)  
(925) 226-9990  
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:  
Title of Each Class Name of Each Exchange on Which Registered  
Class A Common Stock, par value \$0.001 per share The NASDAQ Stock Market LLC  
Class B Common Stock, par value \$0.001 per share The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:  
None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

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this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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

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

As of June 14, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was \$1.3 billion.

As of February 16, 2015, there were 13,066,000 shares of the Registrant's Class A common stock outstanding and 40,441,000 shares of the Registrant's Class B common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Annual Report on Form 10-K, which we refer to as this Annual Report, contains “forward-looking statements” that involve substantial risks and uncertainties. The statements contained in this Annual Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), including, but not limited to, statements regarding our expectations, beliefs, intentions, strategies, future operations, future financial position, future revenue, projected expenses and plans and objectives of management. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “potential,” “continue,” “objective,” or these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements reflect our current views about future events and involve known risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in this Annual Report. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. We qualify all of our forward-looking statements by these cautionary statements. In addition, the industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors including those described in the section entitled “Risk Factors.” These and other factors could cause our results to differ materially from those expressed in this Annual Report.

As used herein, “Blackhawk,” the “Company,” “we,” “our,” “us,” and similar terms refer to Blackhawk Network Holdings, Inc. unless the context indicates otherwise. The names “Blackhawk,” “Blackhawk Engagement Solutions,” “Cardpool,” “GiftCardMall,” “InteliSpend,” “Retailo,” “Parago,” “CardLab,” “Incentec” and other product or service names are trademarks or registered trademarks of entities owned by us.

PART I.

ITEM 1. BUSINESS

Overview

Blackhawk is a leading prepaid payment network utilizing proprietary technology to offer a broad range of prepaid gift, telecom and debit cards, in physical and electronic forms, as well as related prepaid products and payment services in the United States and 21 other countries. We were founded in 2001 as a division of Safeway. We were incorporated in Delaware as Blackhawk Network, Inc. in 2006 and changed our name to Blackhawk Network Holdings, Inc. later that year. In April 2013, we completed our initial public offering (the Offering) for the sale of 11,500,000 shares of our Class A common stock, all of which shares were sold by existing stockholders, primarily Safeway Inc. (Safeway). On April 14, 2014, Safeway distributed its remaining 37.8 million shares of our Class B common stock to Safeway shareholders (the Spin-Off).

We believe our extensive network provides significant benefits to our key constituents: consumers who purchase or receive the products and services we offer; content providers who offer branded gift cards and other prepaid products that are redeemable for goods and services; distribution partners who sell those products; and business clients that distribute our products as incentives or rewards. For consumers, we provide convenience by offering a broad variety of quality brands and content through retail and online distribution locations or through loyalty, incentive and reward programs offered by our business clients. For our content providers, we drive incremental sales by providing access to millions of consumers and creating new customer relationships. For our retail distribution partners, we provide an important, growing and productive product category that drives incremental store traffic and customer loyalty. And for our business clients, we provide a wide array of services, software and prepaid products to enhance their customer loyalty, sales channel incentive and employee reward programs. Our technology platforms allow us to efficiently and

seamlessly connect our network participants and offer new products and services as payment technologies evolve. We believe the breadth of our distribution network and product content, combined with our consumer reach and technology platforms, create powerful network effects that enhance value for our constituents and drive growth in our business.

We are one of the largest third-party distributors of gift cards in the world based on the value of funds loaded on the cards we distribute, which we refer to as transaction dollar volume. Our retail network connects to more than 600 content providers

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and over 190,000 active retail distribution locations, providing access to tens of millions of consumer visits per week. In addition, we sell physical and electronic gift cards or eGifts to consumers through leading online distributors and our websites GiftCardMall.com, GiftCardLab.com and Cardpool.com. Our retail channels accounted for over \$12.7 billion in transaction dollar volume during fiscal 2014.

Through our recent acquisitions of loyalty, incentive and reward providers that include IntelliSpend Prepaid Solutions, LLC and its subsidiaries (IntelliSpend) in 2013, and Incentec Solutions, Inc. (Incentec), CardLab, Inc. and its subsidiaries (CardLab) and Parago, Inc. and its subsidiaries (Parago) in 2014, we provide customized engagement, incentive and rebate programs for consumers, employees and sales channels. In January 2015, we moved to align these businesses and drive synergies by restructuring them into Blackhawk Engagement Solutions. Blackhawk Engagement Solutions provides software, services and prepaid products to approximately 2,250 business clients for their loyalty, incentive and reward programs. In 2014, Blackhawk Engagement Solutions processed over 12.4 million rebate, incentive and reward transactions with an aggregate value of \$0.8 billion.

**Our Distribution**

We offer prepaid products to consumers through our retail distribution network, including physical and online sites. We also offer services, software and prepaid products to our business clients for their loyalty, incentive and reward programs through our sales force and third-party resellers.

**Retail Distribution**

Our retail distribution network consists of our retail distribution partners, our websites GiftCardMall.com and GiftCardLab.com, and third-party online merchants.

The following table illustrates selected examples of our retail distribution partners across various retail channels:

**Distribution Channel Examples**

Grocery	Ahold, Albertsons, Giant Eagle, Kroger, Publix, Safeway
Specialty	Bed Bath & Beyond, Best Buy, The Home Depot, Lowe's, Michaels, Office Max, Staples, Toys "R"Us
Convenience	Kroger Convenience Stores, QuikTrip, Wawa
Other Retail	JCPenney, Kmart, Kohl's, Sears
Online	Amazon.com, eBay.com, GiftCardMall.com, Staples.com
International	Albert Heijn, Australia Post, Carrefour, Coles, Loblaws, Morrisons, Rewe, Sobeys, Tesco, Woolworths

In the United States, our retail distribution network principally consists of grocery, specialty, convenience, other retail and online retailers. Our retail distribution network includes nine of the top ten, and approximately 90% of the aggregate grocery store locations operated by the top 50, conventional grocery retailers in the United States (U.S.) and Canada as reported by Supermarket News in January 2015. These grocery retailers are especially well suited for selling a broad mix of prepaid products, since they primarily sell groceries and do not view the consumer-branded gift cards as competitive with the merchandise they sell in their own stores. As of January 3, 2015, we had over 47,000 active retail distribution locations in the U.S. across approximately 145 retail distribution partners.

Outside the United States, we have followed a similar strategy of initially contracting with leading grocery chains and then growing our retail distribution network in other channels. We expanded our international presence through our 2013 acquisition of Retailo AG and its subsidiaries (collectively, Retailo), a leading third-party gift card distribution network in Germany, Austria and Switzerland. In certain countries, including Japan, South Korea and South Africa, we distribute through sub-distributors that contract with in-country retailers for sale of our products. As of January 3,

2015, our products were sold in over 150,000 active retail distribution locations outside the U.S. across approximately 290 retail distribution partners. Revenue from international sales totaled 24.0%, 18.7% and 14.9% of our total operating revenues for 2014, 2013 and 2012, respectively (see Note 12—Segment Reporting and Enterprise-Wide Disclosures for information on long-term assets internationally).



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During each of the last three fiscal years, three retail distribution partners activated prepaid products or purchased telecom handsets that generated more than 10% of our total worldwide operating revenues. Kroger, Giant Eagle and Safeway generated 14.4%, 7.2% and 8.6% of our 2014 total operating revenues, respectively; 15.1%, 10.7 % and 10.5 % of our 2013 total operating revenues, respectively; and 15.1%, 12.6% and 12.2% of our 2012 total operating revenues, respectively.

We typically enter into contracts with our retail distribution partners ranging from three years to five years in length. The agreements generally contain varying degrees of exclusivity for our distribution of prepaid products in their stores. They also provide, among other things, that we will pay our distribution partner a negotiated commission based on a percentage of the content provider commission or purchase fee we receive upon the sale of our various products and services. We believe our extensive gift card content, some of which is exclusive, coupled with frequent marketing promotions and the relatively high productivity for the space utilized, creates a powerful incentive for our retail distribution partners to remain loyal to our program. Over the past five years, we have retained 96% of our top 25 retail distribution partners worldwide, and in 2014 these retail distribution partners activated 65% of our transaction dollar volume.

Our products are sold through our retail distribution partners through prominent, in-store fixed location displays, typically branded as the Gift Card Mall in the United States, Gift Card Store in Canada and similar names in other countries. We offer a wide variety of displays, including four-sided and two-sided rotating displays, as well as checkout line horizontal displays. Our primary displays are typically three-sided grocery aisle “end caps” that are seven feet tall and display up to 80 pegs of prepaid cards on each side, for a total of 4,800 cards when fully stocked. In many stores, our products are displayed in multiple locations including near checkout lanes and floral and greeting card sections of stores.

We also sell prepaid products online through our websites GiftCardMall.com, GiftCardLab.com and other online retailers including Amazon.com, Staples.com and eBay.com as well as through websites operated by certain of our retail distribution partners (some of which also link to GiftCardMall.com). In addition, we provide application program interfaces, or APIs, to allow other payment services companies, financial institutions, social networks and retailers to incorporate various functions, such as gift card purchases, registration and balance-inquiry, into their digital and/or mobile wallets.

### Loyalty, Incentive and Reward Distribution

We provide rebate, incentive and reward services to more than 275 retailers, manufacturers and service providers through our consumer solutions business. We also deliver channel incentives and software services that allow businesses to connect with our partner relationship management (PRM) platform and leverage our in-house channel marketing experts to drive partner engagement. Businesses also use our products for employee reward programs, such as safety incentives, wellness incentives, spot recognition and service awards. Businesses also may buy customizable network branded non-reloadable prepaid cards and merchant gift cards through our IncentiveCardLab.com website.

### Products and Services

Prepaid products that we offer at retail are “activated” when a consumer loads funds (with cash or with a debit or credit card payment) at a retail store location or online. We also provide reloads for reloadable prepaid products, including prepaid telecom accounts and general-purpose reloadable (GPR) cards. We typically negotiate multi-year contracts with our content providers. For many of our content providers, we have various types of exclusivity provisions related to certain of the retail channels through which we distribute their products. As of January 3, 2015, we had agreements with over 600 content providers.

Our Blackhawk Engagement Solutions division provides software, consulting services, program management, reward processing and reward fulfillment to our business clients. The majority of rewards are fulfilled using a prepaid open loop card.

Apple Inc. is our largest content provider and represented 13.6%, 14.7% and 12.5% of our total operating revenues for 2014, 2013 and 2012, respectively. No other content provider represented more than 10% of our total operating revenues during these periods.

### Retail Products

#### Gift Card Products

Closed Loop (Private-Branded) Gift Cards. Closed loop (private-branded) gift cards are generally described as merchant-specific prepaid cards, used for transactions exclusively at a particular merchant's locations or a group of stores affiliated with a particular merchant (such as franchise locations). We distribute closed loop gift cards in categories including digital media and e-commerce, dining, electronics, entertainment, fashion, gasoline, home improvement and travel. Gift cards

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that we distribute for sale directly to consumers in physical or online locations carry no consumer fees, and funds associated with the cards generally do not expire. These products contributed 65% of total operating revenues for 2014.

Product Category	Selected Brands
Digital Media & E-Commerce	Amazon.com, Facebook, iTunes, Microsoft
Dining	Applebee's, Outback Steakhouse, Starbucks, Subway
Electronics	Best Buy, GameStop
Entertainment	AMC Theatres, Regal Entertainment Group
Fashion	JCPenney, Kohl's, Macy's, TJ Maxx/Marshalls
Gasoline	BP, Shell
Home Improvement	Home Depot, Lowe's
Travel	Southwest Airlines
Other Retail	Barnes & Noble, Bed Bath & Beyond, Sears, Target, Toys "R"Us

**Open Loop (Network-Branded) Gift Cards.** Open loop (Network-Branded) gift cards are prepaid gift cards associated with an electronic payment network (such as Visa, MasterCard, American Express, or Discover), and are honored at multiple, unaffiliated locations (wherever cards from these networks are generally accepted). They are not merchant-specific. We distribute single-use, non-reloadable open loop gift cards carrying the American Express, MasterCard and Visa brands in our retail channels. We also serve as a program manager for our proprietary Visa gift cards that we distribute. Funds loaded on these cards by consumers at retail locations generally do not expire and can be redeemed at most merchant locations that accept the credit cards of the same network brand. These products contributed 15% of total operating revenues for 2014.

**Prepaid Telecom Products**

We distribute a full range of prepaid wireless or cellular cards used to load airtime onto the prepaid handsets. We also purchase handsets from manufacturers and sell them for a markup to our retail distribution partner locations. Our prepaid wireless cards are denominated either in minutes purchased, which generally do not expire, or, increasingly, as flat rate voice and/or data plans. We offer prepaid telecom cards from all the major carriers including AT&T, Sprint's Boost Network and Virgin Mobile brands, T-Mobile, TracFone and Verizon. Prepaid telecom cards and handsets contributed 6% of total operating revenues for 2014.

**Prepaid Financial Services Products (Open Loop Reloadable)**

**GPR Cards.** We program manage and distribute a proprietary, bank-issued GPR card that we have branded PayPower. We distribute GPR cards provided by Green Dot and NetSpend, the industry leaders in this product category. GPR cards have features similar to a typical bank checking account, including fee-free direct deposit, in-store and online purchasing capability wherever a credit card is accepted, bill payment and ATM cash access. Fees are charged to consumers for initial load and reload transactions, monthly account maintenance and other transactions, some of which are waived if certain conditions are met.

**GPR Reload Network.** We offer a proprietary reload network named Reloadit, which allows consumers to reload funds onto their previously purchased GPR cards, including our PayPower GPR card and certain other third-party GPR cards. We remit funds directly to the card issuing bank once the consumer instructs us to transfer funds from their Reloadit Pack to their GPR card, which is done either on a website or over the telephone. Until the funds have been remitted to the card issuing bank, we hold the consumer's funds in trust. In 2014, we also distributed Green Dot's Money Pack product, which Green Dot has announced it is discontinuing in the first quarter of 2015.

The prepaid financial services products including all GPR cards, reloads and the Reloadit product distributed in retail locations and online contributed approximately 1% of total operating revenues for 2014.

**Loyalty, Incentive and Reward Products**

In early 2015, we announced the formation of the Blackhawk Engagement Solutions division, which provides rebate, incentive and reward processing and validation services. Blackhawk Engagement Solutions is a result of our targeted effort to bring scale and globalization in the incentive and loyalty space with our recent acquisitions of incentives

providers IntelliSpend Prepaid Solutions, LLC and its subsidiaries (IntelliSpend) in 2013, and Incentec Solutions, Inc. (Incentec), CardLab, Inc. and its subsidiaries (CardLab) and Parago, Inc. and its subsidiaries (Parago) in 2014. Through Blackhawk Engagement Solutions, we also provide fulfillment of the incentives and rewards in the form of open loop single-use incentive cards, open loop reloadable

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incentive cards that allow multiple incentives and rewards to be loaded onto a recipient's card, and restricted authorization network incentive cards that permit redemption at only selected merchants. Blackhawk Engagement Solutions also fulfills awards with checks and merchandise. Funds on open loop incentive cards that are offered by businesses as incentives, rewards, or promotions frequently have expiration dates ranging from 90 days to one year from date of card activation. We also sell customizable open loop incentive cards and closed loop incentive cards through our IncentiveCardLab.com website. Revenues from all the products, software and services offered by Blackhawk Engagement Solutions accounted for 5% of total revenues for 2014.

### Cardpool Exchange Services

Through our gift card exchange business Cardpool, we offer consumers an online marketplace and various retail locations to sell unused gift cards that they do not want and an online sales website to purchase gift cards at a discount that others have sold to Cardpool. The Cardpool business contributed approximately 6% of total operating revenues for 2014.

### Digital Services for Online and Mobile Applications

We have developed a technology platform to integrate prepaid products with other parties' online, digital and mobile applications. We also have introduced a proprietary application called GoWallet which utilizes our platform to facilitate the registration of gift cards, tracking of balances, delivery of gift card related offers and purchase of eGifts online or through our smartphone application. We plan to expand GoWallet's features in 2015 to include card exchange functionality and redemption using proxy cards or smartphone interfaces. In addition, we have developed application program interfaces, or APIs, to allow other payment services companies, financial institutions, social networks and retailers with whom we contract to incorporate many of these functions into their online and mobile applications. Revenue contribution from the Digital services business is incorporated into the operating revenues for the related businesses.

### Other Services

We receive marketing funds from our content providers to promote their prepaid cards throughout our retail distribution network. In some instances, we may receive a portion of other fees such as account maintenance, interchange or referral fees for certain open loop cards. We also receive other fees related to certain closed loop programs. These revenues have been included in the applicable products detailed above.

We offer card production and packaging services to our prepaid gift and telecom content providers. These services accounted for 2% of total operating revenues in 2014.

### Description of Revenue Types

In a typical retail closed loop card transaction, the consumer purchases a gift card from our retail distribution partner who collects the transaction dollar volume. The retail distribution partner then forwards to us the collected amount, less the retail distribution partner's share of the commission. We then remit the transaction dollar volume of each card, less the total amount of the commission and fees to the applicable content provider. The cardholders access the value they loaded on a closed loop card by using the card to pay for goods or services at the content provider's physical store point-of-sale system or online at the content provider's website. We earn commissions and fees from the content providers when a closed loop card is activated.

For a retail open loop card transaction, the consumer purchases a Visa, MasterCard or American Express branded gift card from our retail distribution partner who collects the transaction dollar volume and a purchase fee. For bank-issued cards, the retail distribution partner then forwards to us the transaction dollar volume and purchase fee, less the retail distribution partner's share of the purchase fee. We then remit the transaction dollar volume of each card to the issuing bank, retaining the balance of the consumer purchase fee. The cardholders can access the value they loaded on an open loop card by using the card to pay for goods or services at any merchant that accepts the network-branded card. For such transactions, the issuing bank transfers funds through the network association to the merchant's bank following the consumer's purchase. The process is virtually the same with respect to American Express gift cards. In addition to the portion of the consumer purchase fee, we earn from issuing banks program management fees, as well as interchange fees, account service fees and, in some countries, card expiration fees resulting from the unspent balances on expired cards.

For our Blackhawk Engagement Solutions division, we typically earn client purchase fees for the sale of incentive cards; fees for processing and fulfillment; program management fees, interchange and other fees from issuing banks of open loop incentive cards; commissions on the redemption of certain open loop incentive cards using our proprietary restricted authorization network; monthly or period fees for client use of our management software; and miscellaneous program management and integration fees.

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The following table describes how fees are earned for each of the following products:

Products and Services

How We Earn Fees

Closed Loop Gift Cards

Content providers pay us commission and fees based on transaction dollar volume. We share commissions with our retail distribution partners.

Consumers pay a flat fee upon card activation depending on transaction dollar volume. We share this fee with our retail distribution partners and content providers.

Open Loop Gift Cards

Our issuing banks pay us additional program management fees and other fees for our Visa gift cards, based, in part, on unspent balances.

We also earn a portion of merchant interchange fees when customers use our proprietary Visa gift card for purchases.

The telecom carriers pay us a commission based on transaction dollar volume. We share these commissions with our retail distribution partners.

Prepaid Telecom Products

We purchase handsets from manufacturers and sell them with a markup to our retail distribution partners. Our retail distribution partners retain the full proceeds from the sale of handsets to consumers.

Consumers pay flat fees for the initial purchase and subsequent reloads of our proprietary PayPower GPR cards. We share these fees with our retail distribution partners. In addition, we earn account maintenance fees, interchange and other transaction fees based on consumers' continued use of these cards.

Prepaid Financial Services Products

We earn a flat fee for each third-party GPR card we sell. We share this fee with our retail distribution partners. We also earn account maintenance and interchange fees from these third-party GPR content providers.

When consumers reload GPR cards on our Reloadit network, we collect a fee, which we share with our retail distribution partners. For third-party GPR cards, this fee is also shared with the third-party GPR content provider.

Loyalty, Incentive and Reward Products

We earn fees when we sell incentive cards to our business clients.

We earn fees for processing and fulfillment of consumer rebates.

Our issuing banks pay us additional program management fees and other fees for our open loop incentive cards.

We earn a portion of merchant interchange fees when consumers use our open loop incentive cards for purchases. We earn additional commissions when consumer make purchases using our restricted authorization network cards.

We earn subscription or periodic fees for use by customers of Blackhawk Engagement Solutions' software.

Cardpool Exchange Services

We earn a markup on the sale of pre-owned closed loop gift cards, which we purchase from consumers at a discount to the amount of funds remaining on a card.

Content providers pay us marketing funds to support programs that we coordinate with our retail distribution partners for the in-store or online promotion of their gift cards.

Other Fee Categories

We earn revenue for card production and packaging services for content providers.

We earn fees related to certain closed loop card programs.



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### Technology

We own and operate the critical components of our technology platform including our transaction acquiring switch, prepaid card processing system, settlement system and online and eGift platforms. These integrated systems are designed to allow us to authorize, process and settle transactions, ensure security and regulatory compliance, rapidly onboard new retail distribution partners and content providers and provide customer service across our network's broad points of contact and electronic mediums. We own and operate various technology platforms related to our Blackhawk Engagement Solutions division.

Our product and service offerings are enabled by our technology platform in the following ways:

**Gift Cards.** We have made a significant investment in direct connections to our retail distribution partners over the past ten years to ensure high reliability of the gift card activation transaction at the point of sale. We process activation transactions primarily through direct connections to the card processing systems of our content providers or their service providers. In addition, for our proprietary U.S. and UK Visa gift cards, we process all post-activation transactions, including redemptions, directly on our proprietary cloud-based processing platform.

**Prepaid Financial Services.** Our proprietary PayPower products and Reloadit transactions are processed on a co-developed proprietary processing platform, which gives us significant flexibility in adding new functions or developing different program features. Card account and transaction data is extracted to a central data repository for reporting on card usage, analyzing customer behaviors and monitoring for fraudulent or potential money laundering activities. Fraud rules are integrated into the processing platform to provide us with real-time risk alerts and transaction review queues.

**Digital Wallet Services.** Our wallet platform is built on a scalable and configurable web platform. It deploys a service-oriented architecture in which web services enable other digital wallet providers to utilize the prepaid wallet services we offer.

**Cardpool Exchange Services.** Cardpool operates on a proprietary platform built on an open source web framework that manages pricing, spreads, orders and inventory for our gift card exchange marketplace and provides a web-based interface for customers and an API-based interface for partners.

**Blackhawk Engagement Solutions.** Blackhawk Engagement Solutions platforms include software used by business clients for purchase and management of incentives and rewards, a consumer rebate processing platform that digitizes all rebate claims submitted and applies automated program rules for validation of claims, and reward fulfillment platforms that allow us to immediately fulfill approved rewards with checks, prepaid cards, or merchandise. We also provide reports and analytical tools for our business clients to evaluate the effectiveness of their programs.

Over the past three years, our capital expenditures related to the development of these technology platforms, other card management platforms and related hardware totaled over \$86 million, including over \$37 million in 2014. Over the past two years, we have also acquired multiple platforms as a result of the acquisitions that make up our Blackhawk Engagement Solutions division.

We believe our technology capabilities, enhanced by the platforms we acquired to provide scalable loyalty, incentive and reward solutions, provide us with significant competitive advantages and cannot be easily replicated. Our systems are designed to be secure, highly reliable and scalable. Our technology capital expenditures included expenditures for hardware, licensed software and internally developed software for processing and switching technologies, mobile applications and enhancements to our enterprise resource planning and other infrastructure systems.

### Sales and Marketing

Our sales and marketing teams manage our relationships with content providers, retail distribution partners and incentive business clients. They also develop retail marketing programs and communication strategies to reach our consumers. We provide or fund product display fixtures and provide or coordinate merchandising visits intended to maintain in-stock conditions on the displays. We also manage or participate in the design of effective in-store marketing programs funded jointly by our content partners and distribution partners. In addition, we use online marketing in connection with our financial services products, GiftCardMall.com, GiftCardLab.com, IncentiveCardLab.com and Cardpool.com. For our incentive business clients, we provide research papers, consumer and employee analyses and other tools and services to develop their incentive and reward programs.



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### Operations and Customer Service

Our operations services include production and fulfillment of prepaid products for which we contract with third-party card printing, warehouse and fulfillment logistics providers. Contracts with these providers are typically for terms of three to four years. In the United States and Canada, we have integrated our order management systems with our third-party service providers' warehouse management systems to optimize fulfillment to stores. For select retail distribution partners that elect to participate, we also operate an inventory tracking and replenishment system and deliver automated re-orders directly to individual stores to optimize in-stock positions.

Our services also include a customer service function that utilizes both in-house and third-party call centers to support our proprietary open loop products (gift, GPR and incentive), and general fulfillment and card activation for our retail distribution channel, online gift card sales and our business incentive and reward channel. We employ second level customer and partner support personnel at our corporate headquarters in Pleasanton, California, our call center in Reno, Nevada and at InteliSpend and Parago offices in St. Louis, Missouri and Dallas, Texas respectively. We utilize Interactive Voice Response systems, web-based support and email support in our customer service efforts. We also operate a Network Operations Center at our corporate headquarters to monitor all systems and partner connections worldwide.

### Bank Partners

We derive a material amount of our revenue from our program-managed proprietary open loop products, which include our proprietary Visa gift, PayPower GPR and open loop incentive cards. For the year ended January 3, 2015, these programs represented approximately 18.0% of our total operating revenues. The issuing banks for these programs, as well as issuing banks for other network-branded card programs that we program manage, provide Federal Deposit Insurance Corporation (FDIC) insured depository accounts tied to prepaid open loop cards, access to ATM networks, membership in the card associations and other banking functions. The issuing banks hold cardholder funds, charge applicable fees on certain products and collect interchange fees charged to merchants when cardholders make purchase transactions using prepaid open loop cards. Our issuing banks remit some or all of those fees to us plus additional fees for our program management services.

In the United States, we currently serve as program manager for three issuing banks for our proprietary open loop products: MetaBank, Sunrise Bank, N.A. and The Bancorp Bank. MetaBank has been an issuing bank for both our proprietary Visa gift cards and Visa-branded PayPower GPR cards since 2007, was an issuing bank for our incentive and reward products for InteliSpend and Parago, and will continue as an issuing bank for incentive and rewards products for our Blackhawk Engagement Solutions division. Sunrise Bank, N.A. has been an issuing bank for our proprietary Visa gift card program since November 2011. The Bancorp Bank has been an issuing bank for our Visa-branded PayPower GPR cards since May 2012, was and remains an issuing bank for CardLab. For the year ended January 3, 2015, the MetaBank program represented approximately 11.6% of our total operating revenues. Outside the United States, we contract with several issuing banks for open loop products that we program manage. For the year ended January 3, 2015, these programs represented approximately 2.0% of our total operating revenues. Please see "Risk Factors—Risks Related to Our Business and Industry—We rely on relationships with card issuing banks for services related to products for which we act as program manager, and our business, results of operations and financial condition could be materially and adversely affected if we fail to maintain these relationships or if we maintain them under new terms that are less favorable to us."

### Competition

Due to the breadth of our product offerings and distribution channels, we face a number of competitors across different business sectors domestically and internationally in our Retail Products business, including some competitors whose products we distribute in select locations. Many of our existing competitors with respect to our closed loop and open loop business are larger than we are and have greater resources, larger and more diversified customer bases and greater name recognition than we do. Our competitors include Visa, Western Union, MoneyGram, Green Dot, NetSpend, Euronet and Incomm. New companies, or alliances among existing companies, may be formed that rapidly achieve a significant market position. Our Blackhawk Engagement Solutions division competes with others who provide rebate and incentive processing services such as Young America, ACB and other providers of traditional

travel and merchandise incentives and awards such as Maritz and Amia. Our incentives and rewards business also competes with other prepaid products companies for fulfillment of awards including Citibank Prepaid Solutions, InComm, and multiple other prepaid card providers for the incentives business. We also face competition from companies who are developing new prepaid access technologies and from businesses outside of the prepaid

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industry, including traditional providers of financial services such as banks and money services providers, and card issuers that offer credit cards, private label retail cards and gift cards. Some of these competitors offer digital solutions that do not require plastic cards for redemption by the consumer and allow for the sale of prepaid cards through new or existing online and mobile channels.

Overall, our ability to continue to compete effectively will be based on a number of factors, including customer service, quality and range of products and services offered, price, reputation, customer convenience and other considerations. For additional information about competition, please see “Risk Factors—Risks Related to Our Business and Industry—We face intense competitive pressure, which may materially and adversely affect our revenues and profitability, “—We rely on our content providers for our product and service offerings, and the loss of one or more of our top content providers or a decline in demand for their products, or our failure to maintain existing exclusivity arrangements with certain content providers or to attract new content providers to our network, could have a material adverse effect on our business, results of operations and financial condition” and “—If our retail distribution partners fail to actively and effectively promote our products and services, or if they implement operational decisions that are inconsistent with our interests, our future growth and results of operations may suffer.”

### Seasonal Variations

Our business is significantly affected by seasonal consumer spending habits, which are most pronounced in December of each year as a result of the holiday selling season. A significant portion of gift card sales occurs in late December of each year during the holiday gifting season. As a result, we earn a significant portion of our revenues, net income and cash flows during the fourth quarter of each year. We also experience an increase in revenues, net income and cash flows during the second quarter of each year, which we primarily attribute to the Mother's Day, Father's Day and graduation gifting season and the Easter holiday. Depending on when the Easter holiday occurs, the associated increase could occur in either the first or second quarter. For additional information about the effects of seasonality on our business, please see “Management's Discussion and Analysis of Financial Condition and Results of Operations—Quarterly Results of Operations and Seasonality.”

### Intellectual Property

The technologies used in the payments industry are protected by a wide array of intellectual property rights. Our intellectual property is important to our continued success. Like other companies in our industry, we rely on patent, trademark and copyright laws and trade secret protection in the United States and other countries, as well as employee and third-party nondisclosure agreements and other methods to protect our intellectual property and other proprietary rights. We also license technology from third parties which provide various levels of protection against technology infringement by third parties.

We pursue the registration of our intellectual property rights, such as domain names, trademarks, service marks and patents, in the United States and in various other countries. We own dozens of registered trademarks, including the Blackhawk Network, Reloadit, IntelliSpend, Parago, GoWallet and Talk Shop trademarks. We also have many pending trademark applications. Through agreements with our retail distribution partners and customers, we authorize and monitor the use of our trademarks in connection with their activities with us.

As of January 3, 2015, we own, or are the exclusive licensee of, over 50 patents in various countries providing coverage for systems and methods relating to prepaid product loads and reloads, ewallet services, eGift card transactions, packaging, card design, processing, online services, card exchange, and fraud prevention in eGift card transactions. These patents expire at various dates, ranging from 2015 to 2031. We own over an additional 120 patent applications in various countries for various card assemblies and packaging, security features, activation and processing methods, and online prepaid services and have licensed exclusive rights that arise from ten patent applications. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. We believe a robust patent portfolio to protect our intellectual property rights and proprietary systems will become increasingly important as the prepaid industry continues to expand.



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### Regulation

We operate in an ever-evolving and complex legal and regulatory environment. We, the products and services that we offer and market, and those for which we provide processing services, are subject to a variety of federal, state and foreign laws and regulations, including, but not limited to:

federal anti-money laundering laws and regulations, including the USA PATRIOT Act (the Patriot Act), the Bank Secrecy Act (the BSA), anti-terrorist financing laws and anti-bribery and corrupt practice laws and regulations in the U.S., and similar international laws and regulations, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in Canada);

state unclaimed property laws and money transmitter or similar licensing requirements;

federal and state consumer protection laws, including the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the CARD Act), and the Durbin Amendment to Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), and regulations relating to privacy and data security; and

foreign jurisdiction payment services industry regulations.

**Anti-Money Laundering Regulation.** We are subject to a comprehensive federal anti-money laundering regulatory regime that is constantly evolving. The anti-money laundering regulations to which we are subject include the BSA, as amended by the Patriot Act, which criminalizes the financing of terrorism and enhances existing BSA regimes through: (a) expanding AML program requirements to certain delineated financial institutions; (b) strengthening customer identification procedures; (c) prohibiting financial institutions from engaging in business with foreign shell banks; (d) requiring financial institutions to have due diligence procedures and, where appropriate, enhanced due diligence procedures for foreign correspondent and private banking accounts; and (e) improving information sharing between financial institutions and the U.S. government. Pursuant to the BSA, we have instituted a Customer Identification Program, (CIP). The CIP is incorporated into our BSA/anti-money laundering compliance program. Please see “Risk Factors—Risks Related to Our Business and Industry—We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business” for additional information.

Our subsidiary, Blackhawk Network California, Inc. (Blackhawk Network California), is a registered money services business subject to reporting and recordkeeping requirements related to anti-money laundering compliance obligations arising under the Patriot Act and its implementing regulations. In addition, provisions of the BSA enacted by the Prepaid Access Rule issued by the Financial Crimes Enforcement Network (FinCEN), impose certain obligations, such as registration and collection of consumer information, on “providers” of certain prepaid access programs, including the prepaid products issued by our Blackhawk Engagement Solutions division (operating as Blackhawk Network California) and our issuing banks for which we serve as program manager. FinCEN has taken the position that, where the issuing bank has principal oversight and control of such prepaid access programs, no other participant in the distribution chain, including us as the program manager, would be required to register as a provider under the Prepaid Access Rule. On November 4, 2013, FinCEN affirmed that it did not expect Blackhawk to register as a provider under the Prepaid Access Rule for Blackhawk’s bank-issued products.

In order to qualify for certain exclusions under the Prepaid Access Rule, some of our content providers were required to modify operational elements of their products, such as limiting the amount that can be loaded onto a card in any one day. In addition, pursuant to the Prepaid Access Rule, we and some of our retail distribution partners have adopted policies and procedures to prevent the sale of more than \$10,000 in prepaid access (including closed loop and open loop products that fall under the monetary thresholds outlined above) to any one person during any one day.

**Anti-Terrorism and Anti-Bribery Regulation.** We are also subject to an array of federal anti-terrorism and anti-bribery legislation. For example, the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) administers a series of laws that impose economic and trade sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other entities that pose threats to the national security, foreign policy or economy of the United States. As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries, as well as those such as terrorists and narcotics traffickers designated under programs that are not country-specific and with whom U.S. persons are generally prohibited from dealing.

The Foreign Corrupt Practices Act, or FCPA, prohibits the payment of bribes to foreign government officials and political figures and includes anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the Securities and Exchange Commission (the SEC). The statute has a broad reach, covering all U.S. companies and citizens doing business abroad, among others, and defining a foreign official to include not only those holding public office but also local

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citizens affiliated with foreign government-run or -owned organizations. The statute also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations. Please see “Risk Factors—Risks Related to Our Business and Industry—Abuse of our prepaid products for purposes of financing sanctioned countries, terrorist funding, bribery or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition” for additional information.

Consumer Protection. We are subject to various federal, state and foreign consumer protection laws, including those related to unfair and deceptive trade practices as well as privacy and data security, which are discussed under “Risk Factors—Risks Related to Our Business and Industry—Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition” and “—A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.”

Federal Regulation. At the federal level, Congress and federal regulatory agencies have enacted and implemented new laws and regulations that affect the prepaid industry, such as the CARD Act and FinCEN’s Prepaid Access Rule.

Moreover, there are currently proposals before Congress that could further substantially change the way banks, including prepaid card issuing banks and other financial services companies, are regulated and are permitted to offer their products to consumers. Non-bank financial services companies, including money transmitters and prepaid access providers, are now regulated at the federal level by the Consumer Financial Protection Bureau (the CFPB), which began operations in July 2011, bringing additional uncertainty to the regulatory system and its impact on our business. Please see “Risk Factors—Risks Related to Our Business and Industry—We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business,” “—Abuse of our prepaid products for purposes of financing sanctioned countries, terrorist funding, bribery or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition,” “—Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition,” and “—Failure by us to comply with federal banking regulation may subject us to fines and penalties and our relationships with our issuing banks may be harmed” for additional information.

State Unclaimed Property. For some of our prepaid products, we or our issuing banks are required to remit unredeemed funds to certain (but not all) states pursuant to unclaimed property laws. However, unclaimed property laws are subject to change. Please see “Risk Factors—Risks Related to Our Business and Industry—Costs of compliance or penalties for failure to comply with or changes in state unclaimed property laws and regulations and changes in state tax codes could have a material adverse effect on our business, financial condition and results of operations” for additional information.

Money Transmitter Licenses or Permits. Most states regulate the business of sellers of traveler’s checks, money orders, drafts and other monetary instruments, which we refer to collectively as money transmitters. While many states expressly exempt banks and their agents from regulation as money transmitters, others purport to regulate the money transmittal businesses of bank agents or do not extend exemptions to non-branch bank agents. We have historically taken the position that state money transmitter statutes do not apply to our core prepaid card distribution business. Nonetheless, in connection with our open loop business, we rely on the money transmitter licenses of Blackhawk Network California in connection with our bank-issued products in some of those states; and our core retail distribution business, Blackhawk Network, Inc., is licensed in connection with gift card distribution in two states, Maryland and West Virginia.

In connection with our Reloadit business and our Blackhawk Engagement Solutions incentive business, Blackhawk Network California is a licensed money transmitter in 47 U.S. jurisdictions and Puerto Rico. The remaining U.S. jurisdictions do not currently regulate money transmitters or have determined that we do not need to be licensed in connection with our current businesses. In those states where we are licensed, we are subject to direct supervision and regulation by the relevant state banking departments or similar agencies charged with enforcement of the money transmitter statutes and must comply with various restrictions and requirements, such as those related to the maintenance of certain levels of net worth, surety bonding, selection and oversight of our authorized delegates,

permissible investments in an amount equal to our outstanding payment obligations with respect to some of the products subject to licensure, recordkeeping and reporting, and disclosures to consumers. We are also subject to periodic examinations by the relevant licensing authorities, which may include reviews of our compliance practices, policies and procedures, financial position and related records, various agreements that we have with our issuing banks, retail distribution partners and other third parties, privacy and data security policies and procedures, and other matters related to our business. As a regulated entity, Blackhawk Network California incurs significant costs associated with regulatory compliance. We anticipate that compliance costs and requirements will increase in the future for our regulated subsidiaries and that additional subsidiaries will need to become subject to these or new regulations. Please see “Risk Factors—Risks Related to Our Business and Industry—If we fail to maintain our existing money transmitter licenses or permits, or fail to obtain new licenses or permits in a timely manner, our business, results of operations and financial condition could be materially and adversely affected” for additional information.

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Privacy. In the ordinary course of our business, we collect and store personally identifiable information about Cardpool customers, holders of our proprietary Visa gift, PayPower GPR and open loop incentive cards, and GoWallet users. This information may include names, addresses, email addresses, social security numbers, driver's license numbers and account numbers. We also maintain a database of cardholder data for our proprietary Visa gift card relating to specific transactions, including account numbers, in order to process transactions and prevent fraud. These activities subject us to certain privacy and information security laws, regulations and rules in the United States, including, for example, the privacy provisions of the Gramm-Leach-Bliley Act and its implementing regulations, various other federal and state privacy and information security statutes and regulations, and the Payment Card Industry Data Security Standard.

These federal and state laws, as well as our agreements with our issuing banks, contain restrictions relating to the collection, processing, storage, disposal, use and disclosure of personal information, and require that we have in place policies regarding information privacy and security. We have in effect a privacy policy relating to personal information provided to us in connection with requests for information or services, and we continue to work with our issuing banks and other third parties to update policies and programs and adapt our business practices in order to comply with applicable privacy laws and regulations. Certain state laws also require us to notify affected individuals of certain kinds of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach. Please see "Risk Factors—Risks Related to Our Business and Industry—Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition" and "—A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues" for additional information.

Foreign Regulation. We are subject to regulation by foreign governments and must maintain permits and licenses in certain foreign jurisdictions in order to conduct our business. Our Blackhawk Network (UK) Limited subsidiary is regulated as an electronic money institution in the United Kingdom, and in 2012, it began issuing an open loop product. Foreign regulations also present obstacles to, or increased costs associated with, our expansion into international markets. For example, in certain jurisdictions we face costs associated with repatriating funds to the United States, administrative costs associated with payment settlement and other compliance costs related to doing business in foreign jurisdictions. We are also subject to foreign privacy and other regulations. These foreign regulations often differ in kind, scope and complexity from U.S. regulations. Please see "Risk Factors—Risks Related to Our Business and Industry—We are subject to added business, political, regulatory, operational, financial and economic risks associated with our international operations" for additional information.

For additional information about the regulatory environment in which we operate, please see "Risk Factors—Risks Related to Our Business and Industry—We operate in a highly and increasingly regulated environment, and failure by us or the businesses that participate in our distribution network to comply with applicable laws and regulations could have a material adverse effect on our business, results of operations and financial condition" and "—Changes in laws and regulations to which we are subject, or to which we may become subject in the future, may materially increase our costs of operation, decrease our operating revenues and disrupt our business."

Card Association and Network Organization Rules. In addition to the federal and state laws and regulations discussed above, we and our issuing banks are also subject to card association and debit network rules and standards. The operating rules govern a variety of areas, including how consumers and merchants may use their cards and data security. Each card association and network organization audits us from time to time to ensure our compliance with these standards. Noncompliance with these rules or standards due to our acts or omissions or the acts or omissions of businesses that work with us could result in fines and penalties or the termination of the card association registrations held by us or any of our issuing banks. Please see "Risk Factors—Risks Related to Our Business and Industry—Changes in card association rules or standards set by Visa, MasterCard and Discover, or changes in card association and debit network fees or products or interchange rates, could materially and adversely affect our business, financial condition and results of operations."

Employees

As of January 3, 2015, we had 1,860 employees. We are not subject to any collective bargaining agreement and have never been subject to a work stoppage. We believe that we have maintained good relationships with our employees.

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### Corporate and Available Information

Our principal executive offices are located at 6220 Stoneridge Mall Road, Pleasanton, California 94588, and our telephone number at that location is (925) 226-9990. Our website is [www.blackhawknetwork.com](http://www.blackhawknetwork.com). The information available on or that can be accessed through our website is not incorporated by reference into and is not a part of this Annual Report and should not be considered to be part of this Annual Report.

We file reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any other filings required by the SEC. We make available on our Investor Relations website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

### ITEM 1A. RISK FACTORS

You should carefully consider the risks described below and the other information in this Annual Report. The occurrence of any of the events or circumstances described below or other adverse events could have a material adverse effect on our business, results of operations and financial condition. Additional risks or uncertainties not presently known to us or that we currently deem immaterial may also harm our business.

#### Risks Related to Our Business and Industry

We may not be able to grow at historic rates in the future, if at all.

Our revenues have grown rapidly, increasing from \$1.1 billion in 2013 to \$1.4 billion in 2014, representing a growth rate of 27.0%. There can be no assurance that we will be able to continue our historic growth rates in future periods. Our ability to maintain and grow our business depends on a number of factors, many of which are outside our control. These include:

- changes in consumer and corporate preferences and demand for the products and services that we offer;
- our ability to retain and attract new retail and corporate customers, both in-store and online;
- our ability to maintain and expand our distribution network and business partners;
- our ability to maintain and expand the supply and variety of products and services that we distribute and offer;
- our ability to increase the productivity of our distribution partners' stores, including through in-store execution of marketing, loyalty and merchandising programs;
- our ability to anticipate and adapt to technological changes in the industry, as well as to develop new technologies to deliver our product and service offerings;
- our ability to maintain our relationships with banks that issue open loop prepaid cards (card issuing banks) and other industry participants;
- pricing pressure in the face of increasing competition and other market forces;
- regulatory changes or uncertainties that increase compliance costs, decrease the attractiveness of the products and services we offer or make it more difficult or less attractive for us, our distribution partners or our content providers, including card issuing banks, to participate in our industry; and
- consumer acceptance of our product and services offerings in international markets, and our ability to grow our international operations and manage related regulatory compliance and foreign currency fluctuations.

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Even if we are successful in increasing our operating revenues through our various initiatives and strategies, we may experience a decline in growth rates and/or an increase in expenses, which could have a material adverse effect on our business, results of operations and financial condition.

Our operating revenues may decline if we lose one or more of our top retail distribution partners, fail to maintain existing relationships with our retail distribution partners or fail to attract new retail distribution partners to our network, or if the financial performance of our retail distribution partners' businesses declines.

The success of our business depends in large part upon our relationships with retail distribution partners. During 2014, 2013 and 2012, products sold through our top five largest retail distribution partners accounted for approximately 36.4%, 43.2% and 47.8% of our operating revenues, respectively. Many of our retail distribution partner agreements are subject to renewal every three to five years. Upon expiration of their agreements with us, our distribution partners may enter into relationships with our competitors instead of renewing their agreements with us, renew their agreements with us on less favorable terms or establish direct relationships with our content providers. There is no assurance that we will be able to continue our relationships with these distribution partners on the same terms, or at all, in future periods. Among other things, many of our distribution partner agreements contain varying degrees of exclusivity for us as the provider of prepaid products in their stores, and it is important to our competitive positioning to maintain those exclusive relationships. Our operating results could be materially and adversely affected if any of our significant distribution partners terminates, fails to renew or fails to renew on similar or more favorable terms, its agreement with us; and any publicity regarding such loss could harm our reputation, making it more difficult to attract and retain other distribution partners. In addition, exclusive relationships between potential distribution partners and our competitors as well as other commercial arrangements may make it difficult for us to attract new distribution partners to our network.

The success of our business also depends on the continued success of our distribution partners' businesses.

Accordingly, our operating results may fluctuate with the performance of our partners' businesses, including their ability to maintain and increase consumer traffic in their stores.

We rely on our content providers for our product and service offerings, and the loss of one or more of our top content providers or a decline in demand for their products, or our failure to maintain existing exclusivity arrangements with certain content providers or to attract new content providers to our network, could have a material adverse effect on our business, results of operations and financial condition.

The success of our business depends, in large part, on our ability to offer a wide array of quality content. Our agreements with our content providers generally range from one to three years in length. There can be no assurance that we will be able to negotiate a renewal of those agreements on satisfactory terms or at all. Some of these agreements also permit the content providers to terminate their agreements with us prior to expiration if we fail to meet certain operational performance standards, among other reasons. In addition, we distribute the open loop gift and reloadable products of certain of our competitors, such as American Express, Green Dot and NetSpend. These content providers may choose to cease doing business with us for competitive or other reasons.

Many of our content provider agreements specify varying degrees of exclusivity for Blackhawk as a third-party distributor. Failure to maintain the same level of exclusivity of any of our agreements, whether upon renewal with our content providers or otherwise, could adversely affect our business, results of operations and financial condition. The exclusive arrangements that we have been able to negotiate vary widely, and in many instances exclusivity is limited to particular channels, such as conventional grocery retailer channels, or more narrowly. Our content providers with limited or no exclusivity arrangements may decide to establish direct relationships with our distribution partners or use other third-party distributors to sell through existing or other channels. Our content providers may also eliminate their third-party distribution relationships entirely and offer their cards only in their own physical and online retail locations. Certain of our content providers represent a significant portion of our revenues, one of which (Apple Inc.) represented 13.6%, 14.7% and 12.5% of our total operating revenues in 2014, 2013 and 2012, respectively.

Some of our contracts with content providers require a bank letter of credit to secure a portion of our payment obligations. Failure to provide adequate security or our failure to demonstrate our credit worthiness to certain content providers, or to prospective new content providers, may adversely affect our ability to maintain our relationships with our content providers or adversely affect our cash flows. Please see Risk Factor titled "Our credit and collateral

agreements with Wells Fargo Bank, National Association, and other financial institutions contain certain restrictions that limit our flexibility in operating our business and, in the event of a default, could have a material adverse impact on our business and results of operations.”

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Our ability to grow our business depends, in part, on our ability to expand our product offerings by adding new content providers. Some prospective content providers could have exclusive relationships with our competitors. In addition, some of our agreements with content providers prohibit us from offering products of those providers' competitors. If we are not able to attract new content providers due to exclusivity arrangements, competition or other factors, our business may suffer.

The success of our business is heavily dependent on consumer demand for our content providers' products and services. Any factors negatively affecting our content providers or their industries, including those discussed elsewhere in this "Risk Factors" section, could have a material adverse effect on our business, results of operations and financial condition.

We rely on relationships with card issuing banks for services related to products for which we act as program manager, and our business, results of operations and financial condition could be materially and adversely affected if we fail to maintain these relationships or if we maintain them under new terms that are less favorable to us.

We rely on card issuing banks for critical services, such as membership in the Visa card association and provision of FDIC-insured depository accounts tied to our program-managed GPR cards. MetaBank is one of the card issuing banks for our proprietary GPR products and open loop products and, in 2014, was the card issuing bank for the substantial majority of our proprietary open loop gift and GPR products. If our relationship with MetaBank deteriorates, it could hinder our ability to grow our business and have a material adverse effect on our business, results of operations and financial condition. We cannot provide any assurance that we will continue to achieve comparable financial terms related to these programs if we are required or elect to reduce or eliminate new card issuances through MetaBank. Further, we may not be able to renew our existing agreements with card issuing banks or enter into relationships with additional banks on acceptable terms, or at all, in which case we would incur significant transition and other costs and expenses, and users of our products and services could be significantly affected. The MetaBank program represented approximately 11.6%, 9.6% and 10.0% of our total operating revenues for 2014, 2013 and 2012, respectively.

A Supervisory Directive issued to MetaBank in 2010 by the Office of Thrift Supervision, or the OTS, now the Office of the Comptroller of the Currency (the OCC), and a Cease and Desist Order (the Order) issued to MetaBank in July 2011, limited our ability through 2013 to offer MetaBank-issued cards to new distribution partners. As a result, we entered into agreements with Sunrise Bank, N.A. as a second card issuing bank for proprietary Visa gift cards and with The Bancorp Bank (Bancorp) as a second card issuing bank for Visa-branded GPR cards. The Order was terminated by the OCC on August 7, 2014. Nonetheless, there can be no assurance that we will be able to reduce the risk associated with our reliance on MetaBank. We continue to use MetaBank as the card issuing bank for a substantial majority of our proprietary Visa gift cards, and we cannot provide any assurance that we will continue to achieve comparable financial terms related to these programs if we are required, or elect, to reduce or eliminate our issuances through MetaBank. In addition, there has been increased regulatory scrutiny of products and services that are offered by card issuing banks in general (including our card issuing banks) in conjunction with third parties. For example, Bancorp entered into a Stipulation and Consent to the Issuance of a Consent Order with the Federal Deposit Insurance Corporation (the FDIC) which became effective on June 5, 2014. While Bancorp took that action without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to its Bank Secrecy Act (BSA) Compliance Program, the Stipulation and Order has in certain cases limited our ability to expand our offering of Bancorp-issued GPR cards. There can be no assurance that we will continue to be able to rely on Bancorp as a secondary card issuing bank for new distribution of GPR cards. As another example, on January 5, 2015, the FDIC published industry guidance (the "FDIC Guidance") in the form of Frequently Asked Questions with respect to the categorization of deposit liabilities as "brokered" deposits. The FDIC determined that funds obtained from consumers as part of the purchase of GPR cards sold to members of the public at retail stores qualify as brokered deposits. Only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval; and an "adequately capitalized" depository institution may accept brokered deposits only with prior regulatory approval.

As a result of the increased regulatory scrutiny, generally, we have also faced increased compliance costs. To the extent that our card issuing banks continue to face increased regulatory pressure, we may face further increased



compliance costs and limits on our product offerings, among other consequences. If any material adverse event were to affect MetaBank, Sunrise Bank, N.A., Bancorp or any other card issuing bank with whom we have a relationship, including a decline in their financial condition, a determination that they were not sufficiently capitalized to allow them to utilize us or our distribution network for selling GPR cards, a decline in the quality of their services, loss of their deposits, their failure or inability to comply with applicable banking and financial regulatory requirements, a systems failure or their inability to pay us fees or outstanding receivable balances, then our business, results of operations and financial condition could be materially and adversely affected.

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If our retail distribution partners fail to actively and effectively promote our products and services, or if they implement operational decisions that are inconsistent with our interests, our future growth and results of operations may suffer.

Approximately 80% of our 2014 operating revenues were derived from sales of our products and services at the locations of our retail distribution partners. Our success depends heavily on how our distribution partners display and promote the prepaid products supplied by our content providers, which we can influence and facilitate but do not control. For example, the in-store placement and size of our prepaid card displays, as well as the marketing and merchandising efforts of our distribution partners for our products and services, all have an impact on the number and transaction dollar volume of products and services sold. Although we advise our distribution partners concerning optimal display of the card content, our contracts allow distribution partners to exercise significant discretion over the placement and promotion of our products in their stores. In addition, our distribution partners who only have basic displays of our products may not be willing or able to implement enhanced displays and marketing efforts, which could significantly harm our ability to grow our business. If our distribution partners give more favorable placement or promotion to the products and services of our competitors, or otherwise fail to effectively market our products and services, or implement changes in their systems that disrupt the integration with our processing systems, our results of operations may suffer.

Historically, inclusion of our products and services in certain of our distribution partners' customer loyalty programs has resulted in significant increases in sales of our products at such partners. A part of our growth strategy is to continue to expand inclusion and promotion of our products in these loyalty programs. However, customer participation in these loyalty programs may decline, or our distribution partners may fail to adopt new loyalty programs that include our distributed products and services, change their existing loyalty programs in a manner that reduces or eliminates inclusion of our products and services or reduces the programs' effectiveness or terminate their existing loyalty programs altogether. For example, some of these loyalty programs provide for discounts on gasoline. Fuel price declines or reduction of the fuel discount by our distribution partners, could cause customer participation in these loyalty programs to decline. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly and increasingly regulated environment, and failure by us or the businesses that participate in our distribution network to comply with applicable laws and regulations could have a material adverse effect on our business, results of operations and financial condition.

We and our content providers and distribution partners are subject to a wide variety of federal, state, local and foreign laws and regulations. This legal and regulatory landscape has significantly expanded and has become increasingly complex in recent years, and we expect such trends to continue. These laws and regulations presently include, among others:

federal anti-money laundering laws and regulations, including the Patriot Act, the BSA, anti-terrorist financing laws and anti-bribery and corrupt practice laws and regulations and similar international laws and regulations, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in Canada);

federal and state consumer protection laws and regulations;

- state unclaimed property laws and money transmitter licensing requirements; and

foreign jurisdiction payment services industry laws and regulations.

Costs of compliance or penalties for failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

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The laws and regulations applicable to our business, and to the businesses of our content providers and distribution partners, are often unclear and may differ or conflict between jurisdictions, rendering compliance difficult and costly. Failure by us and our regulated subsidiaries or businesses that participate in our distribution network to comply with all applicable laws and regulations could result in fines and penalties, limitations on our ability to conduct our business, or governmental or third-party actions. Regulatory agencies in these matters may seek recovery of large or indeterminate amounts or seek to have aspects of our business or that of our business partners modified or suspended. The outcome of regulatory proceedings or investigations is difficult to predict. Any fines, penalties or limitations on our business could significantly harm our reputation with consumers and other program participants, as well as the reputation of the banks that issue open loop cards that we manage, any and all of which could materially and adversely affect our business, operating results and financial condition, including potentially decreasing acceptance and use of, and loyalty to, our products and services. In addition, if our content providers and distribution partners have adverse experiences resulting from regulatory compliance obligations arising from their relationships with us, they may seek to curtail, terminate or adversely modify those relationships, which could harm our business, operating results and financial condition. In addition, we perform various compliance functions on behalf of our card issuing banks, and any failure to perform those functions properly could result in contractual claims brought against us by our card issuing banks.

We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business.

In the U.S., we are subject to the BSA, as amended by the Patriot Act. In Canada, we are subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. In the U.S., Blackhawk Network California is a registered money services business subject to reporting requirements related to anti-money laundering compliance obligations arising under the Patriot Act and its implementing regulations. A more aggressive enforcement of the BSA and other anti-money laundering and terrorist financing prevention laws or more onerous regulation could increase our or our distribution partners' compliance costs or require changes in, or place limits upon, the products and services we offer, which in turn could have a material adverse effect on our business, results of operations and financial condition.

In connection with our acquisition in 2013 of substantially all the assets and liabilities of InteliSpend, including our related acquisition and issuance of Discover-branded products and services, Blackhawk Network California subsequently registered as a provider of prepaid access with FinCEN. Consequently, with respect to the Discover-branded products we issue, we are required to comply with the requirements of FinCEN's Prepaid Access Rule as they apply to providers of prepaid access, which include obligations to obtain personal identifying information for each person who purchases a prepaid access product through our programs and retain access to such information for five years after the last use of such product, serve as a central source of information for law enforcement and file reports of suspicious transactions with the U.S. Treasury Department. Registration as a provider of prepaid access under the Prepaid Access Rule may result in increased costs and diversion of resources away from our core operations. Please see the Risk Factor titled "Recent and future acquisitions or investments could disrupt our business and harm our financial condition" for additional information.

In addition, abuse of our prepaid products or our Cardpool business for purposes of money laundering or terrorist financing could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition. Please see the Risk Factor titled "Fraudulent and other illegal activity involving our products and services could lead to reputational and financial harm to us and reduce the use and acceptance of our prepaid access products and services" for additional information.

Abuse of our prepaid products for purposes of financing sanctioned countries, terrorist funding, bribery or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition.

We are subject to an array of federal anti-terrorism and anti-bribery legislation such as a series of laws administered by the U.S. Treasury Department's Office of Foreign Assets Control and the Foreign Corrupt Practices Act. Abuse of our prepaid products for purposes of financing sanctioned countries or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition.

Increasing regulatory scrutiny of our industry with respect to terrorist financing or corruption could result in more

aggressive enforcement of such laws or more onerous regulation, which could increase our compliance costs or require changes in, or place limits upon, the products and services we offer, and which in turn could have a material adverse effect on our business, results of operations and financial condition.

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Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition.

We are subject to federal regulation aimed at consumer protection. For example, the CARD Act imposes requirements relating to disclosures, fees and expiration dates that are generally applicable to gift certificates and prepaid cards. We believe that GPR cards and the maintenance fees charged on our GPR cards are exempt from these requirements under an express exclusion for cards that are reloadable and not marketed or labeled as a gift card or gift certificate.

However, this exclusion is not available if the issuer, the distribution partner or the program manager promotes, even if occasionally, the use of the GPR card as a gift card or gift certificate. We provide our distribution partners with instructions and policies regarding the display and promotion of our GPR cards so that retailers do not market our GPR cards as gift cards. For example, we instruct retailers to separate or otherwise distinguish our GPR cards from gift cards on their displays. However, we do not control our distribution partners and cannot assure that they will comply with our instructions and policies. If displayed incorrectly, it is possible that our GPR cards would lose their eligibility for this exclusion from the CARD Act requirements, and therefore could be deemed to be in violation of the CARD Act, which could result in the imposition of fines, the suspension of our ability to offer GPR cards, civil liability, criminal liability and the inability of our card issuing banks to apply certain fees to our GPR cards, each of which could have a material adverse effect on our business, results of operations and financial condition.

In addition, on November 13, 2014, the CFPB issued a proposed rule to regulate prepaid accounts (the "Proposed Rule"). The Proposed Rule would cover the GPR cards that we program manage and distribute, our Reloadit product, and potentially certain other products we distribute. With respect to covered products, the Proposed Rule would mandate; (i) extensive pre-purchase and post-purchase disclosures; (ii) expanded electronic billing statements; (iii) adherence to the requirements of Regulation E, including requirements regarding limitations on customer liability and billing error resolution; (iv) adherence to certain requirements of Regulation Z for prepaid accounts that permit negative balances (including overdraft features); and (v) public posting of account agreements. While we believe that application of certain Regulation E provisions to GPR products is appropriate, other components of the Proposed Rule would be highly disruptive to our distribution partners' business and may materially increase our or our distribution partners' costs of operation or disrupt our business. Although many in the industry are expected to advocate changes to the Proposed Rule, there can be no assurance that the ultimate rule will adopt the changes advocated. Other aspects of Regulation E compliance could impose additional obligations on our card issuing banks or us, which could increase our costs of operations or make our card issuing banks unwilling to engage in the GPR business.

We also may become subject to further regulation by the CFPB, which on July 17, 2012, issued a final rule defining certain nonbank "larger participants" in markets for consumer financial products or services. It is uncertain whether the CFPB will include money transmission and prepaid cards within the definition of larger participant as well as whether we will be considered a larger participant subject to CFPB regulatory, supervisory and enforcement powers over us. The CFPB can obtain cease and desist orders, which may include orders for restitution or rescission of contracts as well as other kinds of affirmative relief, and monetary penalties ranging from \$5,000 per day for ordinary violations of federal consumer financial laws to \$25,000 per day for reckless violations and \$1 million per day for knowing violations. Also, where a company has violated the Dodd-Frank Act or CFPB regulations, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the type of cease and desist orders available to the CFPB. Expanded CFPB jurisdiction over our business may increase our compliance costs and risks, which could have a material adverse effect on our business, results of operations and financial condition.

On June 26, 2013, the CFPB issued a final rule (Nonbank Supervisory Rule) that establishes procedures to implement Section 1024(a)(1)(C) of the Dodd-Frank Act, by which the CFPB will supervise certain nonbank entities that offer or provide consumer financial products or services. The CFPB affirmed in the Nonbank Supervisory Rule that nonbank entities providing consumer financial products or services are subject to the CFPB's regulatory and enforcement authority and that the CFPB may conduct examinations or request information from supervised entities. If the CFPB determines that there is a need to examine us, it could increase our costs of operation or disrupt our business.

Furthermore, failure by us to comply with federal and state privacy and information safeguard laws could result in fines and penalties from regulators and harm to our reputation with our customers and business partners, all of which could have a material adverse effect on our business, results of operations and financial condition.

If we fail to comply with federal banking regulation, we may be subject to fines and penalties and our relationships with our card issuing banks may be harmed.

We are subject to federal banking regulation through our relationships with our card issuing banks. The GPR cards and certain open loop products for which we serve as program manager are the products of MetaBank, Sunrise Bank, N.A., The Bancorp Bank and U.S. Bank, which we refer to collectively as our card issuing banks and which are subject to various federal and state laws and regulation by a number of authorities, including the OCC, the Federal Reserve Bank (the FRB), FDIC, and

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the Delaware Office of the State Bank Commissioner. As a third-party service provider to our card issuing banks, we are subject to regulation and audit and examination by the OCC, FRB and FDIC. As an agent of our issuing banks, we are considered “institution-affiliated parties” of our issuing banks and subject to the enforcement jurisdiction of these federal banking agencies for our activities in that capacity. To the extent that we fail to comply with such federal banking regulations, we may incur fines and penalties and our relationships with our issuing banks may be harmed, all of which could have a material adverse effect on our business, results of operations and financial condition.

On October 30, 2013, the OCC issued new guidance, or the Bulletin, on third-party relationships and associated risk management by federal banks. The Bulletin states that the OCC expects each bank to have risk management processes that are commensurate with the level of risk and complexity involving third parties providing the bank with “critical” activities. The “critical” activities include certain of the services that we perform for our issuing banks. Consequently, to enable our issuing banks to meet their obligations under the Bulletin, they may impose on us (and, in turn, our distribution partners) additional obligations, including record keeping and reporting requirements, as well as examinations. Compliance with these potential additional obligations could increase our and our distribution partners’ compliance costs or disrupt our business, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Costs of compliance or penalties for failure to comply with or changes in state unclaimed property laws and regulations and changes in state tax codes could have a material adverse effect on our business, financial condition and results of operations.

Certain state unclaimed property laws require that card issuers track information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction. We are directly responsible for compliance with applicable state unclaimed property laws in connection with our Reloadit business. We have also agreed to provide information to our issuing banks on card usage to enable them to comply with unclaimed property laws with respect to our program-managed bank-issued products for our retail and recently acquired incentive businesses.

States periodically revise their unclaimed property laws to increase state revenues relating to collection of unclaimed property. For example, in 2010 the State of New Jersey adopted regulations that in part require the collection of customer data at the point-of-sale in connection with the sale of prepaid access products. These regulations would have resulted in increased compliance obligations and execution costs for our distribution partners and potentially discouraged consumer purchases due to the inconvenience and sensitivity of personal data collection. On February 5, 2015, the State of New Jersey enacted legislation eliminating this requirement to collect customer data at the point-of-sale. These kinds of changes in laws or related regulations may adversely affect our business, by impacting our content providers, our distribution partners or our cost of doing business. We have derived approximately 1% of our revenues in each of the last three fiscal years from consumers’ failure to redeem prepaid products that we issue. We also earn program management and other fees from the banks that issue our program-managed open loop gift and incentive cards that may be adversely impacted to the extent that unredeemed funds on such products become increasingly subject to state unclaimed property laws. Such fees represented 6.6%, 4.0% and 3.9% of total revenues in 2014, 2013 and 2012, respectively.

In addition, states may also revise their tax codes to introduce new or higher taxes relating to our products and services.

These actions, individually or in the aggregate, could adversely affect our margins and make our products and services less attractive to consumers.

If we fail to maintain our existing money transmitter licenses or permits, or fail to obtain new licenses or permits in a timely manner, our business, results of operations and financial condition could be materially and adversely affected. Most states regulate the business of sellers of traveler’s checks, money orders, drafts and other money instruments, which we refer to collectively as money transmitters. While a large number of states expressly exempt banks and their agents from regulation as money transmitters, others purport to regulate the money transmittal businesses of bank agents or do not extend exemptions to non-branch bank agents. We have historically taken the position that state money transmitter statutes do not apply to our core prepaid card distribution business. Nonetheless, in connection with our open loop business, we rely on the money transmitter licenses of Blackhawk Network California in connection

with our bank-issued products in some of those states; and our core distribution business operated by our wholly-owned subsidiary Blackhawk Network, Inc., is licensed in connection with gift card distribution in two states, Maryland and West Virginia.

In connection with our Reloadit business and the issuance of Discover cards as part of our incentives business offerings, Blackhawk Network California is a licensed money transmitter in 47 U.S. jurisdictions, and most recently in Puerto Rico. The remaining U.S. jurisdictions either do not currently regulate money transmitters or do not regulate our current businesses. If our



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regulated subsidiaries fail to maintain their existing licenses or permits, or fail to obtain new licenses or permits in a timely manner, our business, results of operations and financial condition could be materially and adversely affected. Changes in laws and regulations to which we are subject, or to which we may become subject in the future, may materially increase our costs of operation, decrease our operating revenues and disrupt our business.

Changes in laws and regulations, or the interpretation or enforcement thereof, may occur that could:

- impair or eliminate our ability to conduct certain aspects of our business;
- increase our compliance and other costs of doing business;
- require significant product redesign or systems redevelopment;
- render our products or services less profitable, obsolete or less attractive compared to competing products;
- affect our distribution partners' or content providers' willingness to do business with us or operate in our industry;
- reduce the amount of revenues that we derive from unredeemed prepaid products;
- cause loyalty, awards and promotions cards to be treated like other prepaid cards; and
- discourage distribution partners from offering, and consumers from purchasing, our prepaid products.

Any of these potential changes could have a material adverse effect on our business, results of operations and financial condition. In light of current economic conditions, legislators and regulators have increased their focus on the banking and consumer financial services industry. As a result, in recent years there has been a significant increase in the regulation of the prepaid industry that is intended to protect consumers and help detect and prevent money laundering, terrorist financing and other illicit activities. Please see the Risk Factor titled "Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition."

At both the federal and state level, there are recent changes and proposed changes to existing laws and regulations that would limit the fees or interchange rates that can be charged or refine the disclosures that must be provided with respect to our products and services or expand the point-of-sale data collection that is required when prepaid cards are sold, all of which have increased, and may in the future increase, our costs and decrease our operating revenues.

For example, the provisions of the Dodd–Frank Act known as the Durbin Amendment gave the Federal Reserve Bank (the FRB) the power to regulate debit card interchange fees. On June 29, 2011, the FRB issued its final rule that, among other things, allows an issuer to raise its interchange fees by as much as one cent if it implements certain fraud-prevention measures. GPR cards, including certain of our GPR products, and smaller issuing banks, including some of our issuing banks, are exempt from the rule. However, to the extent that one or more of our GPR products or issuing banks lose their exempt status, the interchange rates applicable to transactions involving those GPR products or issuing banks could be affected, which would decrease our revenues and profit and could have a material adverse effect on our financial condition and results of operations. Please see the Risk Factor titled "We rely on relationships with card issuing banks for services related to products for which we act as program manager, and our business, results of operations and financial condition could be materially and adversely affected if we fail to maintain these relationships or if we maintain them under new terms that are less favorable to us." Additionally, the Durbin Amendment requires that certain prepaid access products be accessible through two unaffiliated payment networks, which we refer to as the network exclusivity requirement. We and the issuing banks and program managers for these open-loop gift and GPR cards made changes in response to the requirement, which increased certain of our costs.

After the Staff of the Board of Governors of the Federal Reserve System, or the Staff, issued certain "frequently asked questions", or FAQs, relating to the network exclusivity requirement, we, our issuing banks and other program managers made further changes to address each set of FAQs. While we do not presently believe that such changes will have a material adverse effect on our business, results of operations and financial condition, the ensuing litigation challenging the FRB's rule left uncertain the full impact of the Durbin Amendment and highlights the risks related to changes and proposed changes to existing laws and regulations.

In addition, additional changes and proposed changes to other laws and regulations, both domestically and internationally, may materially increase our costs of operation, decrease our operating revenues and disrupt our business. Please see the Risk Factors titled "Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition" and "We are subject to added business, political, regulatory, operational, financial and economic risks associated with our

international operations.”

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We face intense competitive pressure, which may materially and adversely affect our revenues and profitability. The prepaid industry is highly competitive. We face a number of competitors across different sectors both domestically and internationally. We compete with a number of other industry participants in the United States and internationally in connection with prepaid card issuance, program management, prepaid product distribution, marketing and processing, secondary card exchange and most recently, business-to-business transactions involving corporate incentives and consumer promotions, including some competitors with whom we contract for various products or services. We also face competition from eGift and digital gift card providers, as those form factors (which are not ubiquitous today) grow in popularity. We also face competition from companies that are developing new prepaid access technologies and from businesses outside of the prepaid industry, including traditional providers of financial services such as banks and money services businesses, and card issuers that offer credit cards, private label retail cards and gift cards.

We operate a reload network, branded as the Reloadit network, which currently competes with other reload networks, including those for Green Dot, NetSpend and InComm. The nature of that competitive pressure has changed due to fraud issues, which have led Green Dot and InComm to announce plans to discontinue their PIN-based reload product while continuing to operate a swipe-based reload network. Please see the Risk Factor titled “Fraudulent and other illegal activity involving our products and services could lead to reputational and financial harm to us and reduce the use and acceptance of our prepaid access products and services” for additional information.

Many of our current or potential competitors have longer operating histories and greater name recognition than we do. Some have larger or more diversified customer bases. Many also are substantially larger than we are, may have substantially greater financial or other resources than we have, may develop and introduce a wider or more innovative range of products and services than we offer or may implement more effective marketing strategies than we do, thus achieving broader brand recognition, customer awareness and market penetration. To stay competitive, we may need to decrease our commissions and fees earned from content providers, increase the commissions and incentives that we share with our distribution partners or make modifications to the agreements with our content providers and distribution partners that are not favorable to us, any of which could reduce or eliminate our profitability. Increased pricing pressure also increases the importance of cost containment and increased productivity in other areas, including through investments in technology development to support our network, and we may not succeed in these efforts. Our failure to compete effectively against any of the foregoing competitive threats could have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in our financial results from quarter to quarter could cause significant price swings in our common stock. Our revenues, expenses, operating results, liquidity and cash flows have fluctuated, and may in the future fluctuate, significantly from quarter to quarter due to a number of factors, many of which are outside our control. In addition to the effects of seasonality described below under the risk factor titled “Due to seasonal fluctuations in our business, adverse events that occur during the second or fourth fiscal quarter could have a disproportionate effect on our results of operations and financial condition,” factors that may contribute to these fluctuations include the following:

- the addition or loss of one or more significant distribution partners or content providers;
- consumer spending patterns and preferences;
- business spending patterns and preferences;
- general economic conditions affecting consumer spending;
- the overall business condition of our distribution partners and content providers;
- the development and expansion of new product and service offerings by our competitors;
- changes in pricing and fee structures, whether driven by competitive factors, issuing banks, card associations, regulatory requirements or otherwise;
- changes to our product and service offerings or changes in the way our products and services are sold, whether due to regulatory requirements or otherwise;
- changes in our product and service mix;
- changes in regulations or changes in interpretations of existing regulations;



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the institution of new, or the adverse resolution of pending, litigation or regulatory investigations applicable to us;

- business and service interruptions resulting from natural disasters, fraud or network infrastructure failures;

the timing of our distribution partners' roll out of new programs and content; and

other factors discussed elsewhere in this "Risk Factors" section.

Our fiscal year consists of a 52-week or 53-week period ending on the Saturday closest to December 31, and our fiscal quarters consist of three 12-week periods and one 16-week or 17-week period ending on a Saturday. As a result, our fourth fiscal quarter of each year contains not only the holiday gifting season but also an extra four weeks (or five weeks for 53-week fiscal years) when compared to our first three fiscal quarters, a fact that exacerbates our quarterly fluctuations and makes it difficult to evaluate our operating results from quarter to quarter.

As a result of quarterly fluctuations caused by these and other factors, comparisons of our operating results across different fiscal quarters may not be accurate indicators of our future performance. Any quarterly fluctuations that we report in the future may differ from the expectations of market analysts and investors, which could cause the price of our Class A common stock and our Class B common stock to fluctuate significantly.

Due to seasonal fluctuations in our business, adverse events that occur during the second or fourth fiscal quarter could have a disproportionate effect on our results of operations and financial condition.

Seasonal consumer spending habits significantly affect our business. During 2014, we derived approximately 24.1% of our annual revenues in the last five weeks of our fiscal year. A significant portion of gift card sales occurs in late December of each year as a result of the holiday selling season. As a result, we earn a significant portion of our revenues and generate a higher portion of our net income during the fourth fiscal quarter of each year. The timing of December holiday sales, cash inflows from our distribution partners and cash outflows to our content providers also results in significant but temporary increases in our cash flow and certain balance sheet items at the end of each fiscal year relative to normal daily balances. We also experience an increase in revenues and cash flows in the second fiscal quarter of each year, which we primarily attribute to Mother's Day, Father's Day, the graduation gifting season and the Easter holiday. Depending on when the Easter holiday occurs, the associated increase could occur in either our first or second fiscal quarter. Adverse events that occur during the second or fourth fiscal quarter could have a disproportionate effect on our results of operations for the entire fiscal year.

Our closed loop and open loop gift card business could suffer if there is a decline in the attractiveness of gift cards to consumers.

Consumer demand for gift cards may stagnate or decline. Consumer perception of gift cards as impersonal gifts may become more widespread, which may deter consumers from purchasing gift cards for gifting purposes in general and through our distribution program in particular. This perception may increase to the extent that electronic gift cards become more prevalent. In addition, a move from traditional gift cards to other gifting technologies could harm our business, as discussed in the risk factor titled "Our failure to keep pace with the rapid technological developments in our industry and the greater electronic payments industry may materially and adversely affect our business, results of operations and financial condition." Moreover, during periods of economic uncertainty and decline, consumers may become increasingly concerned about the value of gift cards due to fears that content providers may become insolvent and be unable to honor gift card balances. Finally, consumers may remain concerned about expiration dates, despite the fact that few gift cards are still subject to expiration. Decline or stagnation in consumer acceptance of and demand for gift cards, or a failure of demand to grow as expected, could have a material adverse effect on our business, results of operations and financial condition.

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Our recently acquired incentives business could suffer if there is a decline in demand for certain types of incentive programs, or for prepaid cards as customer rewards, consumer rebates and channel and employee rewards under such programs.

Business demand for incentive programs in general or some of our programs in particular may stagnate or decline if business promotional strategies change (e.g., from rebates to instant discounts) or if broader economic downturns cause businesses or employers to either end or significantly reduce their use of incentive programs and prepaid cards in connection with them. In addition, businesses may choose an alternative form of incentive (e.g., markdowns, instant discounts, coupons, or alternative forms of reward programs). Consumer or employee perception of certain types of incentive and reward programs may decline, which may cause businesses to use alternate promotional strategies. Consumer or employee perception of prepaid cards as valued incentives or rewards may decline, which may deter businesses from using such cards for reward, rebate, engagement or incentive purposes in general and through our program in particular. Consumer perceptions of gift cards and changes in gifting technologies could harm our incentives business as discussed in the risk factors titled "Our closed loop and open loop gift card business could suffer if there is a decline in the attractiveness of gift cards to consumers" and "Our failure to keep pace with the rapid technological developments in our industry and the greater electronic payments industry may materially and adversely affect our business, results of operations and financial condition." Finally, legislative, regulatory, or judicially-imposed limitations on promotional strategies or use of prepaid cards in connection with incentive programs may also result in decline in the use of certain types of incentive programs, the use of prepaid cards as a reward option under such programs, or a decline in consumer perception of such programs. Decline or stagnation in business demand for, or use of prepaid cards or consumer acceptance of and demand for, prepaid cards as rewards, incentives or rebates, or a failure of demand to grow as expected, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to increase our revenues from prepaid financial services products, including GPR cards, will depend, in large part, upon the overall success of the prepaid financial services industry.

We earn fees when GPR cards are loaded or reloaded through our network or are used by consumers. If consumers do not maintain or increase their usage of prepaid cards, our operating revenues may remain at current levels or decline. As the financial services industry evolves, consumers may find prepaid financial products and services such as GPR cards to be less attractive than traditional payment instruments, new products offered by others or other financial services. Prepaid financial products and services may fail to maintain or achieve greater popularity for any number of reasons, including the general perception of the prepaid industry, fees associated with the use of GPR cards, the potential for fraud in connection with these products, changes to these products from time to time, including those that result from new regulatory requirements, new technologies and a decrease in our distribution partners' willingness to sell these products as a result of a more challenging regulatory environment. Negative publicity surrounding other prepaid financial products and service providers could adversely affect our business or our industry as a whole. "Victim-assisted" fraud using financial services products has become more prevalent and either measures taken to reduce such fraud or regulations requiring additional consumer protections could adversely impact our business in this area. See the Risk Factor titled "Fraudulent and other illegal activity involving our products and services could lead to reputational and financial harm to us or our partners and reduce the use and acceptance of our prepaid access products and services."

Predictions by industry analysts and others concerning the growth of prepaid financial services as an electronic payment mechanism may overstate the growth of an industry, segment or category, and investors should not rely upon them. The projected growth may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected, or if there is a shift in the mix of payment forms, such as cash, credit cards and traditional bank debit cards, away from our products and services, our business, results of operations and financial condition could be materially and adversely affected. In addition, we have signed agreements with third parties to provide a private-branded GPR solution. In some cases, we incur costs to launch such programs before we are assured of the volume of sales of these GPR cards, and if we are not able to recover these costs, our business, results of operations and financial condition could be adversely affected.



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Our operating revenues could be materially and adversely affected by declines in consumer confidence or spending, or changes in consumer preferences.

The prepaid industry depends upon the overall level of consumer spending. Prepaid card sales for gifting purposes are particularly dependent on discretionary consumer spending. Consumer spending may be adversely affected by general economic conditions, including consumer confidence, interest and tax rates, employment levels, salary and wage levels, the availability of consumer credit, the housing market and energy and food costs. The effects of these conditions on our business may be exacerbated by changes in consumer demand for prepaid products and services in general or for the products and services we offer. Adverse economic conditions in the United States or other regions where we conduct business may reduce the number and transaction dollar volume of prepaid cards that are purchased or reloaded through our distribution network, the number of transactions involving those cards and the use of our reload network and related services, all of which could have a material and adverse effect on our business, results of operations and financial condition. If consumer preferences for gift card purchasing changes from primarily physical in-store fixed location displays to digital or online purchasing, the number and transaction dollar volume of prepaid cards that are purchased or reloaded through our physical distribution network and the number of transactions involving those cards and related services could decline, which could have a material and adverse effect on our business, results of operations and financial condition.

Our business depends on the efficient and uninterrupted operation of our transaction processing systems, including our computer network systems and data centers, and if such systems are disrupted, our business, results of operations and financial condition could be materially and adversely affected.

Our ability to provide reliable service to consumers, distribution partners and content providers depends on the efficient and uninterrupted operation of our computer network systems and data centers, as well as those of our content providers, distribution partners and third-party processors. Our business involves the movement of large sums of money, the processing of large numbers of transactions and the management of the data necessary to do both. Our success depends on our ability and the ability of our partners and respective vendors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner.

Our transaction processing systems and websites (or those of our content providers, distribution partners or third-party processors) may experience service interruptions or degradation as a result of processing or other technology malfunction, software defects, technology installation difficulties or delays, fire, natural disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism, security breach or cyber attack, physical break-in or accident. Additionally, we rely on service providers for the timely transmission of information across our data network. If a service provider fails to provide the communications capacity or services we require, the failure could interrupt our services. In the event of a service interruption or degradation of our transaction processing systems, the preventive measures we have taken, including the implementation of disaster recovery plans and back-up systems, may not be successful, and we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur, or in the future we may determine to self-insure against some of these risks. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

A data security breach could expose us to costly government enforcement actions, liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

We and our content providers and distribution partners receive, transmit and store confidential customer and other information in connection with the sale and use of our prepaid products and services. The encryption software and other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches by third parties. The risk of unauthorized circumvention of our security measures has been heightened in recent years by advances in computer capabilities and the increasing sophistication of hackers, and companies that store, process and transmit similar information have been specifically and increasingly targeted by sophisticated criminals in an effort to obtain the information and utilize it for fraudulent transactions. We regularly experience unauthorized attempts to access our systems, but to date we have not experienced any material losses in connection with data security breaches. While we



have multiple security measures in place to both prevent and detect intrusions, rapid advances in computer capabilities and the increasing sophistication of hackers may expose us to significant losses in the future.

The banks that issue our program-managed cards, as well as our other content providers, distribution partners and third-party processors, also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer information and/or card data, including theft of funds on the card or counterfeit reproduction of the cards. If we experience a significant data security breach or fail to detect and

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appropriately respond to a significant data security breach, we could be exposed to government enforcement actions and private litigation. In addition, consumers could lose confidence in our ability to protect their personal information, which could cause them to stop buying prepaid products that we offer. A significant data security breach involving company employees could hurt our reputation, cause us recruiting and retention challenges, increase our labor costs and affect how we operate our business.

A data security breach of our or our partners' systems could lead to fraudulent activity involving our products and services, reputational damage, private claims or regulatory actions against us and increased compliance costs. Any such data security breach could result in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices, any of which could have a material adverse effect on our business, results of operations and financial condition. Further, a significant data security breach could lead to additional legislation or regulation, which could result in new and costly compliance obligations. We may have to replace any issuing bank or third-party processor that has a security breach, which may not be possible on acceptable terms, or at all. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

Our web customers, as well as those of other companies, may be targeted by parties using fraudulent "spoof" and "phishing" emails or using fraudulent websites that have cloned websites, to misappropriate passwords, credit card numbers, or other personal information or to introduce viruses or other malware through "trojan horse" programs to our customers' computers. Spoof or phishing emails and cloned websites appear to be legitimate emails sent by, or legitimate websites operated by, our company. However, these emails or cloned websites may direct recipients to false websites or request confidential information that can be utilized by third parties and could result in the theft, publication, deletion or modification of confidential customer information and/or card data, including theft of funds on the card or in an account. Despite our efforts to mitigate "spoofing", "cloning" and "phishing" through product improvements, website enhancements, user education and other means, these tactics remain threats that may damage our brands, discourage use of our websites or products, and increase our costs.

We maintain insurance coverage that may cover certain aspects of cyber risks, including coverage for damages suffered by others resulting from actual or alleged act, error or omission in performance of a professional service; damages suffered by others resulting from a failure of computer security, including liability caused by theft or disclosure of confidential information, unauthorized access, unauthorized use, denial of service or transmission of virus; costs to restore or recreate electronic data, computer systems resources, and information assets- including electronically stored credit card numbers and customer databases - damaged due to a network security failure caused by a computer attack; business interruption in certain circumstances; costs to respond to a data privacy or security incident; and cost for investigations brought by PCI in connection with failure to protect private information and/or failure of network security possibly resulting from PCI DSS non-compliance. Nonetheless, such insurance coverage may be insufficient to cover all losses we incur as a result of a data breach or fraud resulting from cyber risks, which could have a material adverse effect on our business, results of operations and financial condition.

Litigation, investigations or regulatory examinations could lead to significant settlements, fines, penalties or compliance costs.

We are involved, and in the future may be involved, in various litigation and regulatory matters arising in the ordinary course of business. We also are subject to ongoing regulatory examinations related to our state money transmitter licenses. We may also be subject to other regulatory investigations from time to time. These matters can result in substantial costs and diversions of management time and other resources. While we do not anticipate any material negative outcomes related to these matters, we can provide no assurance that any pending or future matters will not have a material adverse effect on our business, results of operations and financial condition.

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Fraudulent and other illegal activity involving our products and services could lead to reputational and financial harm to us or our partners and reduce the use and acceptance of our prepaid access products and services.

Issuers of prepaid products have suffered significant losses in recent years with respect to the theft of cardholder data that has been illegally exploited. Criminals are using increasingly sophisticated methods to acquire or activate prepaid cards illegally or to use prepaid cards in connection with illegal activities. In addition, we are subject to the security vulnerabilities of third parties who provide transaction processing services to us or to our content providers and distribution partners. Furthermore, our Cardpool business subjects us to additional fraud risks associated with previously owned cards or with “merchandise credits.” Merchandise credits function much like a prepaid gift card once issued. Such credits may result from organized retail theft, typically in the form of returns of stolen or fraudulently obtained goods by organized groups of professional shoplifters, or “boosters,” who then convert such goods into merchandise credits, which are sometimes then exchanged for cash. To the extent that our content providers view the exchange of merchandise credits by our Cardpool business as contrary to their efforts to reduce organized retail crime, our relationships with those content providers may be adversely affected. Content providers may also change their merchandise credit practices in a way that hurts our business. In addition, law enforcement agencies have advised us of investigations into the exchange activities of various customers they believe to be involved in such organized retail crime. Although we have introduced enhanced anti-fraud and anti-crime measures, such as improved “know your customer” and suspicious activity reporting in connection with our Cardpool business in an effort to reduce our fraud risk and the risk of illegal activity (including money laundering) being associated with our Cardpool business, the outcome of investigations by law enforcement agencies is difficult to predict. The monetary and other impacts of these investigations and our ongoing risk management actions may remain unknown for a substantial period of time.

Our Reloadit product, which allows the consumer to use the PIN method of reloading GPR cards, has been the subject of fraudulent activity in less than one percent of our sales of the Reloadit product. The most prevalent form of fraud related to this product involves a scammer calling an unsuspecting consumer, convincing the consumer to buy a Reloadit product and providing the scammer with information that allows the scammer to transfer the funds to its own GPR card. This kind of victim-assisted fraud, in which a willing victim purposely gives away their personal information to a stranger, has proven difficult to stop. Two of our competitors have chosen to discontinue their PIN-based reload programs and move fully to a “card swipe” reload process, where the cardholder must be present in the store and swipe the actual GPR card in order to reload funds. We have implemented significant measures to prevent and mitigate different types of fraud, including victim-assisted fraud, and have secured and developed certain technology to prevent fraud against vulnerable populations and to deter scammers from targeting the Reloadit product as a useful vehicle to commit fraud. Nevertheless, our progressive fraud mitigation strategy may not be successful, which could result in losses and reputational damage, which could in turn reduce the use and acceptance of the products and services that we offer, cause distribution partners, content providers or reload network participants to cease doing business with us, lead to new legislation or greater regulation, or lead to civil or criminal proceedings and liability, all of which would increase our compliance costs or increase our direct or indirect expenses associated with fraud and illegal activity, and also could cause us to discontinue the Reloadit product.

In addition, fraudulent or criminal activity involving “spoofing”, “cloning” and “phishing” that appears related to our products or services could harm our business, as discussed in the Risk Factor titled “A data security breach could expose us to costly government enforcement actions, liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.”

A single significant incident of theft or fraud, or results of these investigations involving customers of our business, or the prepaid industry or card exchange industry more generally, could also result in losses and reputational damage, which could in turn reduce the use and acceptance of the products and services that we offer, cause distribution partners, content providers or reload network participants to cease doing business with us, lead to civil or criminal proceedings and liability, lead to fines and penalties by the credit card associations or lead to greater regulation that would increase our or our partners’ compliance costs or increase our direct or indirect expenses associated with preventing and detecting both fraud and illegal activity.

Prior to customers’ purchases of our gift card products and GPR cards, we, or our content providers or our distribution partners generally bear losses due to theft and fraudulent access based on which party’s card processing systems are at

fault. Following activation, whether a cardholder bears the loss of any theft, fraudulent access or other loss of a card depends upon the issuer's cardholder terms and conditions. We generally bear such losses to the extent that (a) we process or program manage the card, (b) the cardholder has registered the card, (c) the loss exceeds the amount for which the cardholder is responsible (with the cardholder's responsibility ranging from zero to \$500) and (d) the cardholder notifies us of the loss within the required time frame.

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While we have not experienced any material losses in connection with fraudulent or illegal activities discovered to date, fraudulent or other illegal activities involving, or investigations relating to, our products and services, or any changes we make to our product and service offerings to prevent such activities, could have a material adverse effect on our business, results of operations and financial condition.

Changes in card association rules or standards set by Visa, MasterCard and Discover, or changes in card association and debit network fees or products or interchange rates, could materially and adversely affect our business, financial condition and results of operations.

We and the banks that issue our program-managed cards are subject to Visa card association and debit network rules and standards. As a result of our acquisition of InteliSpend, Blackhawk Network California issues Discover-branded prepaid cards and is subject to Discover's network rules and standards. Noncompliance with these rules or standards due to our acts or omissions or the acts or omissions of businesses that work with us could subject us or our issuing banks to fines or penalties imposed by card associations or networks, and we may be required to indemnify the banks for the fines and penalties they incur. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have a material adverse effect on our business, results of operations and financial condition.

In addition, from time to time, card associations increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and have a material adverse effect on our business, results of operations and financial condition. A portion of the revenue derived from our proprietary open loop cards is derived from our share of the fees charged to merchants for services provided in settling transactions routed through the networks of the card associations and network organizations, referred to as interchange fees. The enactment of the Dodd-Frank Act required the FRB to implement regulations that have substantially limited interchange fees for many issuers of debit cards and prepaid cards. While we believe that the exemption from the limits imposed by the FRB available to small issuing banks, such as MetaBank, Sunrise Bank, N.A. and Bancorp, will apply to our program-managed cards, it remains possible that the card associations and network organizations could reduce the interchange fees applicable to transactions conducted by the holders of cards issued by these banks. If interchange rates decline, whether due to actions by the payment networks, our issuing banks or existing or future legislation or regulation, or the interpretation or enforcement thereof, we may need to adjust our fee structure to offset the loss of interchange revenues. Any price increase in our products and services may make it difficult to acquire customers, to maintain or expand card usage and customer retention, and we consequently could suffer reputational damage and become subject to greater regulatory scrutiny. We may also need to discontinue certain products or services. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to operate and scale our technology effectively to match our business growth.

Our ability to continue to provide our products and services to a growing number of content providers and distribution partners, as well as to enhance our existing products and services and offer new products and services, is dependent on our information technology systems. If we are unable to manage the technology associated with our business effectively, we could experience increased costs, reductions in system availability or performance and losses of our network participants. An added challenge is completing the successful integration of the variety of technology platforms acquired pursuant to our recent series of acquisitions. Please see the Risk Factor titled "Recent and future acquisitions or investments could disrupt our business and harm our financial condition." Any failure of our systems in scalability, functionality and integration could have a material adverse effect on our business, results of operations and financial condition.

Our failure to keep pace with the rapid technological developments in our industry and the greater electronic payments industry may materially and adversely affect our business, results of operations and financial condition.

The electronic payments industry is subject to rapid and significant technological changes, including ongoing technological advancement in the areas of smart cards, radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, and real-time reloading for prepaid telecom products, among

others. We cannot predict the effect of technological changes on our business. We expect that new services and technologies applicable to the electronic payments industry will continue to emerge, and that these new services and technologies may be superior to, or render obsolete, the technologies and related business practices we currently use in our distributed products and services. Successful implementation of our strategy will depend in part on our ability to develop and implement technological changes and to respond effectively and quickly to changes in our industry.

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We expect to invest in new technologies, services and infrastructure changes to further our strategic objectives, strengthen our existing businesses and remain competitive. These initiatives may be costly, could be delayed and may not be successful. In addition, in some areas, such as mobile interfaces, electronic gift card solutions and digital wallet integration, we may rely on strategic partners to develop or co-develop our solutions, or to incorporate our solutions into broader platforms for the electronic payments industry. We may not be able to enter into such relationships on attractive terms, or at all, and these relationships may not be successful. In addition, these partners, some of whom may be our competitors or potential competitors, may choose to develop competing solutions on their own or with third parties. Even if we or our partners are successful in developing new services and technologies, these new services and technologies may not achieve broad acceptance due to a variety of factors, including a lack of industry-wide standards, competing products and services or resistance to these changes from our content providers and distribution partners, third-party processors or consumers. In addition, we may not be able to derive revenue from these efforts.

Our future success will depend, in large part, upon our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful. The failure of these initiatives could have a material adverse effect on our business, results of operations and financial condition.

Changes in the telecom industry, consumers' purchasing preferences and distribution partners' support could cause our prepaid telecom business to decline.

We are subject to changes in the telecom industry, including changes in distribution strategies for carriers, that may reduce our market share. Our telecom providers may choose to distribute their products through other third-party distributors or establish physical or online distribution channels that allow them to reach consumers directly. For example, certain carriers have designated "preferred" distributors for their products in certain channels. In the future, some carriers may de-emphasize or choose to exit the prepaid market, thus reducing the scope of our telecom offerings and overall profitability.

Our prepaid telecom offerings generally have been sold in an unassisted manner, as opposed to an assisted sales environment in which sales employees are available to answer questions and demonstrate product features and functionality. As handsets become more sophisticated, consumers may prefer purchasing their handsets in an assisted sales environment, which could lead to a shift in our business model toward assisted sales, resulting in increased costs, or cause sales of our prepaid telecom products to decline or grow at a slower rate than expected or not at all.

Our distribution partners may not devote sufficient retail space to effectively market our telecom products, in particular handset offerings that require significant display and secure inventory storage space as compared to prepaid cards. In addition, our distribution partners may choose to discontinue offering telecom products due to legislative and regulatory developments that result in additional costs or compliance burdens in the retail sales environment.

Assertions by third parties of infringement by us, our distribution partners or our content providers of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

The technologies used in the payments industry are protected by a wide array of patents and other intellectual property rights. As a result, third parties have in the past and may in the future assert infringement and misappropriation claims against us, our distribution partners or our content providers from time to time. In the past, we successfully defended litigation asserting that we had infringed a third party's patents. There can be no assurance that any future assertions of infringement or misappropriation will not result in liability or damages payable by us.

In addition, in the past, we have received letters from various other parties claiming to have enforceable patent rights and asserting infringement of them by us. There can be no assurance that these assertions, or any such future assertions, will not result in liability or damages payable by us. For example, on July 31, 2014, Protegrity Corporation asserted that Blackhawk's PayPower product may infringe the claims of ten patents owned by Protegrity. While we evaluated Protegrity's assertions and believe them to be meritless, Protegrity has filed litigations against other parties, primarily banks. Consequently, there can be no assurance that these assertions will not lead to litigation, liability or damages payable by us.

Our distribution partners may be subject to infringement or misappropriation claims that, if successful, could preclude the distribution partner from distributing our products and services. In addition, some of our agreements require that if

claims related to our products and services are made against our distribution partners or content providers, we are required to indemnify them against any losses. For example, we previously incurred legal fees and costs to defend a number of our partners in connection with matters alleging patent infringement in connection with activation of prepaid cards.



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Whether or not an infringement or misappropriation claim is valid or successful, it could adversely affect our business by diverting management's attention or involving us in costly and time-consuming litigation. If we are not successful in defending any such claim, we may be required to pay past and future royalties to use technology or other intellectual property rights then in use, we may be required to enter into a license agreement and pay license fees or stop using the technology or other intellectual property rights then in use, in which case we may have to develop, license or otherwise use other non-infringing technology. Any of these results could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to adequately protect our brands and the intellectual property rights related to our distributed products and services, our competitive position could be harmed and we could be forced to engage in costly litigation to protect our rights.

Our success depends in part on developing and protecting our intellectual property and other proprietary rights in our technology, including various aspects of our card activation and management platform. In addition, the Blackhawk brand, our Gift Card Mall and our other proprietary product brands such as PayPower and Reloadit are important to our business. We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality agreements to protect our intellectual property and other proprietary rights, all of which offer only limited protection. Some of our technology and other intellectual property may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property or the inability to secure or enforce our intellectual property rights could have a material adverse effect on our business, results of operations and financial condition.

We face settlement risk from retailers that sell our distributed products and services.

Substantially all of our business is conducted through distribution partners. Our distribution partners collect payment from consumers and then remit these funds to us. In a limited number of cases, we have agreed to pay our closed loop content providers whether or not the distribution partners have paid us. In other limited cases, we have wholesale relationships where another party is responsible for collection of payments from merchants and subsequent remittance of such payments to us. In such cases, our settlement risk is increased due to reliance on these intermediaries.

For open loop products for which we act as program manager, we are liable for payments to the issuing bank whether or not the distribution partners have paid us. With respect to our Reloadit Pack, as the issuer, we are responsible for payment to the consumer regardless of any nonpayment by distribution partners. With respect to telecom products other than handsets, we are liable for payments to the telecom provider regardless of any nonpayment by distribution partners.

Settlement risk is affected by the seasonality of our business and peaks at year-end as a result of the holiday selling season. As of fiscal year-end January 3, 2015, we estimate that we had settlement risk of \$184.9 million, or 35.1% of total Settlement receivables. We are not insured against these risks. We have in the past experienced settlement losses when an intermediary service provider failed to remit payment to us. These losses over the past three fiscal years have been immaterial. While we have undertaken additional efforts to minimize the impact of our content providers' or intermediaries' adverse financial conditions on Blackhawk and its content providers, there is no assurance that these efforts will adequately mitigate potential losses. In 2014, we experienced a handful of smaller distribution partners facing adverse financial conditions, three of which filed for bankruptcy protection. While none of the current bankruptcy matters is individually or collectively material, significant settlement losses resulting from the adverse financial conditions of our distribution partners or intermediaries or due to other factors whether or not directly related to our business (such as economic downturns) could have a material adverse effect on our business, results of operations and financial condition.

We receive important services from third-party vendors, and replacing them would be difficult and disruptive to our business.

In addition to issuing banks, we rely on third-party vendors to provide certain services relating to our business, including customer service, warehousing and distribution, in-store merchandising, card production, transaction processing functions, customer verification services and credit validation. It would be difficult to replace some of our third-party vendors in a timely manner, in particular, our sole warehousing and distribution provider for the United States and Canada and the software and service provider for our proprietary processing platform, in a timely manner if

they were unwilling or unable to provide us with these services in the future, and consequently our business and operations could be adversely affected. If we are required to replace a vendor, we may not be able to do so on acceptable terms, or at all. Also, to the extent that any third-party vendor fails to deliver services, either in a timely, satisfactory manner, or at all, our business, results of operations and financial condition could be materially and adversely affected.

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Recent and future acquisitions or investments could disrupt our business and harm our financial condition.

On October 23, 2014, we acquired the stock of Parago, Inc. (Parago), a provider of global incentive and engagement solutions. On August 27, 2014, we acquired the stock of CardLab, Inc. (CardLab), an online provider of customizable prepaid incentive and rewards cards. Prior to the acquisition of CardLab, on June 19, 2014, we acquired the stock of Incentec Solutions, Inc. (Incentec), a provider of a software platform that supports the incentives business. On November 12, 2013, we acquired substantially all of the assets and liabilities of a business-to-business card sales company called InteliSpend Prepaid Solutions, LLC and its subsidiaries, or InteliSpend, that involves corporate incentives and consumer promotions. As a result, Blackhawk Network California issues Discover-branded prepaid products and consequently has registered with FinCEN as a provider of prepaid access. For additional information, please see the Risk Factor titled “We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business.” Also in the fourth quarter of 2013, we acquired the stock of Retailo AG, a German company engaged in a prepaid card distribution business in Germany, Switzerland and Austria. In the future, we may pursue other acquisitions or investments that we believe will help us achieve our strategic objectives.

The process of integrating an acquired business, product or technology can create unforeseen operating difficulties, expenditures and other challenges such as:

- potentially increased regulatory and compliance requirements;
- potential regulatory restrictions on revenue streams of acquired businesses;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business to acquisition integration challenges;
- coordination of product, sales, marketing and program and systems management functions;
- transition of the acquired company’s users and customers onto our systems;
- retention of employees from the acquired company;
- integration of employees from the acquired company into our organization;
- integration of the acquired company’s accounting, information management, human resources and other administrative systems and operations into our systems and operations;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes and tax and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims brought by terminated employees, customers, former stockholders or other third parties.

If we are unable to address these difficulties and challenges or other problems encountered in connection with our acquisition of Parago, CardLab, Incentec, InteliSpend, Retailo or any future acquisition or investment, we might not realize the anticipated benefits of that acquisition or investment and we might incur unanticipated liabilities or otherwise suffer harm to our business generally. The difficulties and challenges of successful integration of any acquired company are increased when the integration involves multiple acquired companies or companies with significant operations outside the United States. Consequently, we may not be able successfully to integrate our recently acquired companies, particularly our multiple incentives businesses acquired since November 2013, or to achieve anticipated cost saving across channels and infrastructure.

To the extent that we pay the consideration for any future acquisitions or investments in cash, or any potential earn outs (e.g., the CardLab acquisition), it would reduce the amount of cash available to us for other purposes. Such payments also may increase our cash flow and liquidity risk and, as in the case of the Parago acquisition, could result in increased borrowings under our credit agreement. See the Risk Factor titled “Our debt could adversely impact our operating income and growth prospects and make us vulnerable to adverse economic and industry conditions.” Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses or impairment charges against goodwill or intangible assets on our balance sheet, any of which could have a material adverse effect on our business, results of operations and financial condition.



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Our future success depends upon our ability to attract and retain key personnel.

We depend on a number of key personnel who have substantial experience relevant to the payments industry and our operations. All of our employees, including William Tauscher, our Chief Executive Officer; Talbott Roche, our President; Jerry Ulrich, our Chief Financial and Administrative Officer; David Tate, our Senior Vice President Products and Marketing; Christopher Crum, our Senior Vice President Sales; and Juli Spottiswood, our Senior Vice President and General Manager, Engagement Solutions, are at-will employees. This means that they may terminate their employment with us at any time. Consequently, our future success will depend, to a significant extent, on our ability to identify, attract and retain key personnel, namely our management team and experienced sales, marketing, technical and systems management personnel, as well as finance, legal and compliance personnel. Qualified individuals are in high demand, particularly in the San Francisco Bay Area, where our principal offices are located, and we may incur significant costs to attract and retain them. In addition, we may experience difficulty assimilating our newly hired personnel and assimilating personnel from acquisition activity, which could have a material adverse effect on our business, results of operations and financial condition. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to identify, attract and retain key personnel, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to added business, political, regulatory, operational, financial and economic risks associated with our international operations.

We currently conduct business in the United States and 21 other countries (with our international business accounting for approximately 24.0% of our total revenues in 2014), and an important element of our business strategy is the expansion of our business in our existing and new international markets. We are subject to a number of risks related to our foreign operations, including:

- challenges caused by distance, language and cultural differences;
- multiple, conflicting and changing laws and regulations, and difficulties in understanding and ensuring compliance with those laws by our employees and business partners;
- foreign currency fluctuations;
- differing and potentially adverse tax laws;
  - higher costs associated with doing business internationally, such as costs associated with, tax planning, repatriating funds to the United States, administrative costs associated with payment settlement and other compliance costs related to doing business in foreign jurisdictions;
- difficulties in staffing and managing international operations;
- restrictions on the transfer of funds among countries and back to the United States;
- differing levels of social and technological acceptance of prepaid products and services;
- limitations on the level of intellectual property protection;
- trade sanctions, political unrest, terrorism, war and epidemics or threats of any of these events;
- lack of acceptance of our distributed products or of prepaid products generally;
- the potential for disputes with our business partners; and
- competitive environments that favor local businesses.

In addition, in certain markets, we have entered into and plan to enter into additional distribution agreements with local partners. Accordingly, our success in those markets depends in large part on the success of our commercial partners. We do not control those partners and there is no assurance that they will devote the time or resources, or have the capability, necessary to make our expansion into new markets successful.

The materialization of these risks could harm our current international operations, as well as our expansion efforts, which could in turn have a material adverse effect on our business, results of operations and financial condition.

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Our credit and collateral agreements with Wells Fargo Bank, National Association, and other financial institutions contain certain restrictions that limit our flexibility in operating our business and, in the event of a default, could have a material adverse impact on our business and results of operations.

Effective on March 28, 2014, we terminated the cash management and treasury services agreement with Safeway and entered into a credit agreement with a group of lenders led by Wells Fargo Bank, National Association in an initial aggregate principal amount of up to \$525 million, consisting of a combination of revolving credit loans, letters of credit and a term loan. On September 24, 2014, the credit agreement was amended in order to permit lenders to issue up to \$50 million in foreign-denominated letters of credit on behalf of our company, and to make other modifications and waivers as disclosed in our Current Report on Form 8-K filed on September 30, 2014. On October 23, 2014, the credit agreement was further amended, pursuant to which certain existing and new lenders agreed to provide additional revolving loans and term loans, thus increasing our credit facility to an aggregate principal amount of \$725 million. A portion of the increased credit facility was used to consummate the acquisition of Parago, as disclosed in our Current Report on Form 8-K filed on October 24, 2014. The credit agreement, as amended (the Credit Agreement), and other related agreements contain customary restrictions on us or our subsidiaries. Subject to a number of important exceptions, these limitations include covenants that limit or restrict us or our subsidiaries, as the case may be, from:

- incurring additional indebtedness or modifying subordinated indebtedness;
- granting liens on or with respect to any of our property or that of certain of our subsidiaries;
- making investments;
- consolidating or merging with, or acquiring, another business;
- selling or disposing of our assets;
- paying dividends and making other distributions to our stockholders;
- entering into certain transactions with our affiliates;
- redeeming our stock;
- amending our charter documents;
- changing the nature of our business;
- entering into sale-leaseback agreements; and
- disposing of our interests in certain subsidiaries.

Our obligations under the Credit Agreement are secured by security interests in and liens on all of our present and future assets and those of certain current and potentially future subsidiaries (other than our regulated assets). In addition, the Credit Agreement contains financial covenants that require us to maintain specified financial ratios and satisfy certain financial condition tests. This may require that we take action to reduce our debt or to act in a manner contrary to our business objectives.

The breach of any of these covenants would result in default under the Credit Agreement. Any default, if not waived, could result in our lenders terminating commitments to make loans or extend credit to us. In the event of default, the lenders also could accelerate and declare all or any obligations immediately due, and could take possession of or liquidate collateral. If any of these events occur, we may be unable to appropriate sufficient funds to refinance the Credit Agreement on favorable terms, if at all, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the termination of the Credit Agreement may adversely affect our ability to maintain our relationships with our content providers or adversely affect our cash flows. Please see the Risk Factor titled “We rely on our content providers for our product and service offerings, and the loss of one or more of our top content providers or a decline in demand for their products, or our failure to maintain existing exclusivity arrangements with certain content providers or to attract new content providers to our network, could have a material adverse effect on our business, results of operations and financial condition.”

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Our debt could adversely impact our operating income and growth prospects and make us vulnerable to adverse economic and industry conditions.

Our indebtedness could make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital. It could also increase our vulnerability to interest rate changes and general adverse economic and industry conditions. This could limit our flexibility in planning for or reacting to changes in our business and our markets and place us at a competitive disadvantage relative to our competitors that have less debt.

Future economic and credit market conditions may limit our access to additional capital, at a time when the Credit Agreement would otherwise permit additional financing, or may preclude our ability to refinance our existing indebtedness. If our lenders suffer from declining financial conditions, their ability to fund their commitments may be adversely affected, in which case we could be required yet unable to obtain replacement financing on similar or acceptable terms, if at all. A deterioration in the credit markets generally could further affect our ability to access sufficient financing or capital. Such limitations could have a material adverse impact on our operations and thus on our operating income, growth prospects and financial condition.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our business, financial condition and results of operations.

As a result of our acquisitions, a significant portion of our total assets consist of goodwill and intangible assets. Combined goodwill and intangible assets, net of amortization, accounted for approximately 20.2% and 11.7% of the total assets on our balance sheet as of January 3, 2015 and December 28, 2013, respectively. We may not realize the full value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. We routinely evaluate whether all or a portion of our goodwill and other intangible assets may be impaired. If it is determined that an impairment has occurred, we would be required under current accounting rules to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. An impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our business, financial condition and results of operations.

Our headquarters and one of our two data centers are located near known earthquake fault zones and in areas of elevated wild fire danger. The occurrence of an earthquake, fire or any other catastrophic event could disrupt our operations or the operations of third parties who provide vital support functions, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We and some of the third-party service providers on which we depend for various support functions, such as customer service, warehousing and distribution, card production, transaction processing functions, customer verification services and credit validation, are vulnerable to damage from catastrophic events, such as power loss, natural disasters, terrorism and similar unforeseen events beyond our control. Our principal offices and one of our data centers, for example, are situated in the San Francisco Bay Area near known earthquake fault zones and areas of elevated wild fire danger. If a catastrophic event were to occur, our ability to operate our business in the normal course could be seriously impaired. The measures we have taken to prepare for such an event may not be successful, and we may experience unforeseen problems unrelated to catastrophic events. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could have a material adverse effect on our business, results of operations and financial condition.

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Risks Related to Ownership of Our Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with holders of our Class B common stock and limiting the ability of holders of our Class A common stock to influence corporate matters. Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Our Class B common stock retained the 10 votes per share voting power following the Spin-Off. As of February 16, 2015, holders of our Class B common stock beneficially owned shares represented 97% of the voting power of our outstanding capital stock. Due to the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent a small minority of all outstanding shares of our Class A and Class B common stock. This voting control significantly limits the ability of holders of Class A common stock to influence corporate matters, and, as a result, the market price of our Class A common stock could be materially and adversely affected and may trade at a different price per share than our Class B common stock. On February 23, 2015, our Board of Directors authorized and recommended a proposal, for consideration at the 2015 annual meeting of stockholders, to eliminate our dual class common stock structure. Unless and until such proposal is approved by our stockholders and implemented by the company, the risks attendant to the dual class structure of our common stock remain.

The market prices of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

The market price of our Class A common stock and our Class B common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control. Since April 18, 2013, the date of our initial public offering, through February 16, 2015, the market price of our Class A common stock has fluctuated from a low of \$20.25 per share to a high of \$40.51 per share. Since April 14, 2014, the date of our Spin-Off, through February 16, 2015, the market price of our Class B common stock has fluctuated from a low of \$22.49 per share to a high of \$39.08 per share. Factors that may contribute to fluctuations in the market prices of our common stock include:

- failure to sustain an active, liquid trading market for our shares;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;
- changes in market valuations of similar companies;
- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- sales of our capital stock by our directors or executive officers;
- actions by or changes in our relationship with Safeway;
- the gain or loss of significant distribution partners or content providers;
- actual or anticipated developments in our business or our competitors' businesses, such as announcements by us or our competitors of significant contracts, acquisitions or strategic alliances, or in the competitive landscape generally;
- litigation involving us, our industry or both;
- additions or departures of key personnel;
- regulatory developments in the United States and/or foreign countries;
- investors' general perception of us; and
- changes in general economic, industry and market conditions.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our Class A and Class B common stock.



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In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention as well as our other resources and could have a material adverse effect on our business, results of operations and financial condition.

The existence of multiple classes of common stock may negatively impact the value and liquidity of our Class A common stock.

The holders of Class B common stock are entitled to 10 votes per share, and the holders of our Class A common stock are entitled to one vote per share. Our Class B common stock retained the 10 votes per share voting power following the Spin-Off. The difference in the voting rights of our Class A and Class B common stock could harm the value of the Class A common stock to the extent that any current or future investor in our common stock ascribes value to the rights of the holders of our Class B common stock to 10 votes per share. In addition, since the Spin-Off, shares of Class B common stock are no longer convertible into shares of Class A common stock. In connection with the Spin-Off, our Class B common stock became listed on the NASDAQ Global Select Market. The existence of multiple classes of common stock could result in less liquidity for our Class A common stock and could depress the price of our Class A common stock. On February 23, 2015, our Board of Directors authorized and recommended a stockholders proposal, for consideration at the 2015 annual meeting of stockholders, to eliminate our dual class common stock structure, as described in our press release issued on the same day. Unless and until such proposal is approved by our stockholders, the pricing and liquidity risks arising from our dual class common stock structure remain.

We incur significant costs as a public company and laws and regulations applicable to public companies may divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also incur costs associated with the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the Dodd-Frank Act and related rules implemented or to be implemented by the SEC and the NASDAQ Stock Market. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. The rules and regulations associated with being a public company also may make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept constraints on policy limits and coverage or incur substantially higher costs to obtain coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A and Class B common stock, fines, sanctions and other regulatory action and potentially civil litigation.

We are required to assess our internal control over financial reporting on an annual basis and any future adverse findings from such assessment could result in a loss of investor confidence in our financial reports, significant expenses to remediate any internal control deficiencies and ultimately have an adverse effect on the market prices of our common stock.

We are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. A material weakness is a control deficiency or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected.

The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. We cannot provide any guarantee that there will not be material

weaknesses or significant deficiencies in our internal controls. If our internal control over financial reporting is not effective, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations and lose investor confidence in the accuracy and completeness of our financial reports, which would cause the prices of our common stock to decline. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the NASDAQ Global Select Market, regulatory investigations, civil or criminal sanctions and class action litigation.

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If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock and Class B common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Our anti-takeover provisions may delay or prevent a change of control, which could adversely affect the prices of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make it difficult to remove our board of directors and management and may discourage or delay “change of control” transactions, which could adversely affect the price of our common stock. These provisions include, among others:

- a classified board of directors with staggered three-year terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;

- no cumulative voting in the election of directors, which prevents the minority stockholders from electing director candidates so long as our Class B common stockholders hold a majority of the voting rights of our common stock;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- special meetings of our stockholders can be called only by the Chairman of the Board or by our corporate secretary at the direction of our board of directors;

- advance notice and other requirements that stockholders, must comply with in order to nominate candidates to our board of directors and propose matters to be brought before an annual meeting of our stockholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company;

- a majority stockholder vote is required for removal of a director only for cause (and a director may only be removed for cause), and a 75% stockholder vote is required for the amendment, repeal or modification of certain provisions of our certificate of incorporation and bylaws; and

- our board of directors may, without stockholder approval, issue series of preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock or could also be used as a method of discouraging, delaying or preventing a change of control.

Certain anti-takeover provisions under Delaware law also apply to our company. As a result of the Spin-Off, we became subject to Section 203 of the Delaware General Corporation Law. Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its voting stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Furthermore, our amended and restated certificate of incorporation specifies that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for most legal actions involving actions brought against us by stockholders. We believe this provision benefits us by providing increased consistency in the application of Delaware law by chancellors particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, the provision may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in such action.



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We may need to raise additional capital to support our business in the future, and this capital may not be available on acceptable terms or at all, which may prevent us from growing our business.

We may need to raise additional funds to finance our future capital needs, including developing new products and technologies, operating expenses, and to make repayments under the Credit Agreement (e.g., the term loan facility is due and payable in 3 yearly installments beginning March 21, 2015, in the amounts of \$11.25 million, \$37.5 million and \$56.25 million, respectively, with the remaining outstanding balance due on March 28, 2018). If our unrestricted cash and cash equivalents balances and any cash generated from operations are insufficient to meet our future cash needs, we will need to access additional capital to fund our operations. We may also need to raise additional capital to take advantage of new business or acquisition opportunities. We may seek to raise capital by, among other things, issuing additional shares of our Class A and Class B common stock or other equity securities or debt securities. If we raise additional funds through the sale of equity securities, these transactions may dilute the value of our outstanding common stock. If we decide to issue debt securities, such securities may have rights, preferences and privileges senior to our common stock. We may be unable to raise additional funds on terms favorable to us or at all. If financing is not available or is not available on acceptable terms, we may be unable to fund our future needs and we may be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not Applicable

**ITEM 2. PROPERTIES**

Our principal executive offices are located in Pleasanton, California, in an approximately 149,000-square-foot commercial office building subleased from Safeway, for which the sublease expires on the earlier of April 30, 2017 or, if earlier, the date on which the master lease between Safeway and Safeway's lessor terminates. We currently lease approximately 93,000 square feet of this building and are scheduled to occupy substantially all of the remaining portions of the building over the next year.

We also maintain leased offices in Phoenix, Arizona; Mesa, Arizona; Denver, Colorado; Reno, Nevada; Wall, New Jersey; Fenton, Missouri; Lewisville, Texas; Addison, Texas; and other small local sales or support office locations in the United States. Internationally, we have primary offices in leased facilities in Toronto, Mexico City, London, Sydney, Cologne and Melbourne and have leased a facility for a near-shore call center in San Salvador, El Salvador. We operate our data centers in co-location facilities provided by third parties in Santa Clara, California and Kent, Washington. We believe that our existing facilities are adequate to support our existing operations and that, as needed, we will be able to obtain suitable additional facilities on commercially reasonable terms.

**ITEM 3. LEGAL PROCEEDINGS**

We are involved from time to time in various legal proceedings arising in the ordinary course of business. At this time, there are no material pending legal proceedings and no updates to any legal proceedings to which we or any of our subsidiaries is a party.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

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## PART II. OTHER INFORMATION

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## Price Range of Our Class A Common Stock

Our Class A common stock has traded on the NASDAQ Global Select Market under the symbol "HAWK" since April 19, 2013. Our Offering was priced at \$23.00 per share on April 18, 2013. Prior to that date, there was no public trading market for our common stock.

Following the Spin-Off, our Class B common stock ("HAWKB") is traded separately from our Class A common stock ("HAWK") and may trade at different prices per share than our Class A common stock.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our Class A and Class B common stock as reported on the NASDAQ.

	Class A		Class B	
	High	Low	High	Low
Fiscal Year Ended January 3, 2015				
Quarter ended March 22, 2014	\$29.73	\$21.65	N/A	N/A
Quarter ended June 14, 2014	\$27.50	\$23.18	\$26.20	\$22.49
Quarter ended September 6, 2014	\$29.33	\$25.13	\$28.71	\$24.35
Quarter ended January 3, 2015	\$40.51	\$27.26	\$39.08	\$26.47

On February 16, 2015, the closing prices per share of our Class A and Class B common stock as reported on the NASDAQ were \$36.59 and \$36.13 per share, respectively.

## Stockholders

As of 1.4x 8.2x

05/21/10

Michael Foods, Inc. GS Capital Partners 1.1x 7.8x

11/19/09

Birds Eye Foods, Inc. Pinnacle Foods Group LLC 1.5x 8.2x

06/09/08

Desarollo Agroindustrial de Frutales S.A. and Frutas de Exportacion S.A. (Caribana) Fresh Del Monte Produce Inc. 0.8x 8.1x

02/12/07

Pinnacle Foods Group LLC Blackstone Group LP 1.5x 9.2x

10/14/05

Bolthouse Farms Madison Dearborn Partners, Inc. 2.9x 9.3x

02/23/05

Fresh Express unit of Performance Food Group Chiquita Brands International Inc. 0.9x 9.4x

07/23/04

Riviana Foods Inc. Ebro Puleva S.A. 0.9x 8.9x

10/13/03

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Michael Foods, Inc. Thomas H. Lee Partners LP 1.0x 7.2x

01/27/03

Standard Fruit & Vegetable Company Fresh Del Monte Produce Inc. 0.3x 5.9x

12/13/02

Goodman Fielder Limited Burns, Philp & Company, Limited 0.8x 6.1x

09/22/02

Dole Food Company, Inc. David H. Murdock 0.5x 6.1x

06/21/02

Agrilink Foods, Inc. (Birds Eye Foods) Vestar Capital Partners 0.9x 7.2x

10/10/01

Procter & Gamble Company Jif & Crisco businesses JM Smucker Company 1.6x 7.7x

08/10/01

Fresh International Corp. Performance Food Group Company 0.6x 7.7x

04/05/01

Dean Foods Company Suiza Foods Corporation 0.6x 7.0x Mean 1.1x 7.9x Median 0.9x 7.8x

Deutsche Bank selected these precedent transactions because they represent the transactions since 2000 involving either fresh produce companies or mid-cap or small-cap packaged foods companies with operations focused on lower margin, packaged foods for which sufficient financial information was publicly available. Two of the selected precedent transactions, the acquisition of Procter & Gamble Company's Jif and Crisco businesses by JM Smucker Company and the acquisition of the Fresh Express unit of Performance Food Group by Chiquita Brands International Inc. involved the sale of a portion of the seller's prior total business. A third transaction, a majority investment by Vestar Capital Partners in Agrilink Foods, Inc. (Birds Eye Foods), involved the separation of a manufacturer and marketer of frozen vegetables from a grower cooperative. Although none of the selected transactions is directly comparable to the sale of our Asia fresh business and worldwide packaged foods business, the transactions included were selected by Deutsche Bank based upon its general experience and knowledge of precedent transactions of a similar nature that for purposes of this analysis may be considered similar to the sale of our Asia fresh business and worldwide packaged foods business.

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Based in part upon the multiples of the selected precedent transactions described above, Deutsche Bank calculated ranges of estimated total enterprise values of our combined Asia fresh business and worldwide packaged foods business by applying multiples of 8.0x to 9.0x to LTM EBITDA and 8.0x to 9.0x to the estimated 2012 EBITDA of our combined Asia fresh business and worldwide packaged foods business based upon historical and projected financial information as provided by our management and as described below under *Financial Projections*, resulting in ranges of total enterprise value of approximately \$1.40 billion to \$1.57 billion and \$1.60 billion to \$1.80 billion, respectively. Deutsche Bank noted that, at the time such analysis was presented to our board of directors, the consideration proposed to be received in the transaction (representing the implied enterprise value of our combined Asia fresh and worldwide packaged foods businesses) was \$1.68 billion.

### ***Discounted Cash Flow Analysis***

Deutsche Bank performed a discounted cash flow analysis to determine a range of implied present total enterprise value for our combined Asia fresh business and worldwide packaged foods business as of December 31, 2012. Deutsche Bank calculated the discounted cash flow value for our combined Asia fresh business and worldwide packaged foods business by adding (i) the net present value of the projected unlevered free cash flows of our Asia fresh business and our worldwide packaged foods business for the years 2012 through 2017, as provided by our management and as described below under *Financial Projections* and (ii) the net present value of our combined Asia fresh business and worldwide packaged foods business after 2017, also called the terminal value. Deutsche Bank calculated a range of terminal values by growing the projected 2017 unlevered free cash flow of our combined Asia fresh business and worldwide packaged foods business, and assuming that capital expenditures would equal depreciation and amortization, at an annual rate of 1.0% to 2.0% into perpetuity. Deutsche Bank applied discount rates ranging from 8.5% to 9.5% to the projected 2012 to 2017 unlevered free cash flows and range of terminal values. Deutsche Bank derived the foregoing range of discount rates by utilizing a weighted average cost of capital analysis for our combined Asia fresh business and worldwide packaged foods business based on certain financial metrics, including betas, for selected companies which exhibited similar characteristics to our Asia fresh business and worldwide packaged foods business. This analysis resulted in a range of implied present total enterprise value of our combined Asia fresh business and worldwide packaged foods business of approximately \$1.41 billion to \$1.83 billion. Deutsche Bank noted that, at the time such analysis was presented to our board of directors, the consideration proposed to be received in the transaction (representing the implied enterprise value of our combined Asia fresh and worldwide packaged foods businesses) was \$1.68 billion. Deutsche Bank also noted that this resulted in an implied range of multiples of total enterprise value to management estimates of 2012 EBITDA for our combined Asia fresh business and worldwide packaged foods business of 7.0x to 9.1x.

### ***General***

The preparation of a fairness opinion is a complex process involving the application of subjective business and financial judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description. Deutsche Bank believes that its analyses must be considered as a whole and that considering any portion of such analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying its opinion. In arriving at its fairness determination, Deutsche Bank did not assign specific weights to any particular analyses.

In conducting its analysis and arriving at its opinion, Deutsche Bank utilized a variety of generally accepted valuation methods. The analysis was prepared solely for the purpose of enabling Deutsche Bank to provide its opinion to our board of directors as to the fairness, from a financial point of view, of the consideration to be received by us in exchange for our Asia fresh business and worldwide packaged foods business as of the date of its opinion and does not purport to be an appraisal or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. As described above, in connection with its analysis, Deutsche Bank made, and was provided by our management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are



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beyond the control of Deutsche Bank, Dole or ITOCHU. Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Dole, ITOCHU, or their respective advisors, Deutsche Bank does not assume responsibility if future results or actual values are materially different from these forecasts or assumptions.

The terms of the sale transaction, including the consideration, were determined through arm's-length negotiations between Dole and ITOCHU and were approved by our board of directors. Although Deutsche Bank provided advice to our board of directors during the course of these negotiations, the decision to enter into the sale transaction was solely that of our board of directors. As described above under "Reasons for the Sale Transaction and Recommendation of Our Board of Directors," the opinion and presentation of Deutsche Bank to our board of directors was only one of a number of factors taken into consideration by our board of directors in making its determination to approve the acquisition agreement and the transactions contemplated by it, including the sale transaction.

We selected Deutsche Bank as our financial advisor in connection with the sale transaction based on Deutsche Bank's qualifications, expertise, reputation and experience in mergers and acquisitions. Pursuant to an engagement letter between us and Deutsche Bank, dated August 13, 2012, we have agreed to pay Deutsche Bank \$9.0 million for its services as our financial advisor, of which \$1.5 million became payable upon the delivery of Deutsche Bank's opinion, and the remainder of which is contingent upon consummation of the sale transaction. We have also agreed to reimburse Deutsche Bank for reasonable fees, expenses and disbursements of Deutsche Bank's counsel and Deutsche Bank's reasonable travel and other out-of-pocket expenses incurred in connection with the sale transaction or otherwise arising out of Deutsche Bank's engagement. We also agreed to indemnify Deutsche Bank and certain related persons to the fullest extent lawful against certain liabilities, including certain liabilities under the federal securities laws arising out of its engagement or the sale transaction.

Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. Deutsche Bank is an affiliate of Deutsche Bank AG, which, together with its affiliates, is referred to as the DB Group. One or more members of the DB Group have, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to ITOCHU and its affiliates for which they have received compensation, including having acted as financial advisor to Kureha Corporation and ITOCHU in connection with a capital expansion of Kureha Battery Materials Japan Co., Ltd., a joint venture between Kureha Corporation and ITOCHU, in July 2012. In addition, one or more members of the DB Group have, from time to time, provided, and are currently providing, investment banking, commercial banking (including extension of credit) and other financial services to us or our affiliates for which they have received, and in the future may receive, compensation, including having acted as co-arranger in connection with our \$350,000,000 multi-currency asset-based revolving credit facility (aggregate commitment \$32,000,000), \$315,000,000 senior secured term loan and \$585,000,000 senior secured term loan in July, 2011 (which we refer to collectively as the "July 2011 Loans"). One or more members of the DB Group also have, from time to time, provided, and are currently providing, investment banking, commercial banking (including extension of credit) and other financial services to David H. Murdock, our controlling shareholder, and other companies affiliated with him for which they have received, and in the future may receive, compensation, including having acted as financial advisor to Castle & Cooke, Inc., an affiliate of Mr. Murdock, in connection with the sale of the island of Lanai to Larry Ellison in June, 2012. The DB Group may also provide investment and commercial banking services to ITOCHU, Dole and their respective affiliates (including Mr. Murdock and his affiliates) in the future, for which the DB Group would expect to receive compensation. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of ITOCHU, Dole and their respective affiliates for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations. All amounts outstanding under the July 2011 Loans are expected to be repaid in connection with the sale transaction.

**Table of Contents****Financial Projections**

The following is a summary of the financial projections for the combined worldwide packaged foods business and Asia fresh business, prepared by our management and provided to our board of directors and advisors:

	Fiscal year ended December 31,					
	2012E	2013E	2014E	2015E	2016E	2017E
	(\$ in millions)					
Revenue	\$ 2,657	\$ 2,889	\$ 3,190	\$ 3,463	\$ 3,671	\$ 3,854
EBITDA	200	233	272	298	316	332
Capital expenditures	47	108	109	86	59	62

The projections summarized above are subjective and were prepared by our management solely for internal use and were prepared based upon the best available estimates and judgments of our management as to the future financial results of our Asia fresh and worldwide packaged foods businesses at the time the projections were prepared. We do not, as a matter of course, publicly disclose projections as to future financial performance due to the unpredictability of the underlying assumptions and estimates. However, we provided Deutsche Bank with the financial forecasts relating to our Asia fresh and worldwide packaged foods businesses summarized above for use in connection with its financial analyses. The projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions, as well as matters specific to our businesses, many of which are beyond our control. These and other matters may cause actual future results to differ materially from the projections. In addition, the projections cover multiple years, and projections by their nature become less reliable for later periods.

The projections were not prepared with a view to public disclosure and are summarized in this proxy statement because they were made available to Deutsche Bank as our financial advisor. The projections were not prepared with a view towards compliance with generally accepted accounting principles in the United States, or GAAP, and other regulations generally applicable to financial information included in public filings. In addition, certain of the projections summarized above, including EBITDA, are non-GAAP financial measures. We provided this information to Deutsche Bank because we believed it could be useful in performing the analyses described above under *Opinion of Our Financial Advisor Summary of Material Financial Analyses*. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used in the projections may not be comparable to similarly titled amounts used by other companies. Furthermore, our independent registered public accounting firm, Deloitte and Touche LLP, has not audited, reviewed, compiled, or applied any procedures to the projections and, accordingly, Deloitte and Touche LLP assumes no responsibility for, and expresses no opinion on, the projections.

In addition, these projections do not take into account any circumstances or events occurring after the date that they were prepared and, accordingly, do not give effect to the sale transaction or any operational or strategic changes that have been or may be implemented after the date the projections were prepared. As a result, there can be no assurance that the projections would be realized, and actual results may be materially better or worse than those contained in the projections. The inclusion of this information should not be regarded as an indication that we or Deutsche Bank concluded that the information will be predictive of actual future results. The projections and the summary thereof included above constitute forward-looking statements. Except to the extent required by applicable federal securities laws, we do not intend, and expressly disclaim any responsibility to, update or otherwise revise the projections. See *CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS*.

**Governmental and Regulatory Approvals***United States Regulatory Approvals*

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, and the rules promulgated under the Federal Trade Commission, or FTC, the sale transaction cannot be consummated until each of

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Dole and ITOCHU makes a filing and report form with the FTC and the Antitrust Division of the Department of Justice, or DOJ, under the HSR Act and the applicable waiting period has expired or been terminated. We and ITOCHU have submitted our respective HSR filings to the FTC and DOJ and were granted early termination of the waiting period on November 6, 2012.

At any time before or after consummation of the sale transaction, notwithstanding the termination of the waiting period under the HSR Act, the Antitrust Division of the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the sale transaction, or part of it, seeking divestiture of substantial assets of Dole or ITOCHU, requiring Dole or ITOCHU to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the consummation of the sale transaction, and notwithstanding the termination of the waiting period under the HSR Act, any state could take such action under state law or the antitrust laws of the United States as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the sale transaction or seeking divestiture of substantial assets of Dole or ITOCHU. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

### ***Foreign Regulatory Approvals***

The sale transaction is also subject to approval under the antitrust laws of Canada, Austria, China, Japan, Korea and Turkey.

*Canada.* Under the Competition Act in Canada, the parties must file a pre-Merger filing and observe the specified waiting period requirements before consummating the Merger, unless the parties are exempted from such requirements through the issuance of an Advance Ruling Certificate, an ARC, or a no-action letter together with a waiver of the filing and waiting period requirements. The parties received an ARC from the Bureau on October 19, 2012, and are therefore exempted from the pre-Merger filing and waiting period requirements in Canada.

*Austria.* Under the Austria Cartel Act of 2005, the sale transaction may not be consummated until filings have been filed with the Federal Competition Authority and authorization has been obtained. The parties submitted the required filings with the Austrian Federal Competition Authority and on October 30 the necessary authorization was obtained.

*China.* Under the China Anti-Monopoly Act, the sale transaction may not be consummated until filings have been filed with the China Ministry of Commerce and clearances, approvals or authorizations have been obtained or the applicable waiting periods have expired. The parties have submitted the required filing and are in the process of responding to requests for additional information.

*Japan.* The parties are required to submit a filing in Japan, under its Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade and with Japan's Fair Trade Commission. The sale transaction may not be consummated prior to the clearance by the relevant authorities in Japan. The parties have submitted the required filing and are in the process of responding to requests for additional information.

*South Korea.* The parties also intend to make a filing in South Korea, under its Monopoly Regulation and Fair Trade Act. The sale transaction may not be consummated prior to the clearance by the relevant authorities in South Korea. The parties have submitted the required filing.

*Turkey.* The Law on Protection of Competition of Turkey provides that transactions such as the sale transaction may not be consummated until certain information has been submitted to the Turkish Competition Authority, and the Turkish Competition Authority has cleared the sale transaction. The Turkish Competition Authority must decide either to clear a transaction or to initiate an in-depth investigation within 30 days from the date of filing of the filing. The parties submitted the required filing to the Turkish Competition Authority and on November 2 the Turkish Competition Authority cleared the sale transaction.

### ***Generally***

There can be no assurance that all of the regulatory approvals described above will be obtained and, if obtained, there can be no assurance as to the timing of any approvals, the ability of Dole or ITOCHU to obtain

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the approvals on satisfactory terms or the absence of any litigation challenging such approvals. There can also be no assurance that any governmental entity or any private party will not attempt to challenge the merger on antitrust grounds and, if such a challenge is made, there can be no assurance as to its result.

**When the Sale Transaction is Expected to be Consummated**

We expect to consummate the sale transaction as soon as practicable after all of the closing conditions in the acquisition agreement, including approval of the Sale Proposal by our stockholders and the receipt of all required regulatory consents and approvals, have been satisfied or waived. Subject to the satisfaction or waiver of these conditions, we expect the sale transaction to close by December 31, 2012. However, there can be no assurance that the sale transaction will be consummated at all or, if consummated, when it will be consummated.

**Effects on Our Business if the Sale Transaction is Consummated and the Nature of Our Business Following the Transaction**

If the sale transaction is consummated, our operations will no longer include our worldwide packaged foods business or our Asia fresh business. The financial measures below, prepared to give effect to the consummation of the sale transaction, are included to show what historical adjusted earnings before interest expense, income taxes, depreciation and amortization would have been for the remaining businesses of Dole excluding the businesses to be sold, or Pro Forma Adjusted EBITDA, and a reconciliation thereof to the most directly comparable GAAP financial measure on a pro forma basis. Pro Forma Adjusted EBITDA is provided for informational purposes only and is not necessarily indicative of what the actual results of operations would have been at such dates for our business excluding the businesses to be sold, and should not be considered to be indicative of our future financial performance following the consummation of the sale transaction.

	Three Quarters Ended October 6, 2012	Three Quarters Ended October 8, 2011	Year Ended December 31, 2011 (In thousands)	Year Ended January 1, 2011	Year Ended January 2, 2010
Pro Forma income from continuing operations	\$ 78,939	\$ 36,317	\$ 35,741	\$ (106,856)	\$ (42,011)
Interest expense	13,644	15,959	22,540	161,073	202,018
Income taxes	(239)	16,231	3,576	(25,347)	(15,625)
Depreciation and amortization	50,786	48,340	63,899	75,907	79,687
Net unrealized (gain) loss on derivative instruments	1,308	5,853	5,275	68,003	18,817
Net gain (loss) on long-term Japanese yen hedge settlements	1,793	20,141	20,501		
Foreign currency exchange (gain) loss on vessel obligations	2,680	(51)	(125)	(2,677)	6,326
Net unrealized (gain) loss on foreign denominated instruments	199	4,774	1,906	3,237	604
Stock-based compensation expense	8,089	5,971	7,925	5,995	836
Charges for restructuring and long-term receivables	4,101	12,561	16,412	31,460	
Strategic review transaction costs	8,262				
Refinancing charges and loss on early retirement of notes	433	26,212	26,212	4,650	5,601
Debt retirement costs in connection with initial public offering					30,551
Gain on asset sales	(11,916)	(3,337)	(4,541)	(3,017)	(60,349)
<b>Pro Forma Adjusted EBITDA</b>	<b>\$ 158,079</b>	<b>\$ 188,971</b>	<b>\$ 199,321</b>	<b>\$ 212,428</b>	<b>\$ 226,455</b>

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Pro Forma Adjusted EBITDA is calculated from income from continuing operations on a pro forma basis by: (1) adding interest expense; (2) adding income tax expense; (3) adding depreciation and amortization; (4) adding the net unrealized loss or subtracting the net unrealized gain on foreign currency and bunker fuel hedges and the cross currency swap which do not have a more than insignificant financing element present at contract inception; (5) adding the net loss or subtracting the net gain on the long-term Japanese yen hedges; (6) adding the foreign currency loss or subtracting the foreign currency gain on the vessel obligations; (7) adding the net unrealized loss or subtracting the net unrealized gain on foreign denominated instruments; (8) adding stock based compensation expense; (9) adding charges for restructuring and long-term receivables; (10) adding strategic review transaction costs; (11) adding refinancing charges and loss on early retirement of notes; (12) for 2009, adding the debt retirement costs in connection with the initial public offering; and (13) subtracting the gain on asset sales. Due to the fact that the long-term Japanese yen hedges had more than an insignificant financing element at inception (as discussed in Note 16 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011), the liability is treated similar to a debt instrument and the associated cash flows are classified as a financing activity. As a result, both the realized and unrealized gains and losses related to the long-term Japanese yen hedges are subtracted from or added back when calculating Pro Forma Adjusted EBITDA. These adjustments have been made because management excludes these amounts when evaluating the performance of our company as a whole and our business that will remain following the consummation of the sale transaction.

Pro Forma Adjusted EBITDA is not calculated or presented in accordance with GAAP, and Pro Forma Adjusted EBITDA is not a substitute for net income attributable to our stockholders, net income, income from continuing operations, cash flows from operating activities or any other measure prescribed by GAAP. Further, Pro Forma Adjusted EBITDA as used herein is not necessarily comparable to similarly titled measures of other companies. However, we have included Pro Forma Adjusted EBITDA herein because management believes that it is a useful performance measure. In addition, Pro Forma Adjusted EBITDA is presented because management believes it is frequently used by securities analysts, investors and others in the evaluation of Dole, and therefore, assuming the consummation of the sale transaction, will be used by such persons in the evaluation of our business excluding our Asia fresh and worldwide packaged foods businesses.

Pro Forma Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, operating income, cash flow or other combined income or cash flow data prepared in accordance with GAAP. Because of its limitations, Pro Forma Adjusted EBITDA should not be considered as a measure of discretionary cash available to invest in business growth or reduce indebtedness. We compensate for these limitations by relying primarily on GAAP results and using Pro Forma Adjusted EBITDA only supplementally.

### ***Overview***

Following the sale transaction we will remain a leading producer, marketer and distributor of fresh fruit and fresh vegetables, including our expanding line of value-added products. We are, and following the sale transaction will continue to be, one of the world's largest producers of bananas and pineapples, and an industry leader in packaged salads, fresh-packed vegetables and fresh berries. We will also maintain our fully-integrated operating platform in the Americas and Europe: our products will be produced both directly on Dole-owned or leased land and in Dole-owned factories and through associated producer and independent grower arrangements. We also will maintain our refrigerated supply chain, which features the largest dedicated refrigerated containerized fleet in the world, as well as a network of packaging, ripening and distribution centers, to deliver fresh Dole products to market.

We will have two lines of business following the sale transaction, fresh fruit and fresh vegetables. The fresh vegetables business line will not be impacted by the sale transaction. As a result of the sale of our Asia fresh business, our fresh fruit business line will be smaller than at present, with an approximate 30% reduction in revenue.

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### ***Fresh Fruit***

Our fresh fruit line of business will have four primary operating divisions: bananas, European ripening and distribution, fresh pineapples and Dole Chile.

*Bananas.* We will sell most of our bananas under the DOLE brand. We expect to continue to be the number 1 brand of bananas in the U.S. and the number 2 provider in Europe. Our principal competitors in the international banana business are Chiquita Brands International, Inc., Fresh Del Monte Produce Inc. and Fyffes plc.

*European Ripening and Distribution.* We will continue our operations in Europe as they were run prior to the sale transaction. Our European ripening and distribution business will distribute DOLE and non-DOLE branded fresh produce in Europe and will operate seven ripening and distribution centers in five countries. We will also own a 40% interest in a French company, Compagnie Financière de Participations, the leading African provider of bananas and pineapples from plantations in Cameroon, Ghana and the Ivory Coast. We also operate a small value-added vegetable and salad business, primarily for the Scandinavian market.

*Fresh Pineapples.* We will source our pineapples primarily from Dole-operated farms and independent growers in Hawaii and Latin America, producing and selling several different varieties. Our primary competitor in fresh pineapples is Fresh Del Monte Produce Inc.

*Dole Chile.* We began our Chilean operations in 1982 and will continue to be the largest exporter of Chilean fruit. We will export grapes, apples, pears, stone fruit (e.g., peaches and plums) and kiwifruit from approximately 600 primarily leased acres and 15,300 contracted acres in Chile.

### ***Fresh Vegetables***

Our fresh vegetables line of business will produce and market fresh-packed and value-added vegetables as well as fresh berries. We source fresh vegetables and berries from Dole-owned, leased and contracted farms. Our value-added products will be produced in state-of-the-art processing facilities in Yuma, Arizona, Soledad, California, Springfield, Ohio and Bessemer City, North Carolina.

*Fresh-packed Vegetables.* We will source, harvest, cool, distribute and market more than 20 different types of fresh and fresh-cut vegetables, including iceberg lettuce, red and green leaf lettuce, romaine lettuce, butter lettuce, celery, cauliflower, broccoli, carrots, brussels sprouts, green onions, asparagus, snow peas, artichokes and radishes. Our primary competitors in this category include: Tanimura & Antle, Duda Farm Fresh Foods, Ocean Mist Farms, and the Nunes Company, Inc.

*Fresh Berries.* Our berry products will include strawberries, blueberries, blackberries and raspberries that are sourced throughout North and Latin America. Berries are grown and harvested from Dole-owned farms and through our independent grower network. Our primary competitors in this category include Driscoll Strawberry Associates, Inc., Naturipe Farms LLC, and Well-Pict Berries, Inc.

*Value-Added.* Our value-added vegetable products will include packaged salads and packaged fresh-cut vegetables. Our primary competitors in packaged salads include Chiquita Brands International, Inc. (which markets Fresh Express), Ready Pac Produce, Inc. and Taylor Fresh Foods, Inc.

In addition to the reduction in the size and scope of our business, we will also be limited in the areas in which we can compete pursuant to the trademark rights agreement to be entered into in connection with the consummation of the sale transaction pursuant to which, subject to certain exceptions for our existing businesses, ITOCHU will be granted exclusive rights to certain intellectual property rights for use in connection with packaged products, as defined, worldwide and fresh products, as defined, in Asia, Australia and New Zealand. Specifically, this agreement will provide that we will be restricted from (1) growing, ripening, procuring, distributing or selling (except through the companies to be sold to ITOCHU in the sale transaction) fresh bananas or pineapples in Asia, Australia and New Zealand and (2) processing, distributing or selling

(except through the companies to be sold to ITOCHU in the sale transaction) processed pineapple worldwide for a period of two years after the consummation of the sale transaction.

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Following the consummation of the sale transaction we will be subject to many of the risks we currently face and described above under **Risk Factors** **Risks Related to Our Company**, as well as certain risks described above under **Risk Factors** **Risks Related to the Sale Transaction**.

We will use substantially all of the proceeds from the sale transaction and our new capital structure to pay down our existing indebtedness and to provide funding for transaction-related taxes, costs and expenses. Approximately \$1.589 billion is expected to be used to repay \$155 million of our 2013 Debentures, \$174.9 million of our 2014 Notes, \$315 million of our 2016 Notes, \$867.7 million of our term loan facilities, and \$76.6 million of our revolving credit facility, the full amounts expected to be outstanding with respect to each form of indebtedness as of the closing of the sale transaction, as discussed in greater detail in the Unaudited Pro Forma Condensed Consolidated Financial Statements included as *Appendix D*. Assuming these payments are made, our 2013 Debentures, 2014 Notes, 2016 Notes and our term loan and revolving credit facilities will be paid in full and will be cancelled, as applicable. However, our final determinations regarding the new capital structure, which will need to be in place at the time of the consummation of the sale transaction, including the ultimate amount of any new financing related thereto, the possibility of entering into a new term loan and revolving credit facility and the settlement of some or all of our long-term Japanese yen hedges, will be made based on, among other things, debt market conditions, the expected allocation of cash proceeds between the United States and other foreign jurisdictions, anticipated post-closing restructuring expenses and other possible general corporate uses.

We will continue to work to enhance shareholder value. The sale transaction will not alter the rights, privileges or nature of the issued and outstanding shares of our common stock. A stockholder who owns shares of our common stock immediately prior to the consummation of the sale transaction will continue to hold the same number of shares immediately following the consummation of the sale transaction.

Our reporting obligations as a U.S. public company will not be affected as a result of consummating the sale transaction. We believe that after the sale transaction, we will continue to qualify for listing on The New York Stock Exchange.

*Appendix D* sets forth certain unaudited pro forma condensed consolidated financial information regarding Dole giving effect to the consummation of the sale transaction.

## **Effects on Our Business if the Sale Transaction is Not Consummated**

If the sale transaction is not consummated, we will continue to operate our worldwide packaged foods business and Asia fresh business, and we may consider and evaluate other strategic alternatives. In such a circumstance, there can be no assurances that our continued operation of our worldwide packaged foods business or Asia fresh business or any other strategic alternatives will result in the same or greater value to our stockholders as the sale transaction.

If the acquisition agreement is terminated under certain circumstances described in this proxy statement and set forth in the acquisition agreement, we may be required to pay ITOCHU a termination fee of \$50.4 million. See **ACQUISITION AGREEMENT** **Termination Fee** below.

## **No Appraisal or Dissenters' Rights**

No appraisal or dissenters' rights are available to our stockholders under Delaware law or our certificate of incorporation or bylaws in connection with the actions contemplated by the Sale Proposal, the Transaction-Related Compensation Arrangements Proposal, or the Proposal to Adjourn or Postpone the Special Meeting.

## **Interests of Certain Persons in the Sale Transaction**

In considering the recommendation of the board of directors to vote to approve the Sale Proposal, our stockholders should be aware that our directors and executive officers have financial interests in the consummation of the sale transaction that may be in addition to, or different from, the interests of our stockholders generally. The board of directors was aware of and considered these potential interests, among other matters, in evaluating and negotiat-



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ing the sale transaction and acquisition agreement and in recommending to our stockholders that they approve the Sale Proposal. Our stockholders should take these interests into account in deciding whether to vote FOR the Sale Proposal.

The following discussion describes the different contractual arrangements and other rights of our executive officers that could be triggered in connection with a change of control and, with respect to double trigger arrangements, programming a termination following such change of control. However, Mr. Murdock has waived any right to severance compensation in connection with the consummation of the sale transaction. While the consummation of the sale transaction constitutes a change of control, at this time we do not know whether the employment of any of our other executive officers will be terminated or otherwise cease at or following the consummation of the sale transaction. Therefore, except as set forth under Single Trigger below, the payment of any such amounts are only hypothetical.

***Double Trigger Arrangements***

In line with the practice of numerous companies of our size, we recognize that the possibility of a change of control of Dole may result in the departure or distraction of management to our detriment. In March 2001, we put in place a program to offer change of control agreements to certain of our officers and employees. At the time the program was put in place, we were advised by our executive compensation consultants that the benefits provided under the change of control agreements were within the range of customary practices of other public companies. In addition, our current executive compensation consultant, Exequity, LLP, has advised that the benefits provided under these agreements are within the range of customary practices of other public companies. The benefits under the change of control agreements are paid in a lump sum and are based on a multiple of three for each of the executive officers. Mr. Murdock has waived any right to severance compensation in connection with the sale transaction.

In order to receive a payment under the change of control agreement, two triggers must occur. The first trigger is a change of control. The consummation of the sale transaction will be considered a change of control under the change of control agreements.

The second trigger is that the employment of the executive officer must be terminated by us without Cause or the executive officer leaves with Good Reason, each as defined below, during the period beginning on the change of control date and ending on the second anniversary of the date on which the change of control becomes effective; provided that, in certain cases, the executive officer may be entitled to payment if employment is terminated after the later of (i) the date of the first public disclosure that an agreement with respect to a change of control has been entered into or (ii) the date that is 270 calendar days prior to the date on which such change of control becomes effective or is consummated. At this time we do not know whether the employment of any our executive officers will be terminated or otherwise cease at or following the consummation of the sale transaction.

The payments to the executive officers (other than Mr. Murdock) would be in the form of a lump sum cash payment, determined as follows:

three times the executive officer's base salary;

three times the executive officer's target bonus;

\$30,000, in lieu of any other health and welfare benefits, fringe benefits and perquisites (including medical, life, disability, accident and other insurance or other health and welfare plan, programs, policies or practices or understandings) and other taxable perquisites and fringe benefits that the executive officer or his family may have been entitled to receive;

the pro-rata portion (other than if termination occurred on the last day of the fiscal year, in which case it would be the full amount) of the greater of the following amounts under a cash-based long term incentive plan (not including any awards granted pursuant to our 2009 Stock Incentive Plan, which are governed by their plan documents): (i) the executive officer's target amounts under the such plan and (ii) the executive officer's actual benefits under such plan;

accrued obligations (any unpaid base salary to date of termination, any accrued vacation pay or paid time off), and deferred compensation including interest and earnings pursuant to outstanding elections;



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the pro-rata portion (other than if termination occurred on the last day of the fiscal year, in which case it would be the full amount) of the executive officer's target annual bonus for the fiscal year in which the termination occurs (not including any awards granted pursuant to the 2009 Stock Incentive Plan, which are governed by their plan documents);

reimbursement for outstanding reimbursable expenses; and

a gross-up payment to hold the executive officer harmless against the impact, if any, of federal excise taxes imposed on the executive as a result of the payments contingent on a change of control.

For purposes of the change of control agreements:

Cause is defined as Dole's termination of the executive's employment related to the occurrence of any one or more of the following: (i) conviction of, or pleading guilty or nolo contendere to, a felony; (ii) commission of an act of gross misconduct in connection with the performance of duties; (iii) demonstration of habitual negligence in the performance of duties; (iv) commission of an act of fraud, misappropriation of funds or embezzlement in connection with employment by Dole; (v) death; or (iv) disability.

Good Reason is defined as the executive's resignation of employment with Dole related to the occurrence of one or more of the following: (i) subject to certain exceptions, whether direct or indirect, a significant diminution of authority, duties, responsibilities or status inconsistent with and below those held, exercised and assigned in the ordinary course during the 90-day period immediately preceding the change of control date; (ii) the assignment of duties that are inconsistent (in any significant respect) with, or that impair (in any significant respect) ability to perform, the duties customarily assigned to an executive holding the position held immediately prior to the change of control date in a corporation of the size and nature of Dole or the applicable subsidiary or business unit of Dole; (iii) relocation of primary office more than 35 miles from current office on the change of control date; (iv) any material breach by Dole of the change of control agreement or any other agreement with the executive; (v) any reduction in base salary below base salary in effect on the change of control date (or if base salary was reduced within 180 days before the change of control date, the base salary in effect immediately prior to such reduction); (vi) the failure of Dole or any successor to continue in effect any equity-based or non-equity based incentive compensation plan (whether annual or long-term) in effect immediately prior to the change of control, or a non de minimis reduction, in the aggregate, in participation in any such plans (based upon (a) in the case of equity based plans, the average grant date fair value of awards under such plans over the three years preceding the change of control (or such lesser period of employment following the initial public offering of Dole common stock) or (b) in the case of non-equity based plans, the target award under such plans for the performance period in which the change of control occurs), unless afforded the opportunity to participate in an alternative incentive compensation plan of reasonably equivalent value; provided that a reduction in the aggregate value of participation in any such plans of not more than 5% in connection with across-the-board reductions or modifications affecting all executives with change of control agreements containing substantially identical terms will not constitute Good Reason; (vii) any reduction in the aggregate value of benefits provided, as in effect on the change of control; provided that a reduction in the aggregate value of benefits of not more than 5% in connection with across-the-board reductions or modifications affecting all executives with change of control agreements containing substantially identical terms will not constitute Good Reason; and (viii) the failure of a successor to Dole (in any transaction that constitutes a change of control), to assume in writing Dole's obligations to the executive under the change of control agreement or any other agreement with the executive, if the same is not assumed by such successor by operation of law.

***Single Trigger Arrangements***

For purposes of our 2009 Stock Incentive Plan, the consummation of the sale transaction will be considered a change of control. Our board of directors, ratifying the action of the corporate compensation and benefits committee, determined

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that all outstanding equity awards under the 2009 Stock Incentive Plan, including those held by our executive officers, shall automatically vest on the date the sale transaction is consummated.

**Cash Bonus Payment**

Following the signing and announcement of the acquisition agreement, in recognition of his efforts relating to the sale transaction, the corporate compensation and benefits committee of our board of directors approved, at the recommendation of Mr. David H. Murdock, Chairman of Dole, a cash bonus payment in the amount of \$1,000,000 to Mr. Carter, which bonus is not conditioned upon the consummation of the sale transaction.

**Golden Parachute Compensation**

The following table sets forth the estimated amounts of golden parachute compensation (for purposes of Item 402(t) of Regulation S-K) that each of our named executive officers could receive in connection with the sale transaction. Each of our executive officers listed above is considered a named executive officer for this purpose. The amounts in the table assume, where applicable, that the named executive officer's employment is terminated as of the date the sale transaction is consummated. Therefore, except as set forth under Single Trigger above, the payment of any such amounts are only hypothetical. The actual amounts that would be paid upon a named executive officer's termination of employment can be determined only at the time of such executive's separation from Dole. As a result, the actual amounts received by a named executive officer may differ in material respects from the amounts set forth below.

Name	Cash		Bonus(3)	Equity(4)	Perquisites/ Benefits(5)	Excise Tax (6)	Total
	Single Trigger(1)	Double Trigger(2)					
David H. Murdock	\$ 668,500	\$ 0	\$ 0	\$ 1,927,800	\$ 0	\$ 0	\$ 2,596,300
David A. DeLorenzo	\$ 840,000	\$ 8,880,000	\$ 0	\$ 4,434,450	\$ 30,000	\$ 4,755,769	\$ 18,940,219
C. Michael Carter	\$ 423,500	\$ 3,872,000	\$ 1,000,000	\$ 1,739,016	\$ 30,000	\$ 2,411,188	\$ 9,475,704
Joseph S. Tesoriero	\$ 367,500	\$ 3,520,000	\$ 0	\$ 1,739,016	\$ 30,000	\$ 1,935,231	\$ 7,591,747

- (1) Payments under our Cash Long-Term Incentive Plan for each outstanding performance period at target values which is fixed at 35% of salary for each executive. These payments are single trigger benefits and will become payable upon the consummation of the sale transaction whether or not a termination of employment occurs.
- (2) Cash severance payments equal to three times the sum of the base salary and target bonus for each executive (\$7,560,000, \$3,357,750 and \$3,052,500 for each of Messrs. DeLorenzo, Carter and Tesoriero, respectively) and pro-rata bonus payments equal to the target annual bonus for each executive pro-rated for service within the year of termination (\$1,320,000, \$514,250 and \$467,500 for each of Messrs. DeLorenzo, Carter and Tesoriero, respectively). These amounts represent double trigger benefits that are only payable in the event of an involuntary or Good Reason termination of employment within 24 months of the consummation of the sale transaction. Mr. Murdock has waived any right to severance compensation in connection with the sale transaction.
- (3) The \$1,000,000 bonus for Mr. Carter described above is not contingent upon the consummation of the sale transaction.
- (4) The values set forth in the Equity column include all unvested long-term equity incentive awards which are single trigger benefits and thus fully vest at the consummation of the sale transaction. The value of stock options (\$1,292,850, \$2,035,750, \$798,330 and \$798,330 for each of Messrs. Murdock, DeLorenzo, Carter and Tesoriero, respectively) is determined by multiplying the number of unvested stock options as of November 7, 2012, by the difference between a price per share of \$14.11 and the exercise price of the stock option. As of November 7, 2012, there are unvested stock options attributable to grants made in 2010 and 2011 with exercise prices of \$9.74 and \$9.04, respectively. The value of restricted stock (\$0, \$1,199,350, \$470,343 and \$470,343 for each of Messrs. Murdock, DeLorenzo, Carter and Tesoriero, respectively) is determined by multiplying the number of unvested restricted stock awards as of November 7, 2012, by a price per share of \$14.11. The value of performance shares (\$634,950, \$1,199,350, \$470,342 and \$470,342 for each of Messrs. Murdock, DeLorenzo, Carter and Tesoriero, respectively) is determined by multiplying



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the target number of outstanding performance shares as of November 7, 2012, by a price per share of \$14.11. The price per share of \$14.11 represents the average closing market price of our common stock over the five business days following the announcement of the sale transaction on Monday, September 17, 2012. However, the closing price of a share of Dole common stock on Friday, November 9, 2012, was \$11.78.

- (5) The values set forth in the **Perquisites/Benefits** column represent a flat payment of \$30,000 in lieu of any other health and welfare benefit, fringe benefits, and perquisites that executives may have been entitled to receive. This is a double trigger benefit that is only payable in the event of an involuntary or Good Reason termination of employment within 24 months of the consummation of the sale transaction. Mr. Murdock has waived any right to severance compensation in connection with the sale transaction.
- (6) The values in the **Excise Tax** column represent payments made to executives to negate the impact of a federal imposed excise tax on certain change of control related payments. The gross-ups are intended to address the inequities of the excise tax treatment among the executive population. Payments will vary by individual depending on factors specific to the imposition of taxes imposed by Section 280G of the tax code. The tax reimbursement is a double trigger benefit that is only payable in the event of a termination of employment within 24 months of the consummation of the sale transaction. The Company is not paying, and the values in the column do not include, any income taxes payable by the individual.

For clarification, double trigger benefits are those that occur upon (a) the consummation of the sale transaction and (b) an involuntary or Good Reason termination of employment within 24 months of the consummation of the sale transaction. For illustrative purposes, with respect to all double trigger benefits, the table above assumes all executives (except for Mr. Murdock) are involuntarily terminated on a transaction date of December 31, 2012. Mr. Murdock has waived any right to severance compensation in connection with the sale transaction. At this time we do not know whether the employment of any of our other executive officers will be terminated or otherwise cease at or following the consummation of the sale transaction.

### **Anticipated Accounting Treatment**

Following the consummation of the sale transaction, we will remove all of the related account balances of our worldwide packaged foods business and our Asia fresh business from our consolidated balance sheet and record a gain on the sale equal to the difference between the purchase price received and the book value of our ownership interest in our worldwide packaged foods business and our Asia fresh business.

### **Use of Proceeds**

Our cash proceeds from the sale transaction will be \$1.685 billion. We anticipate using the net proceeds to pay down our existing indebtedness. Our company, and not our stockholders, will receive all of the proceeds from the sale transaction. Our final determinations regarding our new capital structure, which will need to be in place at the time of the consummation of the sale transaction, including the ultimate amount of any new financing related thereto, the possibility of entering into a new term loan and revolving credit facility and the settlement of some or all of our long-term Japanese yen hedges, will be made based on, among other things, debt market conditions at the time of the consummation of the sale transaction, the final allocation of cash proceeds between the United States and other foreign jurisdictions, anticipated post-closing restructuring expenses and other corporate purposes.

### **Material U.S. Federal Income Tax Consequences**

The following is a general discussion of the anticipated income tax consequences of the sale transaction. This discussion is based on the laws in effect on the date hereof and all of which may be changed, possibly on a retroactive basis, so as to result in tax consequences different from those described below. No rulings have been requested or received from the taxing authorities as to the tax consequences of the transactions and there is no intent to seek any such ruling. Accordingly, no assurance can be given that the taxing authorities will not challenge the tax treatment or tax consequences of the sale transaction or, if it does challenge the tax treatment, that it will not be successful.

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The sale transaction will be treated as a taxable sale of assets (including subsidiary stock) by Dole and certain of its subsidiaries and will give rise to a net taxable gain recognition in various jurisdictions, including the United States. The gain or loss recognized on any asset transferred pursuant to the sale transaction will generally be equal to the difference between the consideration received in exchange for the asset (including subsidiary stock) and the tax basis of the asset. A portion of the gain recognized for United States federal income tax purposes will be offset with net operating losses.

Generally, the sale transaction will not produce any separate and independent income tax consequences to our stockholders. Each stockholder is urged to consult his or her own tax advisor as to tax consequences of the sale transaction, including any state, local, foreign or other tax consequences based on his or her particular facts and circumstances.

**Vote Required**

The Sale Proposal requires the affirmative vote of the holders of at least a majority of our outstanding shares of common stock as of the record date for the special meeting. Broker non-votes and abstentions will have the same effect as a vote against this proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE SALE PROPOSAL.**

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### **ACQUISITION AGREEMENT**

This section describes the material terms of the acquisition agreement. Please note that the summary of the acquisition agreement below and elsewhere in this proxy statement may not contain all of the information that is important to you. The summary of the acquisition agreement below and elsewhere in this proxy statement does not purport to be complete and is subject to, and qualified in its entirety by, reference to the full text of the acquisition agreement, a copy of which is attached to this proxy statement as *Appendix A*. **We encourage you to read the acquisition agreement carefully in its entirety for a more complete understanding of the sale transaction, the terms of the acquisition agreement and other information that may be important to you.**

#### **General**

On September 17, 2012, we entered into an acquisition agreement with ITOCHU, pursuant to which we have agreed, subject to specified terms and conditions, including approval of the Sale Proposal by our stockholders at the special meeting, to sell to ITOCHU our worldwide packaged foods business and our Asia fresh business, which we sometimes refer to collectively as the businesses to be sold.

#### **Structure**

Pursuant to the acquisition agreement, ITOCHU will acquire from Dole all of the outstanding equity interests of:

a subsidiary of Dole formed in connection with the sale transaction which holds our Asia fresh business and the non-U.S. portions of our worldwide packaged foods business, and

a subsidiary holding the U.S. portions of the worldwide packaged foods business.

We sometimes refer to these subsidiaries as the subsidiaries to be sold, and the subsidiaries to be sold along with their respective subsidiaries together as the companies to be sold.

We and certain of our subsidiaries will enter into various intercompany agreements pursuant to which we will make certain intercompany share and asset transfers so that, at the closing, the subsidiaries noted above will hold the portions of the businesses to be sold described above. We sometimes refer to these agreements collectively as the intercompany agreements.

#### **Purchase Price**

ITOCHU will pay us \$1.685 billion for the equity interests described above on a cash-free, debt-free basis. Following the consummation of the sale transaction, ITOCHU will pay us any excess cash left in the businesses to be sold and we will reimburse ITOCHU for any indebtedness for borrowed money of the businesses to be sold not paid off prior to the consummation of the sale transaction. If the sale transaction had been consummated on October 6, 2012, the date of the unaudited pro forma condensed consolidated balance sheet included in *Appendix D*, we would have paid ITOCHU \$9.8 million as a result of the foregoing obligations. In addition, all intercompany payables and receivables between us and our subsidiaries (other than the companies to be sold), on the one hand, and the companies to be sold, on the other hand, will be cancelled for no consideration.

#### **Representations and Warranties**

The acquisition agreement includes customary representations and warranties made by us regarding the businesses to be sold, including its financial condition and structure, as well as other facts pertinent to the sale transaction. The acquisition agreement also includes customary representations and warranties of ITOCHU regarding aspects of its financial condition and structure, and other facts pertinent to the sale transaction. The assertions in the representations and warranties may be subject to important qualifications and limitations agreed to by us and ITOCHU in connection with the negotiated terms of the acquisition agreement. Moreover, some of the representations and warranties may have only been true as of a certain date, may be subject to a contractual standard of materiality or may have been used for purposes of allocating risk between us and ITOCHU rather than establishing matters of fact. Our stockholders are not third party beneficiaries under the acquisition agreement.





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We made a number of representations and warranties to ITOCHU in the acquisition agreement, including representations and warranties regarding Dole as a company relating to the following:

our corporate organization;

our corporate authorization to enter into and carry out our obligations under the acquisition agreement;

the absence of any conflict or violation of our charter or bylaws, any judgment, order or decree of a governmental authority applicable to us, and any contract or agreement we have with third parties, in each case as a result of entering into and carrying out our obligations under the acquisition agreement;

the information we provided in connection with the preparation of this proxy statement;

the absence of any brokerage or finders fees or commissions or any similar charges which ITOCHU may be obligated to pay in connection with the transactions contemplated by the acquisition agreement; and

the absence of litigation relating to or affecting the transactions contemplated by the acquisition agreement.

We also made a number of representations and warranties to ITOCHU in the acquisition agreement regarding the businesses to be sold relating to the following:

the corporate organization of the subsidiaries to be sold;

the capitalization of and the absence of any pre-emptive rights regarding the subsidiaries to be sold;

the absence of any conflict or violation of the charter, bylaws or other organizational documents of the companies to be sold, any judgment, order or decree of a governmental authority applicable to the companies to be sold, and any contract or agreement with third parties, in each case as a result of entering into and carrying out their respective obligations under the acquisition agreement;

the absence of the need to give any notice to, make any filing with or obtain a consent or approval from another person in connection with the sale transaction;

the assets of the companies to be sold and their sufficiency to conduct the businesses to be sold;

the corporate organization and qualifications and the absence of any pre-emptive rights regarding the subsidiaries of the subsidiaries to be sold;

financial statements of the businesses to be sold and compliance with U.S. generally accepted accounting principles;

the absence of certain changes or events since June 16, 2012;

the absence of liabilities other than those reflected or reserved against financial statements of the businesses to be sold as of December 31, 2011 or June 16, 2012, those incurred in the ordinary course of business since the date of the financial statements, liabilities that would not, individually or in the aggregate, have a Material Adverse Effect, as defined below, and liabilities that may arise in connection with the transactions contemplated by the acquisition agreement, the other sale transaction documents and the intercompany agreements;

compliance with applicable legal requirements;

certain tax matters;

certain real property matters;

certain intellectual property matters;

ownership of the tangible assets of the businesses to be sold;

the material contracts of the businesses to be sold and the absence of breaches of those contracts;

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certain insurance matters;

outstanding litigation related to the subsidiaries and the businesses to be sold;

employee, employee benefit plan and related matters;

the absence of any indebtedness of the companies to be sold;

matters related to the environment, hazardous materials and other health and safety matters;

the absence of business relationships between us and our affiliates, on the one hand, and the companies to be sold, on the other hand;

government contracts;

ethical business practices; and

the accuracy and completeness of our SEC filings.

ITochu made a number of representations and warranties to us in the acquisition agreement, including representations and warranties relating to the following:

its corporate organization;

its corporate authorization to enter into and carry out its obligations under the acquisition agreement;

the absence of any conflict or violation of its corporate charter, bylaws or other organizational documents, any judgment, order or decree of a governmental authority applicable to it, and any contract or agreement it has with third parties, in each case as a result of entering into and carrying out its obligations under the acquisition agreement;

the information it provided in connection with the preparation of this proxy statement;

the absence of any brokerage or finders' fees or commissions or any similar charges which we may be obligated to pay in connection with the transactions contemplated by the acquisition agreement;

the absence of litigation relating to or affecting the transactions contemplated by the acquisition agreement;

the sufficiency of its funds to consummate the sale transaction; and

that the representations included in the acquisition agreement are the only representations and warranties made by or on behalf of ITOCHU.

**Conduct of Business**

We agreed in the acquisition agreement to conduct the businesses to be sold in the ordinary course of business until the consummation of the sale transaction. Without limiting this general agreement and except under certain circumstances contemplated in the acquisition agreement, the other sale transaction documents or the intercompany agreements, or as consented to in writing by ITOCHU ( not to be unreasonably withheld, conditioned or delayed), we will not permit any company to be sold to:

pay dividends or make distributions or redeem or otherwise acquired any of its equity;

transfer any assets to us or any of our related parties;

increase or modify the compensation or benefits granted to any employee (except for changes in compensation or benefits in the ordinary course of business or pursuant to existing contracts);

change its accounting methods other than is consistent with United States generally accepted accounting principles;

take certain actions with respect to tax matters; and

commence or settle proceedings of a specified size.

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### **Solicitation of Other Offers; Exclusivity**

Until the consummation of the sale transaction or the termination of the acquisition agreement pursuant to its terms, neither we nor our representatives may:

initiate, solicit or knowingly encourage any inquiries, proposals or offers with respect to, or the making or completion of, an Acquisition Proposal, as defined below;

engage or participate in any negotiations concerning or provide non-public information relating to any portion of the businesses to be sold or the companies to be sold in connection with, an Acquisition Proposal;

approve, endorse or recommend any Acquisition Proposal; or

approve, endorse or recommend, or enter into an agreement relating to an Acquisition Proposal.

We also agreed to end any existing activities with respect to any Acquisition Proposal, and neither our board of directors nor any board committee will withdraw or modify in a manner adverse to ITOCHU, or publicly propose to withdraw or modify in a manner adverse to ITOCHU, its recommendation of the acquisition agreement or the sale transaction, or approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal. We refer to any of these actions as an Adverse Recommendation Change.

Notwithstanding the restrictions described above, at any time before our stockholders approve the Sale Proposal, we may furnish non-public information to, and enter into discussions with, any person in response to an Acquisition Proposal that did not result from a breach of our non-solicitation obligations under the acquisition agreement, if our board of directors determines in good faith that the Acquisition Proposal constitutes or may reasonably be expected to result in a Superior Proposal, as defined below, provided that:

we notify ITOCHU within 48 hours of any written Acquisition Proposal that is reasonably likely to lead to a Superior Proposal, including the identity of the person making, and the proposed material terms and conditions of, the Acquisition Proposal, and

we provide ITOCHU with any non-public information provided to the person making the Acquisition Proposal that was not previously provided to ITOCHU.

We are also required to keep ITOCHU informed of the status of the discussions or negotiations with the person making the Acquisition Proposal on a reasonably current basis.

Nothing contained in the acquisition agreement prohibits us or our board of directors from disclosing to our stockholders a position contemplated by, or making any disclosure required under, U.S. securities laws if in the good faith judgment of our board of directors, after consultation with its outside legal counsel, failure to do so would reasonably be expected to violate its legal obligations.

For purposes of the acquisition agreement:

an Acquisition Proposal is an inquiry or other offer from any person or group (other than ITOCHU or one of its affiliates) for a merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution, asset purchase, share purchase or similar transaction involving an acquisition of the Asia fresh business, the worldwide packaged foods business or the businesses to be sold (or any of the companies to be sold), whether as part of a proposed acquisition of Dole or otherwise; and

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a Superior Proposal is any Acquisition Proposal that is not subject to any financing contingency and is otherwise on terms which our board of directors determines in good faith, after consultation with outside legal counsel and financial advisors, to be more favorable from a financial point of view than the transactions contemplated by the acquisition agreement as a whole, and that our board of directors believes is reasonably capable of being completed, taking into account all aspects of the proposal.

### **Dole Board Recommendation**

Our board of directors has unanimously recommended to our stockholders that they vote for the Sale Proposal. Until our stockholders approve the Sale Proposal, our board of directors can make an Adverse Recom-

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mentation Change and terminate the acquisition agreement only if it determines that the failure to do so would be inconsistent with the exercise of its fiduciary duties and we comply with the following procedures:

we give ITOCHU five days written notice of our board of directors' intention to make an Adverse Recommendation Change and terminate the acquisition agreement, with the notice stating that we have received an Acquisition Proposal that is a Superior Proposal, identifying the person who made the Superior Proposal and including a copy of the proposed transaction document;

we negotiate with ITOCHU during the five-day notice period to make any adjustments to the acquisition agreement so that the Acquisition Proposal no longer constitutes a Superior Proposal; and

assuming ITOCHU agrees in writing to make any necessary adjustments to the acquisition agreement so that the Acquisition Proposal no longer constitutes a Superior Proposal, our board of directors determines in good faith, after consulting with outside legal counsel and financial advisors, that the Acquisition Proposal continues to constitute a Superior Proposal.

### **Additional Covenants**

The acquisition agreement contains additional agreements between us and ITOCHU relating to, among other things:

the parties' efforts to do what is necessary or advisable to consummate the sale transaction and the other transactions contemplated by the acquisition agreement;

our completion of the transactions contemplated by the intercompany agreements so that, at the closing, the companies to be sold own and operate the businesses to be sold and are cash and debt free;

our obligation to give notice to and obtain consents of certain third parties regarding the sale transaction;

certain lien releases;

our cooperation with ITOCHU in providing it and its representatives reasonable access to the properties, personnel and other matters related to the subsidiaries to be sold and the businesses to be sold;

the parties' obligation to provide notice of the breach of any representation, warranty or covenant and our ability to supplement the disclosure schedules to the acquisition agreement regarding certain events subsequent to the signing of the acquisition agreement;

the parties' obligations regarding confidentiality, both before the consummation of the sale transaction and after;

the parties' efforts in obtaining regulatory filings;

the resignation of the officers and directors of the subsidiaries to be sold;



the preparation and filing of this proxy statement with the SEC;

acknowledgements of ITOCHU regarding its investigation and diligence;

support regarding certain ongoing litigation matters;

our obligation to refrain from taking any action that would discourage third-parties from maintaining a relationship with the businesses to be sold following the consummation of the sale transaction;

the responsibilities of the parties for employee benefits and pension obligations after the consummation of the sale transaction for those employees who will continue as employees of the businesses to be sold;

our obligation to deliver updated financial statements for the businesses to be sold if the sale transaction does not close before December 1, 2012; and

the parties access to information, records, personnel and other matters following the consummation of the sale transaction and cooperation in connection with any securities law filings.

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### Conditions to Closing

ITOCHU's obligation to close the sale transaction is subject to the satisfaction or waiver of the following conditions:

our representations and warranties in the acquisition agreement are true and correct in all material respects as of the closing date, except to the extent qualified by materiality, in which case the representation or warranty are true and correct in all respects as of the closing date;

we have performed and complied in all material respects with all of our covenants to be performed or complied with through the closing, except to the extent that any covenant is qualified by materiality, in which case the covenant has been performed or complied with in all respects as of the closing date;

we have satisfied our obligations regarding the intercompany transfers under the intercompany agreements in all material respects;

all waiting periods under applicable antitrust laws have expired or terminated, and all other material governmental approvals and consents have been obtained and are in full force and effect;

there has not occurred a Material Adverse Change, as defined below; and

our stockholders have approved the Sale Proposal.

Our obligation to close the sale transaction is subject to the satisfaction or waiver of the following conditions on or prior to the closing:

ITOCHU's representations and warranties in the acquisition agreement are true and correct in all material respects as of the closing date, except to the extent qualified by materiality, in which case the representation or warranty are true and correct in all respects as of the closing date;

ITOCHU has performed and complied in all material respects with all of its covenants to be performed or complied with through the closing, except to the extent that any covenant is qualified by materiality, in which case the covenant has been performed or complied with in all respects as of the closing date;

all waiting periods under applicable antitrust laws have expired or terminated, and all other material governmental approvals and consents have been obtained and are in full force and effect; and

our stockholders have approved the Sale Proposal.

For the purposes of the acquisition agreement, **Material Adverse Effect** or **Material Adverse Change** means any event, occurrence, fact, condition or change that is reasonably determined to be materially adverse to the businesses to be sold, or the results of operations or financial condition of the companies to be sold, taken as a whole. However, neither **Material Adverse Effect** nor **Material Adverse Change** includes any event, occurrence, fact, condition or circumstance, directly or indirectly, arising out of or attributable to:

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any changes, conditions or effects in the United States, Asian or other foreign economies or securities or financial markets in general;

changes, conditions or effects that affect all participants in the industries in which the companies to be sold operate;

any change, effect or circumstance resulting from an action required or contemplated by the acquisition agreement, the other transaction documents and the intercompany agreements;

certain matters of which certain ITOCHU management personnel has actual knowledge on the closing date;

the effect of any changes in applicable laws or tax or accounting rules, including United States generally accepted accounting principles or international financial reporting standards;

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any change, effect or circumstance resulting from the announcement of the sale transaction or the transactions contemplated by the sale transaction documents and the intercompany agreements;

conditions caused by acts of terrorism or war (whether or not declared) or any natural or man-made disaster or acts of God or any changes in political conditions; or

any changes, conditions or effects that are cured by us or a company to be sold prior to the consummation of the sale transaction; except, in the case of the first, second, fifth and seventh bullets above, where the change, event, occurrence, fact, condition or circumstance has a disproportionate effect on the companies to be sold or either of the businesses to be sold as compared to similarly situated businesses operating in the same industries.

### **Termination**

We or ITOCHU may terminate the acquisition agreement by mutual written consent. In addition, either we or ITOCHU may terminate the acquisition agreement:

if the sale transaction has not closed by December 31, 2012, provided that neither party may exercise this right if it is in breach of the acquisition agreement and that breach is the direct cause of the failure to close by December 31, 2012;

if a court or other governmental authority has taken any action restraining or otherwise prohibiting the sale transaction, provided that the party seeking to terminate has used its commercially reasonable efforts to contest, appeal and remove such action;

if our stockholders do not approve the Sale Proposal; or

if the other party has breached any representation, warranty or covenant in the acquisition agreement in any material respect (or in any respect for representations, warranties or covenants qualified by materiality) such that a closing condition of the terminating party cannot be satisfied, and the terminating party has not cured the breach within 30 days following written notice of the breach, provided that the party seeking to terminate is not then in material breach of the acquisition agreement.

We may also terminate the acquisition agreement to enter into a transaction that is a Superior Proposal if, prior to our stockholders approving the Sale Proposal, our board of directors has received a Superior Proposal and we pay the termination fee described below. ITOCHU may also terminate the acquisition agreement if our board of directors has made an Adverse Recommendation Change without also terminating the acquisition agreement.

Notwithstanding the foregoing, we and ITOCHU have agreed that neither of us will exercise our respective right of termination described in the first bullet point above on or before June 30, 2013 if:

substantial progress toward the closing has been made and we and ITOCHU are continuing to work in good faith toward the closing, and

the right to terminate the acquisition agreement after December 31, 2012 arises as a result of the failure of either the closing condition related to stockholder approval because our stockholders have not yet voted on the Sale Proposal or the closing condition related to regulatory approvals,

provided that we and ITOCHU each have the right to extend the closing to occur on or before January 31, 2013 to allow the completion (in the good faith reasonable determination of the applicable party) of such closing condition(s) prior to January 31, 2013.



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### **Termination Fee**

We are required to pay ITOCHU \$50.4 million in cash if the acquisition agreement is properly terminated by:

either us or ITOCHU if the sale transaction has not closed by December 31, 2012, extended, provided that:

the special meeting to be held to vote on the Sale Proposal has not occurred and, prior to the termination an Acquisition Proposal has been communicated to our senior management or our board of directors or has been publicly announced or publicly made known to our stockholders, and not withdrawn, and

within six months after the termination we have consummated or entered into a definitive agreement with respect to the Acquisition Proposal.

either us or ITOCHU if our stockholders do not approve the Sale Proposal, provided that:

prior to our stockholders voting on the Sale Proposal an Acquisition Proposal has been communicated to our senior management or our board of directors or has been publicly announced or publicly made known to our stockholders, and not withdrawn, and

within six months after the termination we have consummated or entered into a definitive agreement with respect to the Acquisition Proposal;

ITOCHEU if our board of directors has made an Adverse Recommendation Change without also terminating the acquisition agreement; and

us in order to enter into a transaction that is a Superior Proposal if our stockholders have not approved the Sale Proposal.

### **Indemnification**

We and ITOCHU have agreed to indemnify each other for damages as a result of certain breaches of representations, warranties or covenants contained in the acquisition agreement. The representations, warranties and covenants extend for various periods of time depending on the nature of the claim. Subject to certain exceptions, a party's damages from breaches of representations, warranties and covenants must exceed \$5 million in the aggregate before the other party is required to pay the indemnification claims, individual damages of less than \$100,000 shall not be indemnified or considered in determining whether or not such \$5 million amount has been reached and the aggregate indemnification claims payable by either party for breaches of representations and warranties may not exceed \$168 million.

### **Amendments and Waivers**

The acquisition agreement may be amended through a writing signed by ITOCHU and us, whether before or after the approval of our stockholders of the Sale Proposal. However, if our stockholders have approved the Sale Proposal, no amendment may be made that requires further approval or adoption by our stockholders unless and until our stockholders approve the amendment. No waiver under the acquisition agreement will be valid unless it is in writing and signed by the party granting the waiver. However, no waiver can be made after our stockholders approve the Sale Proposal if the waiver would require further approval or adoption by our stockholders.

### **Governing Law**

The acquisition agreement is governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provisions.

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### **Trademark Rights Agreement**

The Trademark Rights Agreement will be entered into at the consummation of the sale transaction among us and the subsidiaries to be sold. Under the agreement, we will grant the subsidiaries to be sold certain perpetual, irrevocable and royalty-free exclusive and non-exclusive licenses of trademarks, trade names and trade dress rights that we will retain following the consummation of the sale transaction and that are used in the businesses to be sold, including exclusive rights to the DOLE® brand in connection with packaged products, as defined, worldwide and fresh products, as defined, in Asia, Australia and New Zealand. The agreement also provides that we will retain certain perpetual, irrevocable and royalty-free non-exclusive licenses of trademarks, trade names and trade dress rights that will be assets of the companies to be sold and that we use in our businesses other than the businesses to be sold. The exclusive licenses granted by us under this agreement cover the use of the retained trademarks, trade names and trade dress rights with specified fresh produce in Asia, Australia and New Zealand and with specified packaged products throughout the world. We will also grant to the subsidiaries to be sold certain non-exclusive licenses to certain retained trademarks, trade names and trade dress rights for use with specified packaged products that are not part of the worldwide packaged foods business and that are being retained by us and specified fresh produce that is sold by the Asia fresh business in certain countries outside of Asia, Australia and New Zealand, subject to certain limited exceptions. We will retain under this agreement certain non-exclusive rights to use the trademarks, trade names and trade dress rights that will be assets of the subsidiaries to be sold with certain fresh produce and packaged products that are currently sold or distributed by businesses or affiliates of ours other than the businesses to be sold. We and ITOCHU agreed that our respective use of the trademarks that will be the subject of this agreement will be in compliance with specified brand equity principles established by us.

In addition, this agreement will provide, subject to certain limited exceptions, that we will not, for a period of two years following the consummation of the sale transaction:

grow, ripen, procure, distribute or sell fresh pineapples or bananas in Asia, Australia or New Zealand,

process, distribute or sell processed pineapple worldwide; or

encourage any employee of any companies to be sold to terminate his or her employment with any company to be sold or solicit or hire any employee of any company to be sold.

### **Voting Agreement**

In connection with the execution of the acquisition agreement, David H. Murdock, our chairman, executed a voting agreement. Pursuant to the voting agreement, among other things, Mr. Murdock agreed to vote all of the shares of our common stock beneficially owned by him in favor of the Sale Proposal and against any competing transaction, and not to transfer the shares of our common stock beneficially owned by him prior to the termination of the voting agreement, unless otherwise permitted by the voting agreement. Notwithstanding the foregoing, if, as permitted by the acquisition agreement if certain conditions are met, our board of directors makes an Adverse Recommendation Change and terminates the acquisition agreement in connection with a Superior Proposal, Mr. Murdock's voting agreement will automatically terminate. Mr. Murdock beneficially owned approximately 63.7% of our common stock as of the record date.

### **Ancillary Agreements**

In addition to the trademark license agreement summarized above, we negotiated the following additional agreements that will be executed in connection with and following the closing.

### ***Transition Services Agreement***

The Transition Services Agreement to be entered into by and between us and one of the companies to be sold provides for our provision of certain services for a transition period, including procurement and logistics services, IT services, financial reporting, treasury services and HR and payroll services.





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***Supply Agreement***

The Supply Agreement to be entered into by and between us and one of the companies to be sold provides a mechanism through which we and the company to be sold may purchase products from one another, and for ITOCHU to receive certain consulting services from Dole, following the consummation of the sale transaction, including certain fruits, vegetables and packaged products.

***Occupancy Agreement***

The Occupancy Agreement to be entered into by and between one of our subsidiaries and one of the subsidiaries to be sold provides for the continued use following the consummation of the sale transaction of certain office space in our corporate headquarters by employees of one of the businesses to be sold.

***Ship Usage Agreement***

The Ship Usage Agreement to be entered into by and between us and one of the subsidiaries to be sold provides for the continued operation and use by one of the businesses to be sold of three ships owned by one of our subsidiaries following the consummation of the sale transition.

***Patent License Agreement***

The Patent License Agreement to be entered into by and among us and the subsidiaries to be sold provides for the use of certain patents following the consummation of the sale transaction.

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**PROPOSAL #2**

**TRANSACTION-RELATED COMPENSATION ARRANGEMENTS PROPOSAL**

Recently adopted Section 14A of the Securities Exchange Act of 1934, as amended, requires that we provide our stockholders with the opportunity to vote to approve, on an advisory (non-binding) basis, the golden parachute compensation arrangements for our named executive officers, as disclosed in the section entitled SALE PROPOSAL Interests of Certain Persons in the Sale Transaction Golden Parachute Compensation.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended, in this proposal our stockholders are being asked to approve the following non-binding resolution at the special meeting:

RESOLVED, that the stockholders of Dole approve, on an advisory (non-binding) basis, the compensation to be paid by Dole to Dole's named executive officers that is based on or otherwise relates to the sale of Dole's worldwide packaged foods business and Asia fresh business, as disclosed in the Golden Parachute Compensation Table and related notes and narrative disclosure in the section of the proxy statement entitled SALE PROPOSAL Interests of Certain Persons in the Sale Transaction Golden Parachute Compensation.

Approval of this proposal is not a condition to the consummation of the sale transaction, and the vote with respect to this proposal is advisory only. Accordingly, the vote will not be binding on us, or the board of directors or the corporate compensation and benefits committee. Because we will be contractually obligated to pay the golden parachute compensation, if the sale transaction is consummated, the golden parachute compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

The Transaction-Related Compensation Arrangements Proposal requires the affirmative vote of a majority of the shares of our common stock present, in person or by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote against the Transaction-Related Compensation Arrangements Proposal; whereas broker non-votes will have no effect on the outcome of the Transaction-Related Compensation Arrangements Proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR , ON AN ADVISORY BASIS, THE TRANSACTION-RELATED COMPENSATION ARRANGEMENTS PROPOSAL.**

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**PROPOSAL #3**

**PROPOSAL TO ADJOURN OR POSTPONE THE SPECIAL MEETING**

If approved, this proposal would permit us to adjourn or postpone the special meeting for the purpose of soliciting additional proxies in the event that, at the special meeting, the affirmative vote in favor of the Sale Proposal is less than a majority of our outstanding shares of common stock entitled to vote at the special meeting. If this proposal is approved and the Sale Proposal is not approved at the special meeting, we will be able to adjourn or postpone the special meeting for the purpose of soliciting additional proxies to approve the Sale Proposal. If you have previously submitted a proxy on the proposals discussed in this proxy statement and wish to revoke it upon adjournment or postponement of the special meeting, you may do so.

If a quorum is present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will be approved if the number of shares voted in favor of that proposal are greater than those voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on the Proposal to Adjourn or Postpone the Special Meeting if it is submitted for stockholder approval when a quorum is present at the meeting. If a quorum is not present at the special meeting, the Proposal to Adjourn or Postpone the Special Meeting will only be approved if the holders of a majority of the voting power of our common stock present in person or by proxy at the special meeting vote to approve the proposal. Under these circumstances, abstentions would have the same effect as a vote against this proposal and broker non-votes would have no effect on the outcome of the vote on this proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADJOURN OR POSTPONE THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO APPROVE THE SALE PROPOSAL.**

**Table of Contents****OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table, based in part upon information supplied by officers and directors, sets forth certain information regarding the beneficial ownership of our common stock as of October 25, 2012, the record date, by (1) each director; (2) each named executive officer; and (3) all directors and executive officers (Section 16 Officers) as a group. To our knowledge, based on a review of SEC filings, other than our Chairman, Mr. David H. Murdock, no person beneficially owns more than 5% of our common stock. Unless otherwise indicated, each of these stockholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable. Unless noted otherwise, the mailing address for each of the beneficial owners listed below is c/o Dole Food Company, Inc., One Dole Drive, Westlake Village, CA 91362.

Beneficial Owner	Amount of Beneficial Ownership(1)	Percent of Class(2)
<b>Directors</b>		
Elaine L. Chao	7,701	*
Andrew J. Conrad	22,701	*
Sherry Lansing	9,701	*
Justin M. Murdock	0	*
Dennis M. Weinberg	31,675	*
<b>Named Executive Officers</b>		
David H. Murdock (also a Director)	56,674,244(3)	63.7%
David A. DeLorenzo (also a Director)	1,156,767(4)	1.3%
C. Michael Carter	302,313(5)	*
Joseph S. Tesoriero	306,215(6)	*
All executive officers (Section 16 Officers) and directors as a group (10 persons)	58,564,619	65.1%

- (1) Beneficial ownership is determined in accordance with SEC rules and includes shares owned outright, shares of restricted stock (whether vested or unvested), options to purchase common stock that were exercisable as of October 25, 2012 or that will become exercisable within 60 days of October 25, 2012, and other forms of indirect ownership. Beneficial ownership does not include stock options that are not exercisable and will not become exercisable within 60 days of October 25, 2012 or performance shares. Except as otherwise indicated below, to our knowledge, all persons have sole voting and investment power with respect to the common stock, except to the extent authority is shared by spouses under applicable law.
- (2) Calculated based on 88,961,386 shares of common stock outstanding as of October 25, 2012. Unless indicated otherwise, percentage of ownership is less than 1.0%.
- (3) Mr. Murdock beneficially owned these shares either directly through the David H. Murdock Living Trust dated May 28, 1986, as amended, for which Mr. Murdock is the trustee, or indirectly through Castle & Cooke Holdings, Inc., which is wholly-owned indirectly by Mr. Murdock. 24,000,000 of these shares were pledged as collateral pursuant to that certain Collateral Agreement, dated as of October 22, 2009, among Mr. Murdock in his individual capacity and as trustee for the David H. Murdock Living Trust, and U.S. Bank, National Association, for the benefit of the MACES Trust, which is filed as Exhibit 99.7 to the Schedule 13D filed with the SEC on November 10, 2009. As disclosed in the Schedule 13D/A filed with the SEC on August 31, 2012, Mr. Murdock determined not to deliver a notice to the Trustees of the MACES Trust electing to use the cash settlement alternative provided in Section 2.3 (d) of the Forward Purchase Agreement dated as of October 22, 2009 between him and the MACES Trust which is filed as Exhibit 99.6 to the Schedule 13D filed with the SEC on November 10, 2009. As a result, as discussed in the schedule 13D/A filed with the SEC on November 2, 2012, the MACES Securities, were exchanged on November 1, 2012 for 23,317,270 shares of our common stock in the ratio determined pursuant to the Forward Purchase Agreement. Of such 23,317,270 shares of our common stock, 2,185,994 shares were distributed to Mr. Murdock in exchange for the MACES Securities held by Mr. Murdock. The remaining 682,730 shares that were pledged were released from that pledge and retained

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by Mr. Murdock. Mr. Murdock also pledged 22,121,080 shares to DB Private Clients Corp. as collateral to secure his obligations under a term loan facility he uses to support various personal business activities.

- (4) Includes 318,334 options to purchase common stock that are exercisable and an additional 286,666 options will that vest within 60 days of October 25, 2012.
- (5) Includes 111,112 options to purchase common stock that are exercisable and an additional 105,556 additional options that vest within 60 days of October 25, 2012.
- (6) Includes 111,112 options to purchase common stock that are exercisable and an additional 105,556 options that vest within 60 days of October 25, 2012. Also includes an aggregate of 2,250 shares which are held in custodial accounts for Mr. Tesoriero s children for which he serves as UGMA custodian.

**INCORPORATION BY REFERENCE**

The following documents filed by us with the SEC are incorporated by reference herein and shall be deemed to be a part hereof:

- 1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 15, 2012;
- 2. Our Quarterly Reports on Form 10-Q for the quarterly periods ended March 24, 2012, June 16, 2012, and October 6, 2012, filed with the SEC on May 3, 2012, July 26, 2012 and November 15, 2012, respectively; and
- 3. Our Current Reports on Form 8-K or 8-K/A filed with the SEC on February 24, 2012, March 15, 2012 (only with respect to the disclosure included under Item 8.01), April 4, 2012, May 9, 2012, May 30, 2012, September 13, 2012 and September 21, 2012.

In addition, all documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date hereof but before the special meeting at which our stockholders will vote on the Sale Proposal, shall be deemed to be incorporated by reference herein and made a part hereof from the date of filing of such documents. Notwithstanding the foregoing, unless specifically stated to the contrary in such filing, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise be included in or deemed to be a part of, this proxy statement.

For purposes of this proxy statement, any document or any statement contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded to the extent that a subsequently filed document or a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated herein by reference modifies or supersedes such document or such statement in such document. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this proxy statement. Subject to the foregoing, all information in this proxy statement is so qualified in its entirety by the information appearing in the documents incorporated herein by reference.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, statements or other information we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). The reports and other information that we file with the SEC are also available in the Investors section of our corporate website at [www.Dole.com](http://www.Dole.com).

For printed copies of any of our reports, including this proxy statement, please contact our Investor Relations department in writing at Dole Food Company, Inc., One Dole Drive, Westlake Village, California, 91362, Attention: Investor Relations.



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**PROPOSALS BY STOCKHOLDERS**

**FOR PRESENTATION AT OUR 2013 ANNUAL MEETING**

*Deadlines to Have Matters Considered at a Meeting.* Under our Bylaws, for nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely written notice of the nomination or such other business to our Corporate Secretary and such business must be a proper subject for stockholder action. To be timely, a stockholder's notice must be delivered to the Corporate Secretary not later than the close of business on the ninetieth (90th) day or earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting. However, if the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after the anniversary of the prior year's meeting, notice must be delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the date on which we make a public announcement of the date of the meeting. For purposes of the 2013 Annual Meeting of Stockholders, assuming it is not moved more than thirty (30) days before or more than seventy (70) days after May 24, 2013, to be timely, a stockholder's notice must be delivered to the Corporate Secretary not later than the close of business on February 11, 2013, nor earlier than the close of business on January 11, 2013. Any such notice must include the applicable information required pursuant to Section 2.10 of our Bylaws. Nominations or proposals not meeting these requirements will not be entertained at the annual meeting.

*Deadlines for Inclusion of Matters in Dole's Proxy Materials.* Stockholders interested in submitting a proposal for inclusion in our proxy statement and form of proxy for the 2013 Annual Meeting of Stockholders may do so by following the procedures prescribed in SEC Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended. Under Rule 14a-8, to be eligible for inclusion in our proxy statement and form of proxy for the 2013 Annual Meeting of Stockholders, among other things, a proposal must qualify as a proper subject matter under SEC Rule 14a-8 and be received no later than December 15, 2012. Should we move the date of the 2013 Annual Meeting of Stockholders more than 30 days from May 24, 2013, the one-year anniversary of the 2012 Annual Meeting of Stockholders, we will revise and publicly disclose this deadline accordingly.

**HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy materials with respect to two or more stockholders sharing the same address by delivering a single set of proxy materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. We and some brokers household proxy materials unless contrary instructions have been received from the affected stockholders. Once a stockholder has received notice from the stockholder's broker or us that they or we will be householding materials to the stockholder's address, householding will continue until the stockholder is notified otherwise or until the stockholder revokes the stockholder's consent. If, at any time, the stockholder no longer wishes to participate in householding and would prefer to receive separate proxy materials, or if the stockholder is receiving multiple copies of the proxy materials and wishes to receive only one, the stockholder should notify the stockholder's broker if the stockholder's shares are held in a brokerage account or us if the stockholder holds common stock directly. Requests in writing should be addressed to: Dole Food Company, Inc., One Dole Drive, Westlake Village, California, 91362, Attention: Investor Relations.

**OTHER MATTERS**

As of the date of this proxy statement, our board of directors does not know of any business to be presented at the special meeting other than as set forth in the notice accompanying this proxy statement. If any other matters should properly come before the special meeting, or any adjournment or postponement of the special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.



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*Appendix A*

**ACQUISITION AGREEMENT**  
**DATED AS OF SEPTEMBER 17, 2012**  
**BY AND BETWEEN**  
**DOLE FOOD COMPANY, INC.**  
**AND**  
**ITOCHU CORPORATION**

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**ACQUISITION AGREEMENT**

THIS ACQUISITION AGREEMENT ( *Agreement* ) is entered into as of September 17, 2012 by and between Dole Food Company, Inc., a Delaware corporation ( *Dole* ), and ITOCHU Corporation, a Japanese *kabushiki kaisha* ( *ITOCHU* ). Dole and ITOCHU are referred to herein individually as a *Party* and collectively as the *Parties*.

A. Dole owns and operates the Asia Fresh Business (as defined in **Exhibit 1**) and Worldwide Packaged Food Business (as defined in **Exhibit 1**);

B. ITOCHU desires to acquire the Asia Fresh Business and Worldwide Packaged Food Business;

C. Dole owns, directly or through its Affiliates, the DPF IP and the DAL IP (each as defined in **Exhibit 1**);

D. Dole has agreed to (i) form a new subsidiary, to be known as DAL (as defined in **Exhibit 1**), which may be held directly by Dole or by a direct or indirect wholly-owned subsidiary of Dole (such wholly-owned subsidiary through which DAL may be held, together with Dole, the *Sellers* ), (ii) transfer to DAL the Asia Fresh Business and the Worldwide Packaged Food Business (other than DPF (as defined in **Exhibit 1**) and its subsidiary), including but not limited to its interest in certain entities presently engaged in such businesses, and (iii) transfer or license, as applicable, the DAL IP (as defined in **Exhibit 1**) to DAL;

E. DPF operates the U.S. portions of the Worldwide Packaged Food Business, and Dole has agreed to transfer or license, as applicable, the DPF IP (as defined in **Exhibit 1**) to DPF;

F. Dole has agreed to sell all of the equity interests in each of DAL and DPF to ITOCHU; and

G. Concurrently herewith, the largest beneficial owner of shares of Dole common stock shall enter into a voting agreement with ITOCHU in connection with the transactions contemplated hereby.

**NOW, THEREFORE**, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows.

**SECTION 1**

**DEFINITIONS**

All capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in **Exhibit 1** of this Agreement.

**SECTION 2**

**FORMATION, PURCHASE AND SALE OF THE ACQUIRED ENTITIES**

**2.1 Basic Transaction.** On the terms and subject to the conditions of this Agreement:

(a) Dole shall, prior to the Closing, cause DAL to be incorporated and established as a private limited company under the laws of Singapore, as a direct or indirect wholly-owned subsidiary of Dole.

(b) Prior to the Closing, Dole shall (i) cause the Asia Fresh Business and the Worldwide Packaged Food Business (other than DPF and its subsidiary) to be transferred to DAL, (ii) transfer or license, as applicable, the DAL IP to DAL and (iii) cause the DPF IP to be transferred or licensed, as applicable, to DPF, in each case pursuant to and in accordance with the Intercompany Agreements and the Brand Agreement and otherwise consistent with the provisions of Section 5.2. ITOCHU may, at its option, request Dole to substitute for DAL one or more entities organized in a jurisdiction other than Singapore, and if such action in the manner proposed by ITOCHU would not, in Dole's sole discretion, have an adverse effect on Dole, the Parties shall seek to mutually agree on appropriate adjustments to the Transaction Documents to effect such a change; provided, however, that the final determination shall be in the sole discretion of Dole.

(c) At the Closing, ITOCHU shall purchase from the Sellers, and Dole shall sell to ITOCHU or cause to be sold to ITOCHU, all of the DAL Shares and the DPF Interests in consideration for the payment of the Purchase Price.



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**2.2 Purchase Price Payment.** At the Closing, ITOCHU shall pay to Dole the Purchase Price in cash by wire transfer or remittance to one or more bank accounts as designated by Dole in writing to ITOCHU at least seven (7) Business Days prior to the Closing Date.

**2.3 Closing.** The closing of the transactions contemplated by this Agreement (the **Closing**) shall take place no later than seven (7) Business Days following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions set forth in this Agreement (other than conditions with respect to actions the respective Parties will take at the Closing itself) (the **Closing Date**) at a location mutually acceptable to ITOCHU and Dole.

**2.4 Deliveries at Closing.** At the Closing:

(a) Dole will deliver or cause to be delivered to ITOCHU,

(i) original stock certificates representing all of the DAL Shares and evidence of ownership representing all of the DPF Interests, in each case endorsed in blank or accompanied by share powers duly endorsed in blank, or accompanied by other duly executed instruments of transfer;

(ii) the Lien Releases required pursuant to Section 5.4;

(iii) a certificate, in form and substance reasonably satisfactory to ITOCHU, signed by an officer of Dole and dated as of the Closing Date, to the effect that each of the conditions specified in Sections 7.1(a), (b) and (c) is satisfied;

(iv) the Brand Agreement, the Transition Services Agreement, the Supply Agreement, the Occupancy Agreement, the Ship Usage Agreement, the Patent License Agreement and the other Transaction Documents, as duly executed by Dole and the other parties thereto (other than ITOCHU and its Affiliates);

(v) copies of the articles of incorporation or similar organizational document of DAL and DPF certified as of a date not more than ten (10) days prior to the Closing by the Secretary of State (or comparable officer) of the applicable entity's jurisdiction of formation;

(vi) a certificate, in form and substance reasonably satisfactory to ITOCHU, signed by an officer of Dole and dated as of the Closing Date, certifying that (a) the organizational documents of DAL and DPF provided by Dole pursuant to Section 2.4(v), and (b) any resolutions of the board of directors or other authorizing body (or a duly authorized committee thereof) of DAL and DPF authorizing the transactions contemplated hereby are true and correct and in full force and effect;

(vii) a certificate of non-foreign status from Dole in compliance with Section 1.1445-2(b)(2) of the Treasury Regulations; and

(viii) a certificate in accordance with Treasury Regulations 1.1445-2(c), to the effect that the DAL Shares are not United States real property interests and that DAL is not and was not a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the period specified in Section 897(c)(1)(A)(ii) of the Code.

(b) ITOCHU will deliver to Dole:

(i) a certificate, in form and substance reasonably satisfactory to Dole, signed by an officer of ITOCHU and dated as of the Closing Date, to the effect that each of the conditions specified in Sections 7.2(a) and (b) is satisfied;

(ii) each of the Transaction Documents to which ITOCHU and/or its Affiliates are a party as duly executed by ITOCHU and such Affiliates; and

(iii) the Purchase Price in accordance with Section 2.2.

**2.5 Purchase Price Allocation.** ITOCHU and Dole agree and acknowledge that (a) the Purchase Price shall be allocated for all purposes (including Tax) solely to the DAL Shares and the DPF Interests on the basis of their respective fair market values, and (b) no portion of the Purchase Price is allocable to any other property, right or

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other items. The Parties further agree that the portion of the Purchase Price allocated to the DAL Shares shall be treated by the Parties as consideration paid in exchange for those shares for all purposes (including Tax) and the portion of the Purchase Price allocated to the DPF Interests shall be treated by the Parties as consideration paid in exchange for those interests for all purposes (including Tax) (it being understood that for United States income tax purposes, such amount is treated as consideration for the assets of DPF). The value of the DPF Interests for purposes of such allocation shall be determined pursuant to a valuation process that has been commenced prior to the date hereof by Ernst & Young LLP which has been engaged prior to the date hereof in accordance with instructions and information that have been given prior to the date hereof to Ernst & Young LLP (as such instructions may hereafter be amended or altered on the basis of mutual agreement between Dole and ITOCHU). The value of the DAL Shares shall be equal to the excess of the Purchase Price over the value of the DPF Interests.

**SECTION 3**

**REPRESENTATIONS AND WARRANTIES CONCERNING TRANSACTION**

**3.1 Representations and Warranties of Dole.** Dole hereby represents and warrants to ITOCHU, subject to those exceptions set forth in the Disclosure Schedule, as of the date of this Agreement and as of the Closing as follows:

(a) *Organization of Sellers.* Dole is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Each other Seller is (i) duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and (ii) a direct or indirect wholly-owned subsidiary of Dole.

(b) *Authorization of Transaction.* Dole has the corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder, subject to the approval thereof by the holders of at least a majority in combined voting power of the outstanding shares of Dole's common stock, par value \$0.001 per share (the **Stockholder Approval**). This Agreement and the other Transaction Documents to which Dole is a party constitute the valid and legally binding obligation of Dole, enforceable in accordance with their respective terms and conditions, except as enforcement may be limited by general principles of equity and by bankruptcy, insolvency and other similar Legal Requirements affecting creditors' rights and remedies generally. As of the date hereof, the Dole board of directors has approved and declared advisable this Agreement and the transactions contemplated hereby and, subject to Section 5.8, has resolved to recommend that Dole's stockholders approve this Agreement and the transactions contemplated hereby. The Stockholder Approval is the only vote or consent of the holders of any class or series of capital stock of Dole necessary to approve this Agreement and the other transactions contemplated hereby. None of the Sellers is required to give any notice to, make any filing with or obtain any authorization, consent or approval of any Person in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents, except (i) for any filings required to be made under applicable Antitrust Laws, (ii) for such filings as may be required by any applicable securities Legal Requirements or (iii) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, materially and adversely affect such Seller and/or the Business.

(c) *Non-contravention.* Neither the execution and delivery of this Agreement and the Transaction Documents to which Dole is a party nor the consummation of the transactions contemplated hereby or thereby will (i) violate any provision of the charter, bylaws or other organizational or constitutional documents of any Seller, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Authority to which any Seller is subject, (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel or require any notice under any agreement, Contract, lease, license, instrument or other arrangement to which any Seller is a party or by which it is bound or to which any of its assets are subject or (iv) result in the imposition or creation of a Lien upon or with respect to the DAL Shares or the DPF Interests or any of the assets comprising the Business (including,

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without limitation, the DAL IP and the DPF IP), except in the case of clause (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, materially and adversely affect any Seller and/or the Business.

(d) *Certain Information.* None of the information to be supplied by Dole for inclusion or incorporation by reference in the proxy statement to be sent to the Dole stockholders in connection with the Stockholders Meeting (such proxy statement, as amended or supplemented, the **Proxy Statement** ) will, at the date it is first mailed to the Dole stockholders and at the time of the Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. The Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act. Notwithstanding the foregoing, Dole makes no representation or warranty with respect to any information supplied by ITOCHU or any of its Representatives for inclusion or incorporation by reference in the Proxy Statement.

(e) *Brokers Fees.* Neither Dole nor any other Seller has any Liability to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which ITOCHU or an Acquired Entity could become liable or obligated.

(f) *Litigation.* Neither Dole nor any other Seller is a party to any pending or, to Dole's Knowledge, threatened Proceeding which would reasonably be expected to affect the legality, validity or enforceability of, or prohibit the consummation of, the transactions contemplated by, this Agreement, the other Transaction Documents or the Intercompany Agreements.

3.2 Representations and Warranties of ITOCHU. ITOCHU represents and warrants to Dole, subject to those exceptions set forth in Schedule 3.2, as of the date of this Agreement and as of the Closing as follows:

(a) *Organization of ITOCHU.* ITOCHU is a *kabushiki kaisha* duly organized and validly existing under the laws of Japan.

(b) *Authorization of Transaction.* ITOCHU has the corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which ITOCHU is a party and to perform its obligations hereunder and thereunder. This Agreement and the other Transaction Documents to which ITOCHU is a party constitute the valid and legally binding obligation of ITOCHU, enforceable in accordance with their respective terms and conditions, except as enforcement may be limited by general principles of equity and by bankruptcy, insolvency and other similar Legal Requirements affecting creditors' rights and remedies generally. ITOCHU is not required to give any notice to, make any filing with, or obtain any authorization, consent or approval of, any Governmental Authority in order to consummate the transactions contemplated by this Agreement or the other Transaction Documents to which ITOCHU is a party, except (i) for any filings required to be made under applicable Antitrust Laws, (ii) for such filings as may be required by any applicable securities Legal Requirements or (iii) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, materially and adversely affect ITOCHU.

(c) *Non-contravention.* Neither the execution and delivery of this Agreement and the other Transaction Documents to which ITOCHU is a party nor the consummation of the transactions contemplated hereby or thereby will (i) violate any provision of the charter, bylaws or other organizational or constitutional documents of ITOCHU; (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Authority to which ITOCHU is subject or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under any agreement, Contract, lease, license, instrument or other arrangement to which ITOCHU is a party or by which it is bound or to which any of its assets are subject, except in the case of clause (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, materially and adversely affect ITOCHU.

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(d) *Certain Information.* None of the information to be supplied by ITOCHU expressly for inclusion in the Proxy Statement will, at the date it is first mailed to the Dole stockholders and at the time of the Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, ITOCHU makes no representation or warranty with respect to any information supplied by Dole or any of its Representatives for inclusion or incorporation by reference in the Proxy Statement.

(e) *Brokers Fees.* ITOCHU has no Liability to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Dole or any of its Affiliates (other than any Acquired Entity following the Closing) could become liable or obligated.

(f) *Litigation.* ITOCHU is not a party to any pending or, to its Knowledge, threatened Proceeding which would reasonably be expected to affect the legality, validity or enforceability of, or prohibit the consummation of the transactions contemplated by, this Agreement or the other Transaction Documents.

(g) *Financing.* ITOCHU has sufficient funds to permit ITOCHU to consummate the transactions contemplated by this Agreement and the Transaction Documents, and to pay all related fees and expenses incurred by ITOCHU in connection herewith.

Except for the representations and warranties expressly set forth in this Section 3.2, neither ITOCHU nor any other Person on behalf of ITOCHU is making any other express or implied representation or warranty with respect to ITOCHU or any of its Affiliates or with respect to any other information provided to Dole.

**SECTION 4**

**REPRESENTATIONS AND WARRANTIES CONCERNING THE BUSINESS**

Dole hereby represents and warrants to ITOCHU, subject to those exceptions set forth in the Disclosure Schedule, as of the date of this Agreement and as of the Closing (or, in the case of representations and warranties as to any Acquired Entity not in existence as of the date of this Agreement, only as of Closing), as follows:

**4.1 Organization, Qualification and Corporate Power.**

(a) DAL is a private limited company duly organized, validly existing and in good standing under the laws of Singapore. DAL is duly authorized to conduct the Business and is in good standing or otherwise duly qualified or licensed under the laws of each jurisdiction where the character of properties owned, leased or operated by it or the nature of its business makes such qualification necessary. Dole has (or will have prior to the Closing Date) made available to ITOCHU true and correct copies of (i) the organizational and constitutional documents for DAL (as amended to the Closing Date), (ii) the minute books of DAL and (iii) the register of members for DAL. DAL is not in default under or in violation of any provision of its organizational or constitutional documents.

(b) DPF is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. DPF is duly authorized to conduct the Worldwide Packaged Food Business and, where relevant, is in good standing or otherwise duly qualified or licensed under the laws of each jurisdiction where the character of properties owned, leased or operated by it or the nature of its business makes such qualification necessary. Dole has (or will have prior to the Closing Date) made available to ITOCHU true and correct copies of (i) the organizational and constitutional documents for DPF (as amended to the Closing Date), (ii) the minute books of DPF and (iii) the membership interest register for DPF. DPF is not in default under or in violation of any provision of its organizational or constitutional documents.

**4.2 Capitalization.** There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights or other Contracts or commitments that could require any Acquired Entity to issue, sell or otherwise cause to become outstanding any of its capital stock or other equity interests. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to any Acquired Entity. Sellers hold of record and own beneficially all of the issued and outstanding DAL Shares and Dole is the sole member of DPF holding the only DPF Interests, in each case free and clear of

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any restrictions on transfer, Taxes, Liens (other than Liens which are Permitted Liens pursuant to clause (viii) of the definition thereof), options, warrants, purchase rights, Contracts, commitments, claims and demands, and there are no other shares of capital stock or other equity interest of (or securities or other instruments convertible into or exchangeable or exercisable for the capital stock or other equity interest of) DAL or DPF authorized, issued or outstanding other than, as applicable, the DAL Shares and the DPF Interests. No Seller is a party to any option, warrant, purchase right, or other Contract or commitment (other than this Agreement) that could require any Seller to sell, transfer or otherwise dispose of any of the DAL Shares or the DPF Interests, and no Seller is a party to any voting trust, proxy or other agreement or understanding with respect to the voting of any of the DAL Shares or the DPF Interests.

**4.3 Non-contravention.** Except as set forth on Schedule 4.3, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any (a) provision of the organizational or constitutional documents of any Acquired Entity, (b) constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Authority to which any Acquired Entity is subject or (c) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice or consent under any Contract to which any Acquired Entity is a party or by which it is bound or to which any of its assets are subject (or result in the imposition of any Lien upon any of its assets), except in the case of clause (b) and (c) above, for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole. Except as set forth on Schedule 4.3, no Acquired Entity need give any notice to, make any filing with or obtain any authorization, consent or approval of, any Person in order for the Parties to consummate the transactions contemplated by this Agreement, except (i) for any filings required to be made under applicable Antitrust Laws, (ii) for such filings as may be required by any applicable securities Laws or (iii) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole.

**4.4 Assets.** Except with respect to those services to be provided under the Transaction Documents, and except for the corporate overhead services that will not be transferred to an Acquired Entity and are set forth on Schedule 4.4, (a) the Acquired Entities, collectively, have good and marketable title to, or a valid leasehold or other possessory interest in, all material properties and assets necessary for the conduct of the Business as presently conducted, in each case free and clear of all Liens (other than Permitted Liens), and (b) no Person other than the Acquired Entities conducts any portion of the Business.

**4.5 Acquired Entity Group Companies.**

(a) Schedule 4.5 of the Disclosure Schedule sets forth the name of each Acquired Entity Group Company and its respective jurisdiction of organization. All of the issued and outstanding shares in the share capital or other equity interests of each Acquired Entity Group Company (including, for the avoidance of doubt, the Transferred Equity Interests) have been duly authorized, are validly issued, fully paid and non-assessable, and except as set forth on Schedule 4.5, shall be held as of the Closing of record and beneficially by DAL or DPF, as applicable, free and clear of any restrictions on transfers, Taxes, Liens (other than Liens which are Permitted Liens pursuant to clause (viii) of the definition thereof), claims, options, warrants, purchase rights, Contracts, commitments, or demands. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights or other Contracts or commitments that could require any Acquired Entity Group Company to issue, sell or otherwise cause to become outstanding any of its capital stock or other equity interests. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to any Acquired Entity Group Company. There are no voting trusts, proxies, shareholders agreement, joint venture agreements or other agreements or understandings with respect to the voting of the capital stock of any Acquired Entity Group Company. Other than the Acquired Entity Group Companies, neither DAL nor DPF will, as of the Closing (directly or indirectly), hold any shares or other equity or ownership interests in any Person.



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(b) Each Acquired Entity Group Company is duly organized, validly existing and, where relevant, in good standing under the laws of its jurisdiction of incorporation or organization and is duly authorized to conduct the Business and, where relevant, is in good standing or otherwise qualified or licensed to conduct business under the laws of each jurisdiction where the character of properties owned, leased or operated by it or the nature of its business makes such qualification necessary, except where the failure to be in good standing or qualified or licensed, would not, individually or in the aggregate, materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole. Each Acquired Entity Group Company has corporate or other applicable power and authority to carry on its respective aspect of the Business. DAL and DPF, as applicable, possess or otherwise have access to, and Dole has (or will have prior to the Closing Date) made available to ITOCHU, true and correct copies of the organizational and constitutional documents and the share register or stock certificate books and the stock record books, as applicable, in each case for each Acquired Entity Group Company. DAL and DPF, as applicable, possess or otherwise have access to all existing minute books (containing the records of meetings of the shareholders, the board of directors and any committees of the board of directors) of each Acquired Entity Group Company. No Acquired Entity Group Company is in default under or in violation of any provision of its organizational or constitutional documents.

**4.6 Financial Statements.** Attached as Schedule 4.6 are the following financial statements for the Business (including the notes thereto, collectively the **Financial Statements**): (i) the combined audited balance sheet as at December 31, 2011 and the related audited statements of income, equity and cash flows for the fiscal year then ended; and (ii) the unaudited combined balance sheet (the **Most Recent Balance Sheet**) as at June 16, 2012 (the **Most Recent Fiscal Quarter End**) and the related unaudited statements of income, equity and cash flows for the period then ended (the **Most Recent Unaudited Financial Statements**). The Financial Statements have been prepared in accordance with GAAP, except, (i) as may be indicated in the notes thereto and (ii) with respect to the Most Recent Unaudited Financial Statements only, for the absence of footnotes and other presentation items required by GAAP with respect to audited financial statements, and in each case are subject to normal year-end adjustments. Except as set forth on Schedule 4.6, the Financial Statements fairly present, in all material respects, the assets, liabilities, stockholders equity, financial position and results of operations of the Business as of such dates and for the periods covered thereby all in accordance with GAAP and are consistent with, in all material respects, the books and records of the Business (which financial and commercial books and records are correct and complete in all material respects).

**4.7 Events Subsequent to Most Recent Fiscal Quarter End.** Since the Most Recent Fiscal Quarter End, except as set forth on Schedule 4.7 and except as specifically contemplated pursuant to this Agreement or the Transaction Documents, or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2:

(a) no Acquired Entity has sold, leased, transferred or assigned any of its respective assets, tangible or intangible, where such sale, lease, transfer or assignment materially and adversely affects the operation of the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole;

(b) no Acquired Entity has entered into any Contract (or series of related Contracts) involving more than \$5 million in any twelve month period;

(c) no party (including the Acquired Entities) has accelerated, terminated, modified or cancelled any Contract (or series of related Contracts) involving more than \$1 million in any twelve month period to which an Acquired Entity is a party or by which it is bound;

(d) no Acquired Entity has granted or permitted any Liens (other than Permitted Liens) upon any of their assets, tangible or intangible, except in the Ordinary Course of Business;

(e) no Acquired Entity has made any capital expenditure (or series of related capital expenditures) involving more than \$2 million;

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(f) no Acquired Entity has made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans and acquisitions) involving more than \$1 million individually or, together with all such investments, loans and acquisitions made by other Acquired Entities, \$5 million in the aggregate;

(g) no Acquired Entity has issued any note, bond or other debt security or created, incurred, assumed or guaranteed any indebtedness for borrowed money or capitalized lease obligation involving more than \$1 million individually or, together with all notes, bonds and other debt securities, indebtedness for borrowed money and capitalized lease obligations issued, created, incurred, assumed or guaranteed by other Acquired Entities, \$5 million in the aggregate;

(h) no Acquired Entity has (i) delayed or postponed the payment of any material accounts payable and other Liabilities, accelerated the collection of any material accounts receivables, in either case outside the Ordinary Course of Business, except in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2 or (ii) altered any accounting method or practice;

(i) no Acquired Entity has cancelled, compromised, waived or released any right or claim (or series of related rights and claims) involving more than \$1 million;

(j) no Acquired Entity has transferred, assigned or granted any license or sublicense of any rights under or with respect to any Intellectual Property;

(k) there has been no amendment made or authorized in the organizational or constitutional documents of any Acquired Entity;

(l) no Acquired Entity has issued, sold or otherwise disposed of any of its capital stock, or granted any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of its capital stock, except in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2;

(m) no Acquired Entity has (i) declared, set aside or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind), or (ii) redeemed, purchased or otherwise acquired any of its capital stock, in each case other than as contemplated by this Agreement or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2, or any such dividend or distribution between or among the Acquired Entities;

(n) no Acquired Entity has experienced any damage, destruction or loss (whether or not covered by insurance) to its property or assets, which damages, destruction or loss materially and adversely affects the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole;

(o) no Acquired Entity has made any loan to, or entered into any other transaction with, any of its Affiliates, directors, officers or employees in excess of \$1 million other than transactions with Affiliated companies in the Ordinary Course of Business or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2;

(p) no Acquired Entity has entered into any transaction with Dole or any Related Party other than transactions with Affiliated companies in the Ordinary Course of Business or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2;

(q) no Acquired Entity has entered into any material employment Contract or collective bargaining agreement, written or oral, or modified the material terms of any such existing material employment Contract or collective bargaining agreement;

(r) no Acquired Entity has adopted, amended, modified or terminated any material bonus, profit sharing, incentive, severance or other plan, Contract or commitment for the benefit of any of its directors, officers and/or employees (or taken any such action with respect to any other Employee Benefit Plan);

(s) no Acquired Entity has made any other material change in employment terms for any of its directors, officers and/or employees outside the Ordinary Course of Business;

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(t) no Acquired Entity has become a party to a Proceeding of a nature that materially and adversely affects the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole; and

(u) there has not otherwise been any Material Adverse Change.

**4.8 Undisclosed Liabilities.** Except as set forth on Schedule 4.8, no Acquired Entity has any material Liabilities, except for (i) Liabilities reflected or reserved against in the Financial Statements, (ii) Liabilities that have arisen in the Ordinary Course of Business after the date of such Financial Statements, (iii) Liabilities that would not, individually or in the aggregate, materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole and (iv) Liabilities that may arise in connection with the consummation of the transactions contemplated by this Agreement or the Transaction Documents, or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2.

**4.9 Legal Compliance.** Except as set forth on Schedule 4.9, each of the Acquired Entities is in compliance, in all material respects, with all applicable Legal Requirements and with all applicable Governmental Authorizations, and no Proceeding alleging that any Acquired Entity is in material violation of any such applicable Legal Requirements or Governmental Authorizations is pending or, to Dole's Knowledge, threatened in writing. The Acquired Entities hold all material Governmental Authorizations required in connection with the conduct of the Business, and all such Governmental Authorizations are (i) legal, valid, binding, enforceable and in full force and effect; and (ii) to the Knowledge of the Dole, will continue to be legal, valid, binding, enforceable and in full force and effect following the consummation of the transactions contemplated hereby. No Acquired Entity is in material breach or default under, and no event has occurred that with notice or lapse of time would constitute a material breach or default under, or permit termination, modification or acceleration of, any such material Governmental Authorization.

**4.10 Tax Matters.** Except as set forth on Schedule 4.10:

(a) (i) Each of the Acquired Entities have timely filed all material Tax Returns required to be filed by them (and Dole and other Affiliates of Dole have timely filed all material Tax Returns relating in whole or in part to the Business or any of the Acquired Entities); (ii) all Tax Returns filed by the Acquired Entities (and Dole and other Affiliates of Dole relating in whole or in part to the Business or any of the Acquired Entities) are true, complete and accurate in all material respects; (iii) except for Taxes that are not yet due and payable or which are being contested in good faith and by appropriate proceedings if reserves with respect thereto are maintained on an Acquired Entities' books (or Dole's books, as applicable) in accordance with GAAP, all material Taxes imposed by any Governmental Authority upon any of the Acquired Entities or the Business (or Dole or any other Affiliate of Dole relating in whole or in part to the Business or any of the Acquired Entities) that have become due or payable have been timely paid or withheld, including Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, independent contractor or other third party; (iv) there are no actual or, to Dole's Knowledge, proposed material Tax deficiencies or assessments with respect to any of the Acquired Entities or the Business (or Dole or any other Affiliate of Dole relating in whole or in part to the Business or any of the Acquired Entities); (v) there is no Proceeding or audit now in progress or, to Dole's Knowledge, threatened against or with respect to any of the Acquired Entities or the Business (or Dole or any other Affiliate of Dole relating in whole or in part to the Business or any of the Acquired Entities); (vi) none of the Acquired Entities is a party to or bound by any Tax allocation, sharing, indemnity or similar agreement or arrangement with any Person and none of the Acquired Entities has any current or potential contractual obligation to indemnify any other Person (including Dole or any other Affiliate of Dole) with respect to Taxes (in each case, other than any such customary agreements entered into in the Ordinary Course of Business, including agreements with customers, vendors, lessors, and creditors); (vii) no claim has ever been made by a taxing authority in a jurisdiction where any of the Acquired Entities do not pay Taxes or file Tax Returns that any of the Acquired Entities or the Business are or may be subject to Taxes assessed by such jurisdiction; (ix) none of the Acquired Entities currently is the beneficiary of any extension of time within which to file any Tax Return; and (x) there are no Liens for Taxes upon any of the properties or assets of any of the Acquired Entities other than Liens for current Taxes not yet due and payable.

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(b) None of the Acquired Entities has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(c) None of the Acquired Entities is a party to any Contract (other than any Contract entered into after the date hereof at the direction of ITOCHU or its Affiliates) or other arrangement or plan that, in connection with the execution of this Agreement or the consummation of the transactions contemplated hereby (either alone or in combination with any termination of employment), has resulted or is reasonably expected to result, separately or in the aggregate, in the payment of any excess parachute payment within the meaning of Code Section 280G (or any corresponding provision of state, local or foreign Tax law). Furthermore, none of the Acquired Entities has any Liabilities (including, without limitation, any withholding Liabilities) under any Contract (other than any Contract entered into after the date hereof at the direction of ITOCHU or its Affiliates) or other arrangement or plan (regardless of whether such Acquired Entity is a party thereto) that, in connection with the execution of this Agreement or the consummation of the transactions contemplated hereby (standing alone without regard to any subsequent termination of employment), has resulted or is reasonably expected to result, separately or in the aggregate, in the payment of any excess parachute payment within the meaning of Code Section 280G (or any corresponding provision of state, local or foreign Tax law).

(d) The Acquired Entities have disclosed on all U.S. federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of U.S. federal income Tax within the meaning of Code Section 6662.

(e) Each of the Acquired Entities has withheld and paid all material Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, stockholder or other third party (including, without limitation, any excise taxes required to be withheld pursuant to Code Section 280G), and materially complied with all information reporting and backup withholding provisions of all applicable Legal Requirements (including, if applicable, the timely filing of Forms W-2 and 1099).

(f) None of the Acquired Entities (i) has been a member of an affiliated group of corporations filing a consolidated U.S. federal income Tax Return (other than a group the parent of which is Dole or one of its Subsidiaries) or (y) has liability for the Taxes of any Person under Reg. Section 1.1502-6 (or any similar provision of state, local or foreign Legal Requirements) (other than the affiliated, combined, or consolidated group of which it currently is a member), as a transferee or successor.

(g) None of the Acquired Entities will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; or (ii) prepaid amount received on or prior to the Closing Date.

(h) None of the Acquired Entities is or has been a party to any listed transaction as defined in Treasury Regulation Section 1.6011-4(b)(2).

(i) DPF is, and has at all times been, treated as a disregarded entity for United States federal (or, to the extent disregarded entity treatment is available, any state) income tax purposes.

*4.11 Real Property.*

(a) Schedule 4.11(a) sets forth a true and correct list of all Owned Real Property used in the Business. The Acquired Entities have good and marketable title to the Owned Real Property, free and clear of any Liens (other than Permitted Liens) and any such exceptions that would not, individually or in the aggregate, materially and adversely affect the use of the Owned Real Property as currently used.

(b) Schedule 4.11(b) sets forth a list of each parcel of Leased Real Property, and except as set forth on Schedule 4.11(b), with respect to each of the Leases:

(i) such Lease is legal, valid, binding, enforceable and in full force and effect with respect to an Acquired Entity, as applicable;

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(ii) the transactions contemplated by this Agreement do not require the consent of any other party to such Lease (except for those Leases for which consents have been obtained prior to the Closing), will not result in a breach of or default under such Lease, and will not otherwise cause such Lease to cease to be legal, valid, binding, enforceable and in full force and effect following the Closing;

(iii) possession and quiet enjoyment of the Leased Real Property under such Lease is not disturbed and there are no material disputes with respect to such Lease;

(iv) (x) no Acquired Entity and, to the Knowledge of Dole, no other party to such Lease is in material breach of or default under such Lease and (y) no event has occurred or circumstance exists that, with the delivery of notice, the passage of time or both, would constitute a material breach or default by any Acquired Entity under such Lease, or permit the termination, modification or acceleration of rent by any other party under such Lease;

(v) to the Knowledge of Dole, the other party to such Lease is not an Affiliate of, and otherwise does not have any economic interest in, any Acquired Entity;

(vi) the Leased Real Property is not subject to any sublease or license to any Person providing such third party the right to use or occupy the Leased Real Property or any material portion thereof; and

(vii) the Leased Real Property is not subject to any collateral assignment or Lien (other than a Permitted Lien),

other than exceptions in the case of clauses (i) through (vii) above that would not, individually or in the aggregate, materially and adversely affect the use of the Leased Real Property as currently used.

(c) The Real Property identified in Schedule 4.11(a) and Schedule 4.11(b) comprises all of the material real property used by the Acquired Entities in the Business; and no Acquired Entity is a party to any agreement or option to purchase any additional real property or interest therein.

(d) All buildings, structures, fixtures, building systems and equipment, and all components thereof, included in the Real Property (the **Improvements**) are reasonably sufficient for the operation of the Business as presently conducted in all material respects. To the Knowledge of Dole, there are no material structural deficiencies or material latent defects affecting any of the Improvements and there are no facts or conditions affecting any of the Improvements that would, individually or in the aggregate, materially and adversely interfere in any respect with the use or occupancy of the Improvements or any portion thereof in the operation of the Business as currently conducted thereon.

(e) There is no condemnation, expropriation or other proceeding in eminent domain, pending or, to the Knowledge of Dole, threatened, affecting any parcel of Real Property or interest therein. There is no injunction, decree, order, writ or judgment outstanding, or any Proceeding, pending or, to the Knowledge of Dole, threatened, relating to the ownership, lease, use or occupancy of any Real Property, or the operation of the Business as currently conducted thereon.

(f) The Real Property, its current use and occupancy by an Acquired Entity, and the operation of the Business, are in compliance in all material respects with all applicable building, zoning, subdivision, health and safety and other land use laws, and all material insurance requirements affecting the Real Property (collectively, the **Real Property Laws**). None of Dole or any Acquired Entity has, within the last twelve (12) months, received any written notice of a material violation of any Real Property Law (and, to the extent any written notice was received prior to such time, there are no material violations set forth in such notice that have not since been rectified or otherwise been resolved in all material respects in compliance with applicable Legal Requirements).

(g) To the Knowledge of Dole, the current use and occupancy of the Real Property and the operation of the Business as currently conducted thereon do not violate any material easement, covenant, condition, restriction or similar provision in any instrument of record affecting such Real Property and none of Dole or any Acquired Entity has, within the last twelve (12) months, received written notice of any such violation

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(nor, to the extent any written notice was received prior to such time, is there any material violation set forth in such notice that has not since been rectified or otherwise been resolved in all material respects in compliance with applicable Legal Requirements).

### *4.12 Intellectual Property.*

(a) Schedule 4.12(a) identifies all registered trademarks, issued patents, domain name registrations and pending applications for any of the foregoing, in each case that are owned by any Acquired Entity, and no Acquired Entity owns any other Intellectual Property (registered or unregistered), except as described in the following parenthetical, that is material to either the Asia Fresh Business or the Worldwide Packaged Food Business individually, or to the Business as a whole (it being understood that the Acquired Entities have developed or acquired, and use in the Ordinary Course of Business, unpatented inventions, trade dress, trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals) that are material and not listed in Schedule 4.12(a)). An Acquired Entity is the sole and exclusive owner of each such Intellectual Property identified on Schedule 4.12(a) and, to Dole's Knowledge, such Acquired Entity's rights therein are valid, subsisting and enforceable in all material respects. To Dole's Knowledge, none of such Intellectual Property identified on Schedule 4.12(a) is being misappropriated, violated or infringed in any manner materially adverse to any Acquired Entity.

(b) Schedule 4.12(b) identifies each material agreement under which Intellectual Property owned by any third party is licensed or sublicensed to, or is permitted to be used by, any Acquired Entity (other than commercially available off-the-shelf software purchased or licensed). Dole has delivered to ITOCHU correct and complete copies of all such agreements (as amended to date). With respect to each material item of Intellectual Property that is licensed under any agreement required to be identified in Schedule 4.12(b):

(i) the license, sublicense or permission granted in such agreement covering the item is in full force and effect;

(ii) the license, sublicense or permission covering the item will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms following consummation of the transactions contemplated hereby; and

(iii) (x) no Acquired Entity nor, to the Knowledge of Dole, any other party to such agreement is in material breach or default thereunder, (y) no event has occurred that with notice or lapse of time would constitute a breach or default by any Acquired Entity or permit termination or modification of such agreement by any other party and (z) to Dole's Knowledge, no event has occurred that with notice or lapse of time would constitute a material breach or default by any other party to such agreement or permit termination, modification or acceleration by any Acquired Entity thereunder;

(c) (i) To the Knowledge of Dole, no Acquired Entity has infringed upon, misappropriated or violated, and operation of the Business as presently conducted does not infringe upon, misappropriate or violate, any Intellectual Property rights of third parties, in any material respect; and (ii) no written notices regarding any of the foregoing (including any demands or offers to license any Intellectual Property from any third party) have been received in the two (2) years prior to the date of this Agreement.

**4.13 Tangible Assets.** The Acquired Entities collectively own or lease (in each case free and clear of all Liens, other than Permitted Liens) all material buildings, machinery, equipment and other tangible assets reasonably necessary for the conduct of the Business as presently conducted, except with respect to those services to be provided under the Transaction Documents, and except for the corporate overhead services that will not be transferred to an Acquired Entity and are set forth on Schedule 4.4. Except as would not, individually or in the aggregate, materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole, each such material tangible asset is free from material defects, has been maintained in accordance with normal industry practice, and is in good operating condition and repair (subject to normal wear and tear).

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4.14 *Contracts*. Schedule 4.14 lists the following material Contracts to which any Acquired Entity is a party or is bound:

(a) all Contracts (or group of related Contracts) for the lease of personal property to or from any Person providing for lease payments in excess of \$1 million per annum;

(b) all Contracts (or group of related Contracts) for the purchase or sale of raw materials, commodities, supplies, products or other personal property, or for the furnishing or receipt of services (specifically including, without limitation, any grower contracts), the performance of which will extend over a period of more than one year, or involve consideration in excess of \$5 million in any twelve month period;

(c) all Contracts concerning a partnership or joint venture;

(d) all Contracts (or group of related Contracts) under which any Acquired Entity has created, incurred, assumed or guaranteed any indebtedness for borrowed money, or any capitalized lease obligation, in excess of \$1 million or under which it has imposed a Lien on any of its assets, tangible or intangible, except for those reflected in the Financial Statements;

(e) all material Contracts concerning confidentiality and all Contracts with non-competition provisions that restrict an Acquired Entity;

(f) all Contracts with Dole or any of Dole's Affiliates (other than an Acquired Entity) that will remain in effect following the Closing;

(g) all profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance or other material plans, arrangements or Contracts for the benefit of its current or former directors, officers and employees;

(h) all collective bargaining agreements;

(i) all written Contracts for the employment of any individual on a full-time, part-time, or other basis providing annual compensation in excess of \$150,000, all written consulting Contracts with individuals providing annual compensation in excess of \$300,000, and all written severance Contracts providing for payments in excess of \$150,000;

(j) all Contracts under which any Acquired Entity has advanced or loaned any amount to any of its directors, officers and employees outside the Ordinary Course of Business;

(k) all settlement agreements, conciliation agreements or similar Contracts, the performance of which will involve payment after the Closing Date of consideration in excess of \$300,000;

(l) all Contracts under which any Acquired Entity has advanced or loaned any other Person amounts in the aggregate exceeding \$1 million; or

(m) any other Contract (or group of related Contracts) the performance of which involves consideration in excess of \$1 million in any twelve month period.

With respect to each such Contract listed on Schedule 4.14: (i) such Contract is legal, valid, binding, enforceable and in full force and effect with respect to an Acquired Entity, as the case may be; and (ii) to the Knowledge of Dole, no party is in material breach or material default, and no event has occurred that with notice or lapse of time would constitute a material breach or material default, or permit termination, modification or acceleration, under the Contract.

4.15 *Insurance*. With respect to each insurance policy (including policies providing property, casualty, liability and workers' compensation coverage and bond and surety arrangements) to which any Acquired Entity is a party, a named insured or is otherwise the beneficiary of coverage: (i) such policy is legal, valid, binding, enforceable and in full force and effect; and (ii) no Acquired Entity nor, to the Knowledge of Dole, any other party to such insurance policy is in material breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred that, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification or acceleration, under the policy. The insurance coverage

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maintained with respect to the Business is in scope and amount customary and reasonable by reference to similar businesses. Schedule 4.15 describes any self-insurance arrangements affecting the Acquired Entities.

4.16 *Litigation.* Schedule 4.16 sets forth each instance in which any Acquired Entity (a) is subject to any outstanding material Order or (b) is a party or, to Dole's Knowledge, is threatened to be made a party to any material Proceeding (including, for the avoidance of doubt, any Proceeding relating to Environmental, Health and Safety Requirements).

4.17 *Employees.* Except as set forth on Schedule 4.17, with respect to the Acquired Entities and the Business, there is no labor strike, work stoppage, slowdown or other material labor dispute underway or, to Dole's Knowledge, threatened.

4.18 *Employee Benefits.*

(a) Schedule 4.18(a) lists each material Employee Benefit Plan, other than Employee Benefit Plans required to be maintained by applicable Legal Requirements outside of the United States, that any Acquired Entity maintains, contributes to or has any obligation to contribute to, or with respect to which any Acquired Entity has any Liability (contingent or direct), or with respect to which any Business Employee is a participant. Dole has (or will have prior to the Closing) provided ITOCHU complete and accurate copies of all material Acquired Entities Benefit Plans, other than Acquired Entities Benefit Plans required to be maintained by applicable Legal Requirements outside of the United States.

(i) Each such Employee Benefit Plan listed on Schedule 4.18(a) (and each related trust, insurance Contract or fund) has been maintained, funded and administered in all material respects in accordance with the terms of such Employee Benefit Plan, the terms of any applicable collective bargaining agreement, applicable Legal Requirements, and complies in all material respects in form and in operation with all applicable Legal Requirements (including, in the case of Employee Benefit Plans that are not Non-U.S. Benefit Plans, the requirements of ERISA and the Code).

(ii) Solely as to Employee Benefit Plans applicable to employees in the United States, the requirements of COBRA have been met in all material respects with respect to each such Employee Benefit Plan and each Employee Benefit Plan maintained by an ERISA Affiliate that is an Employee Welfare Benefit Plan subject to COBRA.

(iii) Solely as to Employee Benefit Plans applicable to employees in the United States, all contributions (including all employer contributions and employee salary reduction contributions) that are due have been made within the time periods prescribed by ERISA and the Code to each such Employee Benefit Plan that is an Employee Pension Benefit Plan. Solely as to Employee Benefit Plans applicable to employees in the United States, all premiums or other payments that are due for all periods ending on or before the Closing Date have been paid with respect to each such Employee Benefit Plan that is an Employee Welfare Benefit Plan.

(iv) Solely as to Employee Benefit Plans applicable to employees in the United States, each such Employee Benefit Plan that is intended to meet the requirements of a qualified plan under Code Section 401(a) has received a determination from the Internal Revenue Service that such Employee Benefit Plan is so qualified, and, to Dole's Knowledge, nothing has occurred since the date of such determination that would reasonably be expected to result in the loss of the qualified status of any such Employee Benefit Plan.

(v) Except as would not, individually or in the aggregate, have a Material Adverse Effect, no Proceeding with respect to the administration or the investment of the assets of any such Employee Benefit Plan (other than routine claims for benefits) is pending or, to Dole's Knowledge, threatened.

(b) Solely as to Employee Benefit Plans applicable to employees in the United States, except as set forth on Schedule 4.18(b), no Acquired Entity nor any ERISA Affiliate contributes to, has any obligation to contribute to or has any Liability under or with respect to any Employee Pension Benefit Plan that is a defined benefit plan (as defined in ERISA Section 3(35)) or is subject to Section 412 of the Code. No asset of any Acquired Entity is subject to any Lien under ERISA or the Code. With respect to



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Business Employees, the Dole U.S. Pension Plan is frozen as to both participants and benefit accruals, and no Business Employee or former employee of the Business will accrue benefits thereunder after the execution of this Agreement by the Parties. No Business Employee or former employee of the Business will accrue benefits under the Dole SERPs after the Closing Date.

(c) Solely as to Employee Benefit Plans applicable to employees in the United States, except as set forth on Schedule 4.18(c), no Acquired Entity nor any ERISA Affiliate contributes to, has any obligation to contribute to or has any Liability (including withdrawal liability as defined in ERISA Section 4201 that remains unsatisfied) under or with respect to any Multiemployer Plan.

(d) Except as set forth on Schedule 4.18(d), no Prohibited Transaction has occurred in the last twelve months with respect to which any Acquired Entity could have any Liability; and no civil or criminal penalty, fine or other sanction has been imposed on or against Dole or any of its Affiliates (including any Acquired Entity) in connection with any Employee Benefit Plan that remains unsatisfied.

(e) Except as set forth on Schedule 4.18(e), no Contract, plan or other arrangement, whether or not an Employee Benefit Plan, exists pursuant to which the execution of this Agreement or the consummation of the transactions contemplated hereby, either standing alone or in combination with any subsequent termination of employment, would trigger any obligation by any Acquired Entity to pay any amount or provide any property to, any employee, officer or director of any Acquired Entity or accelerate the vesting of any equity award.

(f) Solely as to Employee Benefit Plans applicable to employees in the United States, each Employee Benefit Plan that is a nonqualified deferred compensation plan within the meaning of Section 409A(d)(1) of the Code subject to Section 409A of the Code has been operated in material compliance with Section 409A of the Code since January 1, 2005, based upon a good faith, reasonable interpretation of (A) Section 409A of the Code and (B)(1) proposed and final regulations issued thereunder, and (2) Internal Revenue Service Notice 2005-1 and other Internal Revenue Service guidance (including, but not limited to, notices, revenue rulings and revenue procedures).

**4.19 *Indebtedness and Guaranties.*** Except as set forth in Schedule 4.19, no Acquired Entity has any Indebtedness outstanding. Except as set forth in Schedule 4.19, no Acquired Entity is a guarantor or otherwise liable for any Liability of any other Person.

**4.20 *Environmental, Health and Safety Matters.***

(a) The Acquired Entities are in compliance in all material respects with all Environmental, Health and Safety Requirements.

(b) Without limiting the generality of the foregoing, (i) the Acquired Entities are in compliance in all material respects with all material permits, licenses and other authorizations that are required pursuant to Environmental, Health and Safety Requirements for the occupation of their facilities and the operation of the Business and (ii) the Business has been conducted in compliance in all material respects with all Environmental, Health and Safety Requirements relating to the handling, storage and disposal of Hazardous Substances.

(c) Except as set forth on Schedule 4.20, no Acquired Entity has, within the last eighteen (18) months, received any written notice regarding any actual or alleged material violation of Environmental, Health and Safety Requirements or any material Liabilities, including any investigatory, remedial or corrective obligations, relating to any of them or their facilities arising under Environmental, Health and Safety Requirements (nor, to the extent any written notice was received prior to such time, is there any of the foregoing that is set forth in such notice which has not since been rectified, discharged or otherwise been resolved in all material respects in compliance with applicable Legal Requirements, including applicable Environmental, Health and Safety Requirements).

(d) To the Knowledge of Dole, (i) no Acquired Entity (or any asset used in the Business) has assumed, or by its actions has otherwise become subject to, any material Liability, including any obligation for corrective or remedial action, of any other Person relating to Environmental, Health and Safety Requirements and

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(ii) there is no material Hazardous Substance contamination in violation of applicable Legal Requirements affecting any Real Property that is material to the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole.

4.21 *Certain Business Relationships with Dole.* Except as set forth on Schedule 4.21, (i) other than the Transaction Documents, none of Dole or its Affiliates, or their respective directors, officers and employees will be, immediately following the Closing, party to any material business transaction with any Acquired Entity (other than serving in their capacities as directors, officers or employees of an Acquired Entity) for the benefit of Dole or its Affiliates, or their respective directors, officer and employees, and (ii) none of Dole, its Affiliates or their respective directors, officers and employees has any ownership interest in any material asset, tangible or intangible, that is used in the Business.

4.22 *Government Contracts.* Except as set forth on Schedule 4.22, no Acquired Entity is currently a party to nor has been a party to during the past eighteen (18) months from the date hereof any Contracts with any Governmental Authority outside of the Ordinary Course of Business.

4.23 *Ethical Practices.*

(a) No Acquired Entity nor any of their respective directors, officers or employees has, and, to the Knowledge of Dole, no joint venture partner of any Acquired Entity has, offered money or given anything of value to: (x) any official of a Governmental Authority, any employee of a state-owned enterprise, any political party or official thereof, or any candidate for political office; (y) any customer or member of any Governmental Authority or state-owned enterprise; or (z) any other Person, in each of (x), (y) or (z), while knowing or having reason to know that all or a portion of such money or thing of value may be offered, given or promised, directly or indirectly, to any customer, member or employee of a Governmental Authority or state-owned enterprise, or candidate for political office for the purpose of the following: (i) influencing any action or decision of such Person, in such capacity, including in the case of any member or employee of a Governmental Authority or state-owned enterprise, a decision to fail to perform his, her or its official function; (ii) inducing such Person to use his, her or its influence with any Governmental Authority or state-owned enterprise to affect or influence any act or decision of such government or instrumentality to assist the Business in obtaining or retaining business for, or with, or directing business to, any Person; or (iii) where such payment or thing of value would constitute a bribe, kickback or illegal or improper payment or gift to assist any Acquired Entity in obtaining or retaining business for, or with, or directing business to, any Person.

(b) Each Acquired Entity has adopted (either directly or indirectly by adoption thereof by Dole for itself and its subsidiaries) and observes policies prohibiting the use of underage labor, slave labor and human trafficking in connection with the Business and requires the same of each critical supplier to the Business. To Dole's Knowledge, there is no Proceeding pending or threatened in writing involving any Acquired Entity or the Business alleging any use of underage labor, slave labor or human trafficking in connection with the Business.

(c) Each Acquired Entity is in material compliance with applicable Legal Requirements prohibiting false, misleading or other similar deceptive labeling practices, and there is no pending or, to Dole's Knowledge, threatened-in-writing Proceeding involving any Acquired Entity or the Business alleging a violation of any such applicable Legal Requirements.

4.24 *Disclosure.* As of their respective dates, Dole's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and Dole's Quarterly Report on Form 10-Q for the quarterly period ended June 16, 2012, as filed with the SEC and in each case including financial statements, exhibits and all other information incorporated by reference therein, (i) complied as to form in all material respects with the applicable requirements of the Exchange Act and the Securities Act and (ii) did not contain any untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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**SECTION 5**

**PRE-CLOSING COVENANTS**

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing:

5.1 *General.* Each of the Parties will use its commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including the satisfaction, but not waiver, of the Closing conditions set forth in Section 7 below).

5.2 *Intercompany Agreements.*

(a) Except as otherwise agreed by the Parties in writing, Dole shall consummate, and shall cause its Affiliates to consummate, the following transactions prior to the Closing Date, in each case subject to and in accordance with the other provisions of this Section 5.2:

(i) Dole shall cause DAL to be incorporated in accordance with Section 2.1(a), with the particulars of DAL upon establishment to be as notified by ITOCHU to Dole in writing as soon as reasonably practicable after the date hereof, but in no event later than seven (7) Business Days after the date hereof. Dole shall obtain ITOCHU's written consent (not to be unreasonably withheld, conditioned or delayed) prior to adopting or filing with any Governmental Authority, or making any subsequent amendments or other changes to, any memorandum of association, articles of association, charter, by-laws or other constitutional or organizational documents of DAL.

(ii) Dole shall, or shall cause its appropriate Affiliate to, (x) take all such actions as are necessary to transfer, convey, assign, grant, set over and deliver to DAL or one of the Acquired Entities (other than DPF or its subsidiary) the equity interests of each entity as set forth on Schedule 5.2(a)(ii) (the ***Transferred Equity Interests***), such that DAL or such other Acquired Entity, as set forth on Schedule 5.2(a)(ii), will acquire all of the assigning party's legal right, title, and interest in and to such Transferred Equity Interests (in each case free and clear of any restrictions on transfers, Liens, claims, options, warrants, purchase rights, Contracts, commitments or demands, except as set forth on Schedule 4.5), and (y) sign, execute, make and do all such deeds, documents, agreements, acts and things as are necessary to accomplish the foregoing (such deed, documents and agreements, the ***Intercompany Equity Agreements***).

(iii) Dole shall ensure that the transfers of the Transferred Equity Interests under Section 5.2(a)(ii) are effected such that, as of the Closing, the ownership and holding structure of the Acquired Entities shall be as set forth in Schedule 5.2(a)(iii), provided, however, that Dole may make changes to the structure set forth in Schedule 5.2(a)(iii), after providing notice to ITOCHU of such changes and reasonably discussing such changes with ITOCHU, provided that such changes do not adversely affect ITOCHU; provided, further, that reasonably in advance of the Closing, Dole may only make any further changes to the structure set forth in Schedule 5.2(a)(iii) with the prior written consent of ITOCHU, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything in this Section 5.2(a)(iii) to the contrary, no such changes to the structure set forth in Schedule 5.2(a)(iii) shall intermingle any U.S. entities or assets with any non-U.S. entities or assets.

(iv) Dole shall, or shall cause its appropriate Affiliate to, (x) take all such actions as are necessary to transfer, convey, assign, grant, set over and deliver to DAL or one of the Acquired Entities (other than DPF or its subsidiary) the assets and Contracts set forth on Schedule 5.2(a)(iv), such that DAL or such other Acquired Entity, as set forth on Schedule 5.2(a)(iv), will acquire all of the assigning party's legal right, title, and interest in and to such assets and Contracts, and (y) sign, execute, make and do all such deeds, documents, agreements, acts and things as are reasonably necessary to accomplish the foregoing (such deed, documents and agreements, the ***Intercompany Asset Agreements***).

(v) Dole shall, or shall cause its appropriate Affiliate (other than any Acquired Entity) to, take all such actions as are necessary to transfer, convey, assign, grant, set over and deliver to DAL and DPF,

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respectively, the DAL IP and the DPF IP identified in Schedule 5.2(a)(v) hereto and in Exhibit D to the Brand Agreement (collectively, the *Assigned Intellectual Property Rights* ), such that DAL and DPF, as applicable, will acquire all of the assigning party's right, title, and interest in and to such Assigned Intellectual Property Rights, the same to be held by the transferee thereof, as fully and entirely as the same would have been held and enjoyed by the assigning party if such assignment of the Assigned Intellectual Property Rights had not been made, and to sign, execute, make and do all such deeds, documents, agreements, acts and things as are necessary to accomplish the foregoing (such deeds, documents and agreements, collectively with the Intercompany Equity Agreements and the Intercompany Asset Agreements, the *Intercompany Agreements* ).

(vi) Dole shall enter into the Brand Agreement with DAL and DPF.

(vii) In effecting the transactions contemplated by this Section 5.2, and except as may be required to consummate such transactions in compliance herewith Dole shall not, and shall not permit any of its Affiliates to, transfer any Liabilities to or assets from the Acquired Entities, except Cash and Cash Equivalents.

(b) Dole shall ensure that the Intercompany Agreements are consistent with the provisions of this Section 5.2. Dole shall, if requested by ITOCHU, provide drafts of the Intercompany Agreements for ITOCHU's review.

(c) It is the Parties' intent that at the Closing and as of the Closing Date, (i) each Acquired Entity shall have no Indebtedness for Borrowed Money or Cash and Cash Equivalents and (ii) the Acquired Entities, on the one hand, and Dole and its Affiliates (other than the Acquired Entities), on the other hand, shall each cancel or otherwise eliminate all intercompany payables to and receivables from the other (whether trade, note or other intercompany payables or receivables), in each case for no consideration, such that no such receivables to or payables from the other exist as of the Closing Date. Promptly following the Closing, (x) to the extent that there is excess Cash and Cash Equivalents in any Acquired Entity as of the Closing, ITOCHU shall pay to Dole an aggregate amount equal to such excess Cash and Cash Equivalents for all Acquired Entities and (y) to the extent that any Acquired Entity has any outstanding Indebtedness for Borrowed Money as of the Closing, Dole shall pay to ITOCHU an aggregate amount equal to such outstanding Indebtedness for Borrowed Money for all Acquired Entities.

**5.3 Notices and Consents.** Dole will cause DAL and DPF to give any notices to third parties, and will obtain any third-party consents set forth on Schedule 5.3.

**5.4 Removal of Liens.** At or prior to the Closing Dole shall obtain the Lien Releases.

**5.5 Operation of Business.** Except as specifically contemplated herein or in the other Transaction Documents, and except in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2, Dole shall procure that the Acquired Entities will conduct the Business in the Ordinary Course of Business. Without limiting the generality of the foregoing, except as specifically contemplated herein or in the other Transaction Documents, or except in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2, Dole will not cause or permit any Acquired Entity to, without the prior written consent of ITOCHU in each instance, which may not be unreasonably conditioned, withheld or delayed: (a) declare, set aside or pay any dividend or make any distribution with respect to its capital stock or redeem, purchase or otherwise acquire any of its capital stock; (b) transfer any material assets to Dole or any Related Party; (c) increase or modify the compensation or benefits granted to any employee (except for changes in compensation or benefits in the Ordinary Course of Business or pursuant to Contracts existing as of the date of this Agreement); (d) make any change in the accounting methods or practices followed by any Acquired Entity other than in a manner consistent with GAAP; (e) except in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2, make or change any material Tax election, file any material amended Tax Return, enter into any material closing agreement, settle any material Tax claim or assessment, knowingly surrender any right to claim a material Tax refund, or consent to the extension or waiver of the limitations period applicable to any material Tax claim or assessment, provided, however, that nothing in this Section 5.5(e) shall limit in any way Dole's ability to take such actions with respect

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to the consolidated, combined or unitary Tax Returns of Dole and its subsidiaries, unless such actions would have a material adverse effect on any Acquired Entity or would result in material additional Tax Liabilities for any Acquired Entity for any Post-Closing Tax Period; (f) commence or settle any Proceeding involving payment or receipt of more than \$5 million; or (g) take any action that, if taken after the Most Recent Fiscal Quarter End, would be required to be disclosed on Schedule 4.7 in order to make the representations and warranties set forth in Section 4.7 true and correct as of the Closing Date.

**5.6 Full Access; Cooperation.** Dole will permit, and shall cause the Acquired Entities to permit, upon reasonable advance written notice, representatives of ITOCHU (including legal counsel and accountants) to have access, in a manner so as not to unreasonably interfere with the normal business operations of the Acquired Entities, to all premises, properties, personnel, books, records (including Tax records but only to the extent reasonably relevant to the Business and provided that nothing herein shall grant ITOCHU access to any income Tax Return of Dole except to the extent that such income Tax Returns contain a pro forma income Tax Return related solely to the Business), contracts and documents of or pertaining to the Acquired Entities or the Business, and subject to Dole's prior approval, which approval will not be unreasonably withheld or delayed, and subject to the terms of the Confidentiality Agreement, to the directors, officers, employees, customers and suppliers of the Acquired Entities; provided, however, that any such access or furnishing of information shall be conducted at ITOCHU's expense, during normal business hours and under the supervision of such Acquired Entity's personnel; and provided further that access to such customers and suppliers shall be subject to such reasonable procedures as may be agreed by the Parties. Without limiting the foregoing, Dole agrees to reasonably cooperate with ITOCHU in connection with ITOCHU's transition efforts with respect to the Business prior to the Closing, including permitting ITOCHU and its representatives to conduct training sessions for the employees of the Acquired Entities at such times and in a manner coordinated with and reasonably acceptable to Dole. Notwithstanding anything to the contrary in this Agreement, Dole shall not be required to disclose any information or permit any access to ITOCHU or its Representatives if such disclosure would, in Dole's reasonable judgment, (i) jeopardize any attorney-client or other legal privilege or (ii) contravene any applicable Legal Requirements, fiduciary duty or binding agreement entered into prior to the date hereof.

**5.7 Notice of Developments.** Each Party will give prompt written notice to the other Party of any breach of any of its representations and warranties in Sections 3.1, 3.2 or 4 above, as applicable and the covenants in this Section 5. Dole shall have the right from time to time prior to the Closing to supplement or amend the Disclosure Schedules, and ITOCHU shall have the right from time to time prior to the Closing to supplement or amend Schedule 3.2, in each case with respect to events or conditions arising or discovered after the date hereof and prior to Closing which, if existing or known at the date of this Agreement, would have been required or permitted to be set forth or described in the Disclosure Schedules (in the case of Dole) or Schedule 3.2 (in the case of ITOCHU); provided, however, that a Party shall not have the right to supplement or amend the Disclosure Schedules (in the case of Dole) or Schedule 3.2 (in the case of ITOCHU) pursuant to the foregoing with respect to events or conditions that existed prior to the date hereof but discovered after the date hereof and prior to the Closing unless such Party could not have discovered such events or conditions prior to the date of this Agreement without unreasonable investigation. Any such supplemental or amended disclosure shall be deemed to have cured any breach of any representation or warranty made in this Agreement for purposes of the indemnification provided for herein, but shall not be deemed to have cured any such breach of representation or warranty for purposes of determining whether or not the conditions set forth in Section 7 have been satisfied. If prior to the Closing, a Party shall have Knowledge that any breach of a representation or warranty of the other Party has occurred (other than through notice from such breaching Party), the Party with such Knowledge shall promptly so notify the breaching Party, in reasonable detail. Nothing in this Agreement, including this Section 5.7, shall imply that any Party is making any representation or warranty as of any date other than the date of this Agreement and as of the Closing, as set forth above.

**5.8 Exclusivity.**

(a) Dole agrees that it shall not, and that it shall direct its Representatives not to, directly or indirectly, (i) initiate, solicit or knowingly encourage any inquiries, proposals or offers with respect to, or the making or completion of, an Acquisition Proposal, (ii) engage or participate in any negotiations concerning, or provide or cause to be provided any non-public information or data relating to any portion of the Business or

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any Acquired Entity in connection with, an Acquisition Proposal, (iii) approve, endorse or recommend any Acquisition Proposal or (iv) approve, endorse or recommend, or execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement relating to an Acquisition Proposal. Dole agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted heretofore with respect to any Acquisition Proposal. Furthermore, neither the Dole board of directors nor any committee thereof shall (i) withdraw or modify in a manner adverse to ITOCHU, or publicly propose to withdraw or modify in a manner adverse to ITOCHU, its recommendation of this Agreement or the transactions contemplated hereby, or (ii) approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal (any of such actions, an ***Adverse Recommendation Change*** ).

(b) Notwithstanding anything to the contrary in Section 5.8(a):

(i) At any time prior to obtaining Stockholder Approval, Dole may, in response to an unsolicited bona fide written Acquisition Proposal that did not result from a breach of Section 5.8(a) and that the Dole board of directors determines in good faith constitutes or may reasonably be expected to lead to a Superior Proposal, (x) furnish information with respect to Dole and its subsidiaries, the Business or any Acquired Entity to the Person making such Acquisition Proposal pursuant to a customary confidentiality agreement on terms substantially similar to those contained in the Confidentiality Agreement (except for such changes specifically necessary in order for Dole to be able to comply with its obligations under this Agreement); provided, however, that Dole shall promptly (and in any event within forty-eight (48) hours) provide to ITOCHU any material non-public information concerning the Business or any Acquired Entity that is provided to such Person to the extent not previously provided to ITOCHU, and (y) participate in discussions or negotiations with such Person and its Representatives regarding such Acquisition Proposal.

(ii) At any time prior to obtaining Stockholder Approval, the Dole board of directors or any committee thereof may (x) effect an Adverse Recommendation Change if the Dole board of directors determines in good faith, after consultation with outside legal counsel that the failure of it or any committee thereof to effect an Adverse Recommendation Change would be inconsistent with the Dole board of directors' exercise of its fiduciary duties, and the Dole board of directors or any committee thereof may only so effect an Adverse Recommendation Change if Dole also simultaneously (y) terminates this Agreement pursuant to Section 10.1(d)(ii); provided, however, that prior to taking any such action:

a) Dole shall notify ITOCHU in writing, at least five (5) days (the ***Notice Period*** ) before making an Adverse Recommendation Change and terminating this Agreement, of its intention to take such action, which notice shall, (1) expressly state that Dole has received an Acquisition Proposal that is a Superior Proposal and that the Dole board of directors intends to make an Adverse Recommendation Change and terminate this Agreement pursuant to Section 10.1(d)(ii), (2) identify the Person making such Superior Proposal, and (3) include a copy of the most current version of the proposed agreement (or other transaction document) relating to such Superior Proposal;

b) Dole shall, during the Notice Period, negotiate with ITOCHU in good faith to make such adjustments in the terms and conditions of this Agreement such that such Acquisition Proposal ceases to constitute a Superior Proposal if ITOCHU, in its sole discretion, proposes to make such adjustments; and

c) Dole's board of directors shall determine in good faith, after consulting with outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal even after taking into account any adjustments to the terms and conditions of this Agreement agreed to by ITOCHU during the Notice Period,

provided, further, that if, as of the end of the Notice Period, ITOCHU has not agreed in writing to the terms and conditions described above that would cause such Acquisition Proposal to cease to constitute

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a Superior Proposal, then Dole shall have no further obligations to ITOCHU under clauses (a) through (c) of the foregoing proviso and may proceed with its right to effect an Adverse Recommendation Change and terminate this Agreement pursuant to Section 10.1(d)(ii). Notwithstanding any other provision herein to the contrary, Dole may terminate this Agreement pursuant to Section 10.1(d)(ii) only if it concurrently effects an Adverse Recommendation Change in accordance with this Section 5.8(b)(ii).

(iii) Dole or the Dole board of directors may (x) take and disclose to its stockholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act (or make any similar communication to stockholders in connection with the making or amendment of a tender offer or exchange offer) or (y) make any required disclosure to Dole's stockholders, in each case, if in the good faith judgment of the Dole board of directors, after consultation with outside legal counsel, failure to do so would reasonably be expected to violate its obligations under applicable Legal Requirements.

(iv) It is understood and agreed that any determination or action by the Dole board of directors permitted under this Section 5.8(b) or Section 10.1(d)(ii) shall not be deemed to be a breach of Section 5.8(a).

(c) Dole promptly (and in any event within 48 hours) shall advise ITOCHU orally and in writing of any written Acquisition Proposal that is reasonably likely to lead to a Superior Proposal, including in each case the identity of the Person making any such Acquisition Proposal, inquiry or request and the material terms of any such Acquisition Proposal, inquiry or request. Dole shall keep ITOCHU fully informed, on a reasonably current basis, of the status and material terms of any such Acquisition Proposal, including any material amendments or proposed amendments to the material terms thereof.

**5.9 Confidentiality.** The Parties shall adhere to the provisions regarding Confidential Information set forth in the Confidentiality Agreement.

**5.10 Competition Filings.** Subject to the terms and conditions provided in this Agreement, each Party shall use its commercially reasonable efforts to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, all things necessary, proper or advisable to file with the relevant Governmental Authorities overseeing competition or merger control issues in each relevant jurisdiction (including the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice), all relevant documents, filings, and other materials required or requested by those Governmental Authorities. Dole and ITOCHU each shall promptly supply the other with any documents or information which may be reasonably required to be exchanged in order to effectuate such filings, provided, however, that disclosure of such documents or information may be limited to outside counsel of the receiving Party at the discretion of the disclosing Party. Dole and ITOCHU shall use commercially reasonable efforts to facilitate and expedite the identification and resolution of any issues arising under the Antitrust Laws at the earliest practicable dates. Such commercially reasonable efforts and cooperation include each Party's agreement (i) to keep each other appropriately informed of communications from and to personnel of the reviewing Governmental Authorities, and (ii) to confer with each other regarding appropriate contacts with and response to personnel of such Governmental Authorities and the content of any such contacts or presentations, in each case unless prohibited by applicable law. Unless prohibited by the applicable Governmental Authority, each of ITOCHU and Dole shall promptly inform the other of any oral communication with, and provide copies of written communications with, any relevant Governmental Authority regarding any such filings in advance of such communications. No Party shall independently participate in any formal meeting with any Governmental Authority in respect of any such filings, investigation or other inquiry without giving the other Party prior notice of the meeting or telephone call and, to the extent permitted by such Governmental Authority, the opportunity to attend and/or participate. Subject to applicable Legal Requirements, the Parties will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party hereto relating to proceedings under any federal, national, state or foreign statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other laws (including the HSR Act) that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (collectively, the *Antitrust Laws*).

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5.11 *Resignations.* Dole shall cause each director and officer of each Acquired Entity (other than those whom ITOCHU shall have specified in writing at least five (5) Business Days prior to the Closing), to resign effective as of the Closing.

5.12 *Preparation of Proxy Statement; Stockholders Meeting.*

(a) As promptly as reasonably practicable following the date of this Agreement, Dole shall, with the assistance of ITOCHU, prepare the Proxy Statement and file the Proxy Statement with the SEC. Dole and ITOCHU will cooperate with each other in the preparation of the Proxy Statement, including by providing drafts thereof. Without limiting the generality of the foregoing, ITOCHU will furnish to Dole the information relating to it required by the Exchange Act to be set forth in the Proxy Statement. Dole shall use its commercially reasonable efforts to resolve all SEC comments with respect to the Proxy Statement as promptly as practicable after receipt thereof. Each of Dole and ITOCHU agree to correct any information provided by it for use in the Proxy Statement which shall have become false or misleading. Dole shall, as soon as reasonably practicable, notify ITOCHU of the receipt of any comments from the SEC with respect to the Proxy Statement and any request by the SEC for any amendment to the Proxy Statement or for additional information and, in each case, provide ITOCHU with copies thereof and drafts of any amendments to the Proxy Statement to be filed in response thereto.

(b) As promptly as reasonably practicable following the clearance of the Proxy Statement by the SEC, Dole, acting through its board of directors, shall (i) take all action necessary to duly call, give notice of, convene and hold a meeting of its stockholders for the purpose of obtaining the Stockholder Approval (the *Stockholders Meeting*) and (ii) include in the Proxy Statement the recommendation of the Dole board of directors that the Dole stockholders vote in favor of the approval of this Agreement; provided, however, that Dole shall be permitted to delay or postpone convening the Stockholders Meeting (but not beyond the Termination Date) if in the good faith judgment of the Dole board of directors or any committee thereof (after consultation with outside legal counsel) any failure to delay or postpone would be inconsistent with its fiduciary duties under applicable law or necessary to obtain the Stockholder Approval.

5.13 *Financial Statements.* In the event that the Closing has not occurred prior to December 1, 2012, Dole shall deliver to ITOCHU the unaudited combined balance sheet for the Business as at October 6, 2012 and the related unaudited statements of income, equity and cash flows for the period then ended, and such financial statements shall be included (in addition to and not in replacement of those referred to in Section 4.6) in the *Most Recent Unaudited Financial Statements* and the *Financial Statements* for purposes of Section 4.6 as of the Closing Date.

5.14 *Acknowledgment by ITOCHU.* ITOCHU acknowledges that it has conducted to its satisfaction an independent investigation and verification of the financial condition, results of operations, assets, liabilities, properties and projected operations and prospects of the Acquired Entities, and, in making its determination to proceed with the transactions contemplated by this Agreement and the other Transaction Documents, ITOCHU has relied solely on the results of its own independent investigation and verification and the representations and warranties of Dole expressly and specifically set forth in Section 3.1 and Section 4, each as qualified by the attached Disclosure Schedules. The representations and warranties by Dole expressly and specifically set forth in Section 3.1 and Section 4, constitute the sole and exclusive representations, warranties, and statements of any kind of Dole to ITOCHU in connection with the transactions contemplated hereby, and ITOCHU understands, acknowledges and agrees that, except as may be set forth in the other Transaction Documents, all other representations, warranties, and statements of any kind or nature expressed or implied (including any relating to the future or historical financial condition, results of operations, prospects, assets or liabilities of the Acquired Entities, or the quality, quantity or condition of the Acquired Entities' assets) are specifically disclaimed by Dole. ITOCHU SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF DOLE SET FORTH IN SECTION 3.1 AND SECTION 4, AND EXCEPT AS MAY BE SET FORTH IN THE OTHER TRANSACTION DOCUMENTS, NONE OF THE ACQUIRED ENTITIES, DOLE OR ANY OTHER PERSON (INCLUDING, ANY STOCKHOLDER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF ANY OF THE FOREGOING, WHETHER IN ANY INDIVIDUAL, CORPORATE OR ANY OTHER CAPACITY) IS MAKING, AND ITOCHU IS NOT RELYING ON, ANY



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REPRESENTATIONS, WARRANTIES, OR OTHER STATEMENTS OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO ANY MATTER CONCERNING ANY ACQUIRED ENTITIES, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, OR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED TO (OR OTHERWISE ACQUIRED BY) ITOCHU OR ANY OF ITOCHU'S REPRESENTATIVES.

**SECTION 6**

**POST-CLOSING COVENANTS**

The Parties agree as follows with respect to the period following the Closing:

**6.1 General.** In case at any time after the Closing any further actions are necessary or desirable to consummate the transactions contemplated by this Agreement, each of the Parties will take all such commercially reasonable further actions (including the execution and delivery of such further instruments and documents) as the other Party may reasonably request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8 below). Dole acknowledges and agrees that from and after the Closing, ITOCHU shall be entitled to possession of all documents, books, records (excluding Tax records, the treatment of which is provided in Section 9.7), agreements and financial data of any sort in the possession of Dole after the Closing relating to the Acquired Entities.

**6.2 Litigation Support.** In the event and for so long as a Party actively is contesting or defending against any Proceeding in connection with (a) any transaction contemplated under this Agreement or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction on or prior to the Closing Date involving any Acquired Entity or the Business, the other Party will reasonably cooperate with it and its counsel in the contest or defense, make available its (including to the extent applicable, the Acquired Entities ) personnel, and provide such testimony and access to its (including to the extent applicable, the Acquired Entities ) books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8 below).

**6.3 Transition.** Dole will not (and will not cause any Related Party to) take any action that is intended to have the effect of discouraging any lessor, licensor, customer, supplier or other business associate of any Acquired Entity or the Business from maintaining the same business relationships with the Business after the Closing as it maintained with the Business prior to the Closing. Dole will refer all customer inquiries relating to the Business to the Acquired Entities from and after the Closing.

**6.4 Post-Closing Confidentiality.** Dole agrees and acknowledges that, from and after the Closing, all of the Confidential Information solely relating to either any Acquired Entity or the Business (the **Post-Closing Confidential Information** ) will be proprietary to and owned by the Acquired Entities, and Dole shall treat and hold all such Post-Closing Confidential Information as confidential; provided, that **Post-Closing Confidential Information** shall not include: (i) any information that is or has become generally available to the public (other than as a result of disclosure by Dole in breach of this Agreement or the Transaction Documents); (ii) any information that has been independently developed by Dole or its Representatives after the Closing entirely from sources other than the Post-Closing Confidential Information; and (iii) information made available after the Closing to Dole or its Representatives on a non-confidential basis by any third party not prohibited from disclosing such information by a legal obligation to any other Person. Notwithstanding the foregoing, Dole may disclose Post-Closing Confidential Information to the extent such disclosure is (x) required by Legal Requirement, or legal process, including pursuant to the rules or regulations of any national securities regulator or any listing agreement with, or the rules or regulations of, any national securities exchange or national quotation system on which any securities of Dole are listed or traded (including any periodic reports to shareholders required by SEC or NYSE rules or regulations) or (y) legally compelled to do so under the terms of a subpoena, order, civil investigative demand or similar process issued by a Governmental Authority. In the event that Dole or any of its Representative is requested or required pursuant to written or oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process to disclose

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any Post-Closing Confidential Information, Dole shall notify ITOCHU promptly of the request or requirement so that ITOCHU may seek an appropriate protective order or waive compliance with the provisions of this Section 6.4. If, in the absence of a protective order or the receipt of a waiver hereunder, Dole or any Representative of Dole is, on the advice of counsel, compelled to disclose any Post-Closing Confidential Information to any Governmental Authority, Dole or any such Dole Representative may disclose such Post-Closing Confidential Information to such Governmental Authority; provided, however, that Dole or such Representative of Dole, as applicable, shall use its reasonable best efforts to obtain, at the request of ITOCHU, an order or other assurance that confidential treatment will be accorded to such portion of the Post-Closing Confidential Information required to be disclosed as ITOCHU shall designate.

### 6.5 *Employee Matters.*

(a) Without limiting any additional rights that any actively employed employee of the Business (each a ***Business Employee***) may have under any Employee Benefit Plan, ITOCHU shall use its commercially reasonable efforts to cause the Acquired Entities, for the period commencing on the Closing Date and ending twelve (12) months thereafter, to provide to the Business Employees, compensation, employee benefits, vacation, sick leave and severance (if any) that are comparable to the compensation, employee benefits, vacation, sick leave and severance (if any) provided to such Business Employees immediately prior to the Closing Date. As of the Closing Date, ITOCHU will give Business Employees full credit for purposes of eligibility and vesting and benefit accruals (but, other than with respect to the Acquired Entities Benefit Plans, not for purposes of benefit accruals under any defined benefit pension plans or other similar tax-qualified retirement plans), under any employee compensation, incentive, and benefit (including vacation) plans, programs, policies and arrangements maintained for the benefit of Business Employees on and after the date of Closing by ITOCHU or any of its Affiliates for the Business Employees' service with Dole and the Acquired Entities and their predecessor entities to the same extent recognized by Dole and/or the Acquired Entities immediately prior to the Closing Date. As used herein, ***actively employed*** means an employee of the Business who, on the Closing Date, is actively at work, or absent from work on account of paid time off, vacation, sick or personal leave, authorized leave of absence, or military leave.

(b) All Liabilities and assets relating to or in respect of the Business Employees and the former employees of the Business under the tax-qualified defined benefit pension plan maintained by Dole named the Consolidated Retirement Plan for Dole Food Company, Inc., Plan No. 029 (the ***Dole U.S. Pension Plan***) and the supplemental retirement and supplemental pension plan named the Dole Food Company Supplemental Executive Retirement Plan and the Dole Food Company, Inc. Excess Savings Plan (the ***Dole SERPs***) shall continue to be Liabilities of Dole and Liabilities and assets of the Dole U.S. Pension Plan and the Dole SERPs, as applicable, and Dole shall continue to sponsor and administer, and be solely responsible for all Liabilities with respect to, the Dole U.S. Pension Plan and the Dole SERPs for the benefit of the Business Employees and the former employees of the Business; provided, however, that ITOCHU shall pay Dole an amount equal to the aggregate unfunded liability of Dole with respect to the Business Employees and the former employees of the Business as at December 31, 2011, under the Dole U.S. Pension Plan and the Dole SERPs, which shall be the amount confirmed by ITOCHU in writing based upon the Financial Statements (the ***Pension Amount***), which confirmation shall be binding on all parties for all purposes under this Agreement, or at ITOCHU's option exercised by written notice to Dole prior to Closing, ITOCHU may choose to assume the Dole U.S. Pension Plan and the Dole SERPs with respect to the Business Employees and the former employees of the Business and accept the transfer of all assets and liabilities in connection therewith, which option may only be exercised if Dole and ITOCHU are able to mutually agree, prior to Closing, on the terms and conditions of any such assumption. The Pension Amount shall either be paid to Dole on the Closing Date in a lump sum of immediately available funds or, in ITOCHU's discretion, in periodic installments over up to five (5) years following the Closing Date, plus, if installment payments are elected, interest accrued at a rate of 4.5% per annum, compounded annually. For the avoidance of doubt, Dole may exercise, after the Closing Date, any or all of its right to amend, modify or terminate any such plans.

(c) Effective immediately prior to the Closing Date, Dole shall cause the Acquired Entities to withdraw as participating employers under the tax-qualified defined contribution plans maintained by Dole named the

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401(k) Plan for Salaried Employees of Dole Food Company, Inc. and Participating Divisions and Subsidiaries and the 401(k) Plan for Hourly Employees of Dole Food Company, Inc. and Participating Divisions and Subsidiaries (the *Dole 401(k) Plans* ), fully vest the Business Employees in their accounts under the Dole 401(k) Plans.

(d) Effective as of the Closing Date, all Acquired Entities Benefit Plans for the benefit of the Business Employees and former employees of the Business shall continue to be maintained by the Acquired Entities subject to their terms and applicable Legal Requirements (including any funding responsibilities and related administrative duties).

(e) ITOCHU shall pay and be solely responsible for, and shall indemnify and hold harmless Dole and its Affiliates (other than the Acquired Entities) for, all severance rights or obligations related to any employee of the Business (including, without limitation, under any change of control agreements), whether or not such employee is or becomes a Business Employee, or otherwise is or becomes an employee of ITOCHU or any of its Affiliates on or after the Closing Date, arising after the Closing with respect to or on behalf of an Acquired Entity, unless such severance right occurs solely as a result of a termination of employment by Dole prior to the Closing or any other action taken by Dole prior to the Closing (including the execution of this Agreement and the consummation of the transactions contemplated hereby, in each case standing alone without regard to any subsequent termination of employment). ITOCHU may, in its sole discretion, enter into new Contracts providing for severance and/or change of control benefits with any of the Business Employees who are parties to change of control agreements with Dole, so long as any such Contracts provide for a complete release of Dole from any claims for severance or other benefits under the terms of the change of control agreement between such Business Employee and Dole.

(f) On and after the Closing Date, the Employee Benefit Plans of Dole and its Affiliates, other than the Acquired Entities Benefit Plans, including, without limitation, any assets and Liabilities related thereto (including any funding responsibilities and related administrative duties) shall be retained by Dole and its Affiliates (other than the Acquired Entities); and Dole shall indemnify and hold ITOCHU, the Acquired Entities and ITOCHU's Affiliates harmless with respect to all Liabilities under or relating thereto. For the avoidance of doubt, the Parties agree that all retiree medical and life insurance benefits and Liabilities under the Dole Food Company, Inc. Retiree Plan Under Age 65 and the Health & Welfare Plan for U.S. Salaried Retirees Age 65 and Older of Dole Food Company, Inc. and Participating Divisions and Subsidiaries related to the Business Employees and former employees of the Business shall continue to be retained by Dole and neither ITOCHU nor the Acquired Entities will have any Liabilities relating thereto. Dole shall or shall cause its Affiliates to maintain and administer all of the Employee Benefit Plans of Dole and its Affiliates in accordance with their terms and in compliance with all applicable Legal Requirements with the exception of the full vesting requirement of Business Employees' accounts under the Dole 401(k) Plans as provided in Section 6.5(c). For the avoidance of doubt, Dole may exercise, after the Closing Date, any or all of its right to amend, modify or terminate any such plans.

(g) ITOCHU shall or shall cause its Affiliates to maintain and administer all of the Acquired Entities Benefit Plans in accordance with their terms and in compliance with all applicable Legal Requirements. ITOCHU shall indemnify and hold Dole harmless for any claims arising after the Closing Date under any of the Acquired Entities Benefit Plans. In addition, ITOCHU and Dole shall cooperate with each other in the transition of the Acquired Entities Benefit Plans relating to the Business Employees from Dole to ITOCHU. From and after the Closing Date, ITOCHU and Dole shall also cooperate with each other and provide to each other any information reasonably requested by Dole or ITOCHU in connection with any Proceeding or other inquiry relating to the Business Employees and/or any of the Acquired Entities Benefit Plans.

(h) Notwithstanding any other provision of this Agreement to the contrary, Dole's obligations under this Section 6.5 shall not be subject to the limitations set forth in Section 8.2(b), nor shall any amount paid by Dole pursuant to this Section 6.5 be counted towards any aggregate Liability limits provided in Section 8.2(b). Notwithstanding any other provision in this Agreement to the contrary, ITOCHU's obligations under this Section 6.5 shall not be subject to the limitations set forth in Section 8.3(b), nor shall any amounts paid by ITOCHU pursuant to this Section 6.5 be counted towards any aggregate Liability limits provided for in Section 8.3(b)

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6.6 *Access to Information*

(a) Upon prior advance written notice, Dole shall afford ITOCHU and its officers, employees, agents, accountants, counsel and other representatives reasonable access following the Closing to (i) all of Dole's records concerning the Acquired Entities and the Business, including the relevant books and records and (ii) other information concerning the business, properties and personnel (subject to restrictions imposed by applicable Legal Requirement) of the Acquired Entities and the Business, in each case as shall not have otherwise been delivered by Dole to ITOCHU prior to or at the Closing, as ITOCHU may reasonably request; provided, however that Dole shall have the right to exclude from any such records or information provided to ITOCHU any information unrelated to the Acquired Entities or the Business. No information or knowledge obtained in any investigation pursuant to this Section 6.6 shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions contemplated hereby in accordance with the terms and provisions hereof.

(b) Each Party shall, to the extent the other Party may reasonably request in connection with any filing requirements under applicable securities laws: (i) cooperate in good faith in the preparation of any such filing and (ii) make personnel of such Party or its Affiliates reasonably available to assist in the preparation of such filings. Dole acknowledges that ITOCHU may be required to disclose financial statements and information concerning the Acquired Entities in filings with relevant authorities (including but not limited to the Prime Minister of Japan, the Financial Services Agency (*Kinyucho*) of Japan and the Tokyo Stock Exchange).

**SECTION 7**

**CONDITIONS TO OBLIGATION TO CLOSE**

7.1 *Conditions to ITOCHU's Obligation.* ITOCHU's obligation to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(a) the representations and warranties set forth in Section 3.1 and Section 4 above shall be true and correct in all material respects at and as of the Closing, except to the extent that such representations and warranties are qualified by the term *material* or contain terms such as *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*, in which case such representations and warranties (as so written, including the term *material*, *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*) shall be true and correct in all respects at and as of the Closing;

(b) Dole shall have performed and complied with all of its covenants hereunder in all material respects through the Closing (including, without limitation, delivery of all agreements, instruments or other documents required to be delivered by Dole at or prior to the Closing), except to the extent that such covenants are qualified by the term *material* or contain terms such as *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*, in which case such Persons shall have performed and complied with all of such covenants (as so written, including the term *material*, *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*) in all respects through the Closing;

(c) Dole shall have satisfied its obligations in all material respects under Section 5.2(a);

(d) all waiting or similar periods, if any, under applicable Antitrust Laws relating to the transactions contemplated hereby shall have expired or terminated, and all other material approvals and consents of Governmental Authorities required to consummate the transactions contemplated hereby shall have been obtained and be in full force and effect;

(e) there shall not have occurred a *Material Adverse Change*; and

(f) the *Stockholder Approval* shall have been obtained.

ITOCHU may waive any condition specified in this Section 7.1 if it executes a writing so stating at or prior to the Closing.

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*7.2 Conditions to Dole's Obligation.* The obligation of Dole to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

- (a) the representations and warranties set forth in Section 3.2 above shall be true and correct in all material respects at and as of the Closing, except to the extent that such representations and warranties are qualified by the term *material* or contain terms such as *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*, in which case such representations and warranties (as so written, including the term *material*, *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*) shall be true and correct in all respects at and as of the Closing;
- (b) ITOCHU shall have performed and complied with all of its covenants hereunder in all material respects through the Closing, except to the extent that such covenants are qualified by the term *material* or contain terms such as *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*, in which case ITOCHU shall have performed and complied with all of such covenants (as so written, including the term *material* or *Material Adverse Effect*, *Material Adverse Change* or *materially and adversely*) in all respects through the Closing;
- (c) all waiting or similar periods, if any, under applicable Antitrust Laws relating to the transactions contemplated hereby shall have expired or terminated, and all other material approvals and consents of Governmental Authorities required to consummate the transactions contemplated hereby shall have been obtained and be in full force and effect; and
- (d) the Stockholder Approval shall have been obtained.

Dole may waive any condition specified in this Section 7.2 if it executes a writing so stating at or prior to the Closing.

**SECTION 8**

**REMEDIES FOR BREACHES OF THIS AGREEMENT**

*8.1 Survival of Representations and Warranties.* The representations and warranties of Dole contained in this Agreement shall survive the Closing and terminate on the close of business twenty-four (24) months after the Closing Date; provided, however, that (a) the Fundamental Representations shall survive the Closing and remain in full force and effect indefinitely, and Dole hereby waives any applicable statute of limitations with respect thereto, and (b) the representations and warranties set forth in Section 4.10 (Tax Matters) shall survive the Closing until the date that is 120 days following the expiration of the applicable statute of limitations. The covenants and agreements set forth in (i) Sections 5.2(a) (Intercompany Agreements), 6.2 (Litigation Support), 6.3 (Transition), 6.4 (Post-Closing Confidentiality), 6.5 (Employee Matters) and 9 (Tax Matters) shall survive the Closing and remain in full force and effect indefinitely (and each applicable Party hereby waives any applicable statute of limitations with respect thereto); and (ii) Sections 5.2 (Intercompany Agreements) (other than subsection (a)), 5.3 (Notices and Consents), 5.4 (Removal of Liens) and 5.5 (Operation of Business) shall survive the Closing and terminate on the close of business twenty-four (24) months after the Closing Date. All other covenants and agreements set forth herein shall (x) if they are to be performed prior to the Closing, terminate at, and not survive, the Closing, and (y) if they are to be performed at or after the Closing, survive the Closing until they are otherwise terminated, whether by their terms or pursuant to their respective statute of limitations under applicable Legal Requirements.

*8.2 Indemnification Provisions for ITOCHU's Benefit.*

(a) Dole shall indemnify and hold harmless ITOCHU, the Acquired Entities, their Affiliates and their respective directors, officers, employees, agents, successors and assigns (collectively, the *ITOCHU Indemnitees*) from and against the entirety of any Damages any of the ITOCHU Indemnitees may suffer, sustain or become subject to, resulting from, arising out of, relating to, in the nature of, in connection with or caused by:

- (i) any inaccuracy or breach of any representation or warranty of Dole contained in this Agreement; and/or

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(ii) any breach of any covenant or agreement of Dole contained in this Agreement.

(b) Notwithstanding any other provision of this Section 8.2 to the contrary:

(i) Dole shall not be liable pursuant to Section 8.2(a) for any Damages suffered by any ITOCHU Indemnitee unless the aggregate of all Damages suffered by the ITOCHU Indemnitees exceed, on a cumulative basis, \$5 million, and then only to the extent of any such excess; provided, however, that no Damages may be claimed by any ITOCHU Indemnitee or shall be reimbursable by Dole or shall be included in calculating the aggregate Damages for purposes of this Section 8.2(b)(i) other than Damages in excess of \$100,000 resulting from any single claim or aggregated claims arising out of the same facts, events or circumstances; provided further, however, that the limitations set forth in this Section 8.2(b)(i) shall not apply to Damages arising or resulting from (1) any breach of Dole's Fundamental Representations or the representations and warranties set forth in Section 4.10 (Tax Matters), (2) any breach of the covenants and undertakings set forth in Section 5.2, 6.5 or 9 or (3) fraud or intentional misrepresentation on the part of Dole; and

(ii) the indemnification obligations of Dole under Section 8.2(a) shall in no event exceed \$168 million; provided, however, that the foregoing limitation shall not apply to Damages arising or resulting from (1) any breach of Dole's Fundamental Representations or the representations and warranties set forth in Section 4.10 (Tax Matters), (2) any breach of the covenants and undertakings set forth in Section 5.2, 6.5 or 9 or (3) fraud or intentional misrepresentation on the part of Dole; provided, however, that, notwithstanding the foregoing, in no event shall Dole have any Liability under this Section 8 in excess of the Purchase Price, and provided further, for the avoidance of doubt, that no payments made by Dole in respect of any Damages in respect of (1), (2) or (3) above shall be counted towards the aggregate Liability limit provided for in this Section 8.2(b)(ii).

(iii) The indemnification obligations of Dole for Tax matters by reason of a breach of a representation or warranty described in Section 4 are limited solely to Damages relating to Taxes due and payable for any period (or portion thereof) ending on or before the Closing Date, other than any indemnity for breach of the representations and warranties set forth in Section 4.7(h), 4.10(a)(vi), 4.10(c), 4.10(f), 4.10(g), or 4.10(i).

*8.3 Indemnification Provisions for Dole Benefit.*

(a) ITOCHU shall indemnify and hold harmless Dole and its Affiliates (excluding, for the avoidance of doubt, any Acquired Entity) and their respective directors, officers, employees, agents, successors and assigns (collectively the ***Dole Indemnitees***) from and against the entirety of any Damages any of the Dole Indemnitees may suffer, sustain or become subject to, resulting from, arising out of, relating to, in the nature of, in connection with or caused by:

(i) any inaccuracy or breach of any representation or warranty of ITOCHU contained in this Agreement; and/or

(ii) any breach of any covenant or agreement of ITOCHU contained in this Agreement.

(b) Notwithstanding any other provision of this Section 8.3 to the contrary:

(i) ITOCHU shall not be liable pursuant to Section 8.3(a) for any Damages suffered by any Dole Indemnitee unless the aggregate of all Damages suffered by the Dole Indemnitees exceed, on a cumulative basis, \$5 million, and then only to the extent of any such excess; provided, however, that no Damages may be claimed by any Dole Indemnitee or shall be reimbursable by ITOCHU or shall be included in calculating the aggregate Damages for purposes of this Section 8.3(b)(i) other than Damages in excess of \$100,000 resulting from any single claim or aggregated claims arising out of the same facts, events or circumstances; provided further, however, that the limitations set forth in this Section 8.3(b)(i) shall not apply to Damages arising or resulting from (1) any breach of ITOCHU's Fundamental Representations, (2) any breach of the covenants and undertakings set forth in Section 6.5 or 9, or (3) fraud or intentional misrepresentation on the part of ITOCHU; and

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(ii) the indemnification obligations of ITOCHU under Section 8.3(a) shall in no event exceed \$168 million; provided, however, that the foregoing limitation shall not apply to Damages arising or resulting from (1) any breach of ITOCHU's Fundamental Representations, (2) any breach of the covenants and undertakings set forth in Section 6.5 or 9, or (3) fraud or intentional misrepresentation on the part of ITOCHU; provided, however, that, notwithstanding the foregoing, in no event shall ITOCHU have any Liability under this Section 8 in excess of the Purchase Price, and provided further, for the avoidance of doubt, that no payments made by ITOCHU in respect of any Damages in respect of (1), (2) or (3) above shall be counted towards the aggregate Liability limit provided for in this Section 8.3(b)(ii).

**8.4 Mitigation; Knowledge.** Each of the Parties agrees that in the event of any breach giving rise to an indemnification obligation under this Section 8, the Indemnified Party shall take, and cause its Affiliates (including, with respect to Dole before the Closing and ITOCHU after the Closing, the Acquired Entities) to take, all reasonable measures to mitigate the consequences of the related breach (including taking steps to prevent any contingent liability from becoming an actual liability). In the event (a) ITOCHU proceeds with the Closing notwithstanding Knowledge by ITOCHU, at or prior to the date hereof, of any breach by Dole of any representation, warranty or covenant in this Agreement, no ITOCHU Indemnitee shall have any claim or recourse against Dole or any of its Affiliates or Representatives with respect to such breach, under this Section 8 or otherwise and (b) ITOCHU proceeds with the Closing notwithstanding Knowledge by ITOCHU, arising between the date hereof and the Closing, of any breach by Dole of any representation, warranty or covenant in this Agreement, no ITOCHU Indemnitee shall have any claim or recourse against Dole or any of its Affiliates or Representatives with respect to such breach, under this Section 8 or otherwise, unless the conditions set forth in Section 7.1(a) and (b) shall be capable of being satisfied at the Closing despite the existence of such breach.

**8.5 Exclusive Remedy; No Consequential Damages.** Each Party acknowledges and agrees that, from and after the Closing, and except in the case of fraud or intentional misrepresentation, its sole and exclusive remedy against the other Party with respect to any and all claims relating (directly or indirectly) to a breach of this Agreement (other than any breach of Section 6.5 or Section 9), regardless of the law or legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or tort, or whether at law or in equity, or otherwise, shall be pursuant to the provisions set forth in this Section 8 and Section 11.9. For the avoidance of doubt, the foregoing shall not prevent a Party from asserting its rights under Section 11.15 to enforce specifically this Agreement and the terms and provisions hereof. The Parties hereto agree that the provisions in this Agreement relating to indemnification, and the limits imposed on each Party's remedies with respect to this Agreement and the transactions contemplated hereby (including Sections 8.1, 8.2, 8.3 and this 8.5) were specifically bargained for between sophisticated parties and were specifically taken into account in the determination of the amounts to be paid hereunder. Notwithstanding any other provision to the contrary in this Agreement, neither Party shall be liable hereunder to the other Party for special, punitive or indirect damages, lost profits, revenues or income, diminution in value or loss of business reputation or opportunity (except to the extent actually paid to an unrelated third party) resulting from such first Party's breach of this Agreement, and no multiple of profits or multiple of cash flow or similar valuation methodology shall be used in calculating the amount of any Damages.

**8.6 Termination of Indemnification.** The obligations to indemnify and hold harmless a Party hereto in respect of a breach of representation or warranty or covenant shall terminate when the applicable representation or warranty, or covenant or agreement, expires pursuant to Section 8.1; provided, however, that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the Indemnified Party shall have, prior to the expiration of the applicable period, previously made a claim by delivering a written notice (stating in reasonable detail the nature of, and factual and legal basis for, any such claim for indemnification, and the provisions of this Agreement upon which such claim for indemnification is made) to the Indemnifying Party. In order to determine the validity and/or the amount of any such claim, Dole and ITOCHU, as applicable, shall provide the Indemnifying Party and their Representatives reasonable access to (a) all books, records and other documents (including work papers, memoranda and financial statements) relating to or containing information relevant to such claim and (b) the Acquired Entities' employees, accountants and other professional advisors (including making their respective chief financial officer, accountants and attorneys available to respond to reasonable written or oral

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inquiries of the Indemnifying Party and their representatives); provided that neither Party shall be required to disclose any information or permit any access to the Indemnifying Party or its Representatives if such disclosure would, (x) jeopardize any attorney-client or other legal privilege or (y) contravene any applicable Legal Requirements, fiduciary duty or binding agreement. Claims asserted pursuant to this Section 8 shall be based on a reasonable determination that a breach entitled to indemnification hereunder has occurred and/or based on a cause of action or claim that has actually been asserted by a third party, and, for the avoidance of doubt, absent such reasonable determination or third party cause of action or claim, not otherwise in respect of potential Damages that have not yet occurred or otherwise been suffered.

*8.7 Matters Involving Third Parties.*

(a) If any third party notifies any Party (the ***Indemnified Party*** ) with respect to any matter (a ***Third-Party Claim*** ) that may give rise to a claim for indemnification against any other Party (the ***Indemnifying Party*** ) under this Section 8, then the Indemnified Party shall as promptly as reasonably possible after receipt of notice of the Third Party Claim (but in no event later than ten (10) Business Days after receipt by the Indemnified Party of notice of the Third Party Claim) notify the Indemnifying Party thereof in writing, and in reasonable detail, of the Third-Party Claim; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby prejudiced. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, within five (5) Business Days after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third-Party Claim.

(b) An Indemnifying Party will have the right to assume and control the defense of the Indemnified Party against the Third-Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Damages the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by the Third-Party Claim and (ii) the Third-Party Claim involves only money Damages and does not seek an injunction or other equitable relief.

(c) So long as the Indemnifying Party is conducting the defense of the Third-Party Claim in accordance with Section 8.7(b) above, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim, (ii) the Indemnified Party will not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party and (iii) the Indemnifying Party will not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld).

(d) In the event any of the conditions in Section 8.7(b) above is or becomes unsatisfied, however, (i) the Indemnified Party may defend against, and consent to the entry of any judgment on or enter into any settlement with respect to, the Third-Party Claim in any manner it may deem appropriate (and the Indemnified Party shall consult with, but shall not need to obtain any consent from, the Indemnifying Party prior to consenting to any judgment or the entry into any settlement in connection therewith), (ii) the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third-Party Claim (including reasonable attorneys' fees and expenses) and (iii) the Indemnifying Party will remain responsible for any Damages the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by the Third-Party Claim to the fullest extent provided in this Section 8.

*8.8 Determination of Damages.* The amount of any and all Damages under this Section 8 (including all Tax claims) and Section 9 shall be determined net of (a) any Tax benefits realized by any party seeking indemnification hereunder arising from such Damages and (b) any amounts recovered by the Indemnified Party under insurance policies, indemnities (other than pursuant to this Agreement) or other reimbursement arrangements with respect to



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such Damages. Each Party hereby waives, to the extent permitted under its applicable insurance policies, any subrogation rights that its insurer may have with respect to any indemnifiable Damages. All indemnification payments under this Agreement shall be deemed adjustments to the Purchase Price.

**SECTION 9**

**TAX MATTERS**

*9.1 Tax Periods Ending on or Before Closing Date.*

(a) Dole shall be responsible (and shall indemnify and hold the Acquired Entities and ITOCHU harmless) for the prompt and timely payment and satisfaction of any and all (i) Taxes of Dole whenever arising (other than Taxes for which ITOCHU is liable pursuant to the second sentence of this paragraph), (ii) Taxes of the Acquired Entities, the Business, the DAL IP and the DPF IP, in each case for all taxable periods ending on or before the Closing Date, and Taxes of the Acquired Entities, the Business, the DAL IP and the DPF IP, in each case for all periods that begin before and end after the Closing Date ( *Straddle Periods* ), to the extent attributable to the portion of the Straddle Period ending at the close of business on the Closing Date (such periods being referred to as, the *Pre-Closing Tax Periods* ); provided that Dole shall not be required to indemnify ITOCHU for any Taxes resulting from any transaction outside the Ordinary Course of Business undertaken on the Closing Date after the Closing, and (iii) Taxes arising as a result of the transactions contemplated by Section 5.2. ITOCHU shall be responsible for all Taxes of the Acquired Entities (other than as set forth in the preceding sentence) for all taxable periods (or, with respect to Straddle Periods, any portion thereof) beginning after the Closing Date (the *Post-Closing Tax Period* ).

(b) Unless prohibited by applicable Legal Requirements, the Parties shall cause the taxable period of the Acquired Entities to close as of the close of business on the Closing Date. In the case of any Straddle Period, the amount of any Taxes (including income Taxes) attributable to the Pre-Closing Tax Period and attributable to the Post-Closing Tax Period shall be determined based on an interim closing of the books as of the Closing Date, except that Taxes that are calculated on a periodic or annual basis (such as real and personal property Taxes) shall be allocated on a daily basis; provided that, (i) any increase in property Taxes that result from the reassessment of the property as a result of the transactions contemplated by Section 5.2 shall be allocated to Dole, and (ii) any increase in property Taxes that result from the reassessment of the property as a result of the transfers contemplated by Section 2.1(c) shall be allocated to ITOCHU.

*9.2 Tax Returns.* Dole will be responsible for, and will cause to be prepared and duly filed, all Tax Returns of the Acquired Entities that are required to be filed on or before the Closing Date, and all consolidated, combined and unitary Tax Returns that include Dole and any Subsidiary of Dole (other than DAL and its subsidiaries) for any period (including any Tax Returns that relate to items of the Acquired Entities and the Business that are required to be reported on such consolidated, combined, or unitary Tax Returns as required by applicable Legal Requirements), and Dole shall pay any Taxes due in respect of such Tax Returns for which it is liable under Section 9.1. ITOCHU shall prepare or shall cause to be prepared all Tax Returns of the Acquired Entities (other than Tax Returns that are prepared by Dole pursuant to the first sentence of this Section 9.2) that are required to be filed after the Closing Date (including with respect to Straddle Periods) and shall pay all Taxes shown as due on those Tax Returns (provided that Dole shall be responsible for the payment of any such Taxes to the extent they are attributable to the Pre-Closing Tax Periods). All Tax Returns with respect to any period ending on or before the Closing Date or any Straddle Period that are prepared pursuant to this Section 9.2 shall be prepared in a manner consistent with similar Tax Returns heretofore filed by or with respect to the Acquired Entities, except as required by applicable Legal Requirements. ITOCHU shall provide Dole with drafts of all Tax Returns prepared by it pursuant to this Section 9.2, to the extent such Tax Returns reflect a Tax Liability for which Dole is responsible under this Agreement or reflects a Tax refund to which Dole is entitled under this Agreement, no later than thirty (30) days prior to the due date thereof. Dole shall have the right to review and provide comments on such Tax Returns during the fifteen (15) day period following the receipt of such Tax Returns. Dole and ITOCHU shall consult with each other and attempt in good faith to resolve any issues arising as a result of any such Tax Returns, and, if they are unable to do so, the disputed items shall be resolved (within a reasonable time, taking into account the deadline for filing such Tax Return) by an internationally recognized

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independent accounting firm chosen by both Dole and ITOCHU. Upon resolution of all such items, the relevant Tax Return shall be timely filed on that basis. The costs, fees and expenses of such accounting firm shall be borne equally by Dole and ITOCHU.

**9.3 Amended Tax Returns.** Neither ITOCHU nor any Affiliate of ITOCHU shall (or shall cause or permit any of the Acquired Entities to) amend, refile or otherwise modify any Tax Return relating in whole or in part to the Acquired Entities or the Business with respect to any taxable year or period ending on or before the Closing Date, or which includes the Closing Date, without the prior written consent of Dole, not to be unreasonably conditioned, withheld or delayed (which will be deemed unreasonable in the event that the related amendment, re-filing or modification of a Tax Return is required by applicable Legal Requirements).

**9.4 Tax Refunds.**

(a) Any Taxes of the Acquired Entities or their Affiliates with respect to any Pre-Closing Tax Periods that are (i) refunded to ITOCHU or any of its Affiliates (including the Acquired Entities) after the Closing Date or (ii) credited against a Tax Liability of ITOCHU or any of its Affiliates (including the Acquired Entities), shall, net of any Taxes incurred in respect of the receipt or accrual of such refund or credit and net of any other third party, out-of-pocket expenses attributable thereto, promptly be paid over to Dole; provided, however, that the foregoing shall not apply to any refunds or credits of value added Taxes (other than any refunds or credits of value added Taxes that are paid by Dole after the Closing pursuant to the indemnity provisions of this Agreement), which refunds and credits may be retained by ITOCHU and its Affiliates (including the Acquired Entities) without the need to make any payments to Dole in respect thereof, provided further that it is understood that Dole shall not be liable to ITOCHU or any of its Affiliates (including the Acquired Entities) if such refunds or credits of value added Taxes are not received or obtained by ITOCHU or its Affiliates (including the Acquired Entities). Dole shall have the right to determine whether any claim for refund or credits of Taxes (other than value added Taxes) shall be made by or on behalf of the Acquired Entities with respect to any Pre-Closing Tax Period and to control proceedings with respect to such claims and, if Dole elects to make such a claim and prosecute such claim, ITOCHU shall (and shall cause the Acquired Entities to) cooperate at Dole's expense in connection therewith, including the preparation of any Tax Return that is required to be filed by ITOCHU or the Acquired Entities in connection with such claim. Without limiting Dole's obligations under Section 5.6 and Section 6.6(a) and without limiting Dole's rights to refunds or credits under this Section 9.4:

(x) On or before the Closing Date, Dole shall provide to ITOCHU such information (including documentation, if any, related thereto) as ITOCHU may reasonably request as to any refunds or credits that are anticipated or expected to be received or obtained following Closing and are required to be paid over to Dole pursuant to this Section 9.4; and

(y) On or before the Closing Date, Dole shall provide to ITOCHU a list of (i) each Tax asset or receivable that is expected to be carried on the books of each Acquired Entity as of Closing on account of any such expected refund or credit (identifying the approximate relevant amount and nature of such refund or credit), and (ii) a list of any estimated or prepaid Tax that is expected to be paid or incurred, or has been paid or incurred prior to Closing and is expected to be reflected on the books of each Acquired Entity as of Closing (identifying the approximate relevant amount and nature of such estimated or prepaid amount), together with a good faith estimate of the portion, if any, of such estimated or prepaid balance which Dole reasonably anticipates or expects will be refunded or credited following the Closing (which refund or credit will be paid over to Dole pursuant to this Section 9.4).

(b) For the avoidance of doubt, the provisions in 9.4(a)(x) and 9.4(a)(y) shall have no impact on Dole's entitlement to Tax refunds or credits pursuant to this Section 9.4.

**9.5 Allocation of Transfer Tax Liabilities.** Dole shall bear and pay any and all sales or use, transfer, stamp, documentation, customs duties, value added and similar Taxes and charges as well as interest and penalties thereon assessed on or related to the sale or transfer of equity interests in the Acquired Entities by Dole to ITOCHU pursuant to this Agreement or the consummation of the transactions contemplated herein. If the sale or transfer of any or all of such property or assets is exempt from such Taxes or charges, Dole shall provide ITOCHU and the Acquired Entities with appropriate exemption documents on the Closing Date.

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9.6 *Contest Provisions.* In the event (a) ITOCHU (or its Affiliates) or (b) Dole (or its Affiliates) receives notice of any pending or threatened Tax audits or assessments by any Tax authority or other disputes concerning Taxes with respect to which the other Party may incur liability under this Agreement, the Party in receipt of such notice shall promptly notify the other Party of such matter in writing. A Party shall have the right, at its own expense, to represent its own interests and the interests of the Acquired Entities in any such Tax audit or administrative or court Proceeding to the extent relating to Taxes for which such Party may be liable under this Agreement, provided, however, that (x) the other Party shall have the right to participate in any Proceedings relating to Straddle Period Taxes, to the extent that it is liable for such Taxes, and (y) no Party shall resolve, settle, compromise, or abandon any issue or claim with respect to Straddle Period Taxes for which the other Party is liable under this Agreement, without the prior written consent of such other Party, which consent shall not be unreasonably conditioned, withheld or delayed.

9.7 *Cooperation on Tax Matters.* ITOCHU, the Acquired Entities and Dole shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation or other Proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's reasonable request) the provision of records and information reasonably relevant to any such return, audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Acquired Entities, Dole and ITOCHU agree to (a) retain all books and records with respect to Tax matters pertinent to the Acquired Entities relating to any taxable period beginning before the Closing Date until expiration of the statute of limitations (and, to the extent notified by ITOCHU or Dole, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority and (b) to give the other Party reasonable notice prior to transferring, destroying or discarding any such books and records and, if the other Party so requests, the Acquired Entities, ITOCHU or Dole, as the case may be, shall allow the other Party to take possession of such books and records; provided that nothing in this Section 9.7 shall grant ITOCHU or any of the Acquired Entities access to Dole's income Tax Returns.

9.8 *Tax-Sharing Agreements.* Dole shall cause all Tax-sharing agreements or similar Contracts with respect to or involving the Acquired Entities, on the one hand, and Dole and its Affiliates (other than the Acquired Entities), on the other hand, to be terminated as of the Closing Date and, after the Closing Date, no Acquired Entities shall be bound thereby or have any liability thereunder.

9.9 *Conflict with Section 8.* In the event of any conflict between Section 8 and this Section 9 with respect to indemnification for Taxes, this Section 9 shall control. For the avoidance of doubt, the obligations of the Parties under this Section 9 shall not be subject to the limitations set forth in Section 8.2(b) or Section 8.3(b), nor shall any amounts paid pursuant to this Section 9 be counted towards any aggregate Liability limits, aggregate claim threshold or individual claim threshold provided for in Section 8.

**SECTION 10**

**TERMINATION**

10.1 *Termination of Agreement.* Certain of the Parties may terminate this Agreement at any time prior to the Closing, whether before or after the Stockholder Approval has been obtained, as provided below:

(a) ITOCHU and Dole may terminate this Agreement by mutual written consent;

(b) By either Party:

(i) if the Closing shall not have been consummated on or before December 31, 2012 (the *Termination Date*); provided, that a Party shall not have the right to terminate this Agreement pursuant to this Section 10.1(b)(i) if any breach hereof by such Party shall have been the direct cause of, or resulted directly in, the failure of the transactions contemplated by this Agreement to be consummated by the Termination Date;

(ii) if any court of competent jurisdiction or other Governmental Authority shall have issued a judgment, order, injunction, rule or decree, or taken any other action restraining, enjoining or

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otherwise prohibiting any of the transactions contemplated by this Agreement and such judgment, order, injunction, rule, decree or other action shall have become final and nonappealable; provided, that the Party seeking to terminate this Agreement pursuant to this Section 10.1(b)(ii) shall have used its commercially reasonable efforts to contest, appeal and remove such judgment, order, injunction, rule, decree, ruling or other action in accordance with Sections 5.1 and 5.10; or

(iii) if the Stockholder Approval shall not have been obtained at the Stockholders Meeting duly convened therefor or at any adjournment or postponement thereof at which a vote on the adoption of this Agreement was taken;

(c) ITOCHU may terminate this Agreement by giving written notice to Dole (i) in the event Dole has breached any representation, warranty or covenant contained in this Agreement in any material respect (or any representation, warranty or covenant qualified by materiality in any respect) and such failure to perform (A) would give rise to the failure of a condition set forth in Section 7.1 and (B) the breach has continued without cure for a period of thirty (30) days after the notice of breach has been given by ITOCHU to Dole (unless ITOCHU itself is in material breach of any representation, warranty or covenant contained in this Agreement) or (ii) the Dole board of directors shall have effected an Adverse Recommendation Change but not terminated this Agreement pursuant to Section 10.1(d)(ii); and

(d) Dole may terminate this Agreement by giving written notice to ITOCHU at any time prior to the Closing (i) in the event ITOCHU has breached any representation, warranty or covenant contained in this Agreement in any material respect (or any representation, warranty or covenant qualified by materiality in any respect) and such failure to perform (A) would give rise to the failure of a condition set forth in Section 7.2 and (B) the breach has continued without cure for a period of thirty (30) days after the notice of breach has been given by Dole to ITOCHU (unless Dole itself is in breach of any representation, warranty or covenant contained in this Agreement) or (ii) in order to enter into a transaction that is a Superior Proposal, if prior to the receipt of the Stockholder Approval, (A) the Dole board of directors has received a Superior Proposal and (B) prior to or concurrently with such termination, Dole pays the Termination Fee due under Section 10.3.

The Party desiring to terminate this Agreement pursuant to Section 10.1(b) through (d) shall give notice of such termination to the other Party.

*10.2 Effect of Termination.* If any Party terminates this Agreement pursuant to Section 10.1 above, all rights and obligations of the Parties hereunder (except the Confidentiality Agreement and the provisions of Section 5.9 (Confidentiality), this Section 10.2, Section 11.1 (Press Releases and Public Announcements), Section 11.2 (No Third-Party Beneficiaries), Section 11.3 (Entire Agreement), Section 11.4 (Succession and Assignment), Section 11.7 (Notices), Section 11.8 (Governing Law), Section 11.9 (Arbitration), Section 11.11 (Severability), Section 11.12 (Expenses) and Section 11.13 (Construction)) shall terminate without any Liability of any Party to any other Party (except for any Liability of any Party then in breach); provided, however, that neither ITOCHU nor Dole shall be released from any liabilities or damages arising out of a material breach of any covenant or agreement set forth in this Agreement.

### *10.3 Termination Fee.*

(a) In the event that:

(i) this Agreement is terminated by either ITOCHU or Dole pursuant to Section 10.1(b)(i) (but only if the Stockholders Meeting has not been held by the Termination Date) or Section 10.1(b)(iii) and (A) prior to the termination under Section 10.1(b)(i) or the taking of a vote to approve this Agreement at the Stockholders Meeting or any adjournment or postponement thereof (in the case of a termination pursuant to Section 10.1(b)(iii)), an Acquisition Proposal shall have been communicated to the senior management of Dole or the Dole board of directors or shall have been publicly announced or publicly made known to the stockholders of Dole, and not withdrawn prior to the Termination Date or such vote to adopt this Agreement, as applicable and (B) within six months after such termination Dole shall have consummated or entered into a definitive agreement with respect to such Acquisition Proposal;

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(ii) this Agreement is terminated by Dole pursuant to Section 10.1(d)(ii); or

(iii) this Agreement is terminated by ITOCHU pursuant to Section 10.1(c)(ii),

then, in any such case, Dole shall pay ITOCHU a termination fee of \$50,400,000 (the **Termination Fee** ), it being understood that in no event shall Dole be required to pay the Termination Fee on more than one occasion.

(b) Payment of the Termination Fee, if applicable, shall be made by wire transfer of same day funds to the account or accounts designated by ITOCHU (1) on the consummation of any transaction contemplated by an Acquisition Proposal in the case of a Termination Fee payable pursuant to Section 10.3(a)(i) or (2) within five (5) days after the termination of this Agreement, in the case of Sections 10.3(a)(ii) and (iii).

(c) Dole acknowledges that the agreements contained in this Section 10.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, ITOCHU would not enter into this Agreement; accordingly, if Dole fails promptly to pay any amounts due pursuant to this Section 10.3, and, in order to obtain such payment, ITOCHU commences a suit that results in a judgment against Dole for the amounts set forth in this Section 10.3, Dole shall pay to ITOCHU its costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amounts due pursuant to this Section 10.3 from the date such payment was required to be made until the date of payment at the prime lending rate as published in The Wall Street Journal in effect on the date such payment was required to be made.

(d) The Parties agree that if this Agreement is terminated pursuant to Sections 10.1(b)(i) or 10.1(b)(iii) (in each case only as specifically contemplated by Section 10.3(a)(i)), or Section 10.1(c)(ii) or Section 10.1(d)(ii), the delivery of the Termination Fee shall be deemed to be liquidated damages and the sole and exclusive remedy for any and all claims, actions, causes of action, judgments, awards, losses, damages, liabilities, fines, penalties, expenses or costs (including reasonable attorney's fees and other out-of-pocket costs incurred in investigating, preparing and defending the foregoing) suffered or incurred by ITOCHU or any of its Affiliates or any other Person in connection with or related to or arising out of this Agreement, the transactions contemplated hereby, any oral representation made or alleged to have been made in connection herewith or therewith or any matter forming the basis for such termination, and neither ITOCHU nor any of its Affiliates or any other Person shall be entitled to bring or maintain any other claim, action or proceeding against Dole any Acquired Entity or any of their respective former, current or future Affiliates arising out of this Agreement, the transactions contemplated hereby, any oral representation made or alleged to have been made in connection herewith or therewith or any matter forming the basis for such termination.

**SECTION 11**

**MISCELLANEOUS**

**11.1 Press Releases and Public Announcements.** The Parties shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or the Transaction Documents or the transactions contemplated hereby or thereby and no Party shall issue any press release or make any public announcement relating to this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable Legal Requirements or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will use its commercially reasonable efforts to advise the other Party prior to making the disclosure).

**11.2 No Third-Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

**11.3 Entire Agreement.** This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral.

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11.4 *Succession and Assignment.* This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of ITOCHU and Dole; provided, however, that ITOCHU may, without Dole's consent, (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates, or (b) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases ITOCHU nonetheless shall remain responsible for the performance of all of its obligations hereunder).

11.5 *Counterparts.* This Agreement may be executed in one or more counterparts (including by means of facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

11.6 *Headings.* The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

11.7 *Notices.* All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given (a) when delivered personally to the recipient, (b) one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one Business Day after being sent to the recipient by facsimile transmission or electronic mail, or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

*If to Dole:*

Dole Food Company, Inc.  
  
One Dole Drive  
  
Westlake Village, California 91362  
  
United States  
  
Tel: 818-879-6600  
  
Fax: 818-879-6754  
  
Attn: C. Michael Carter

*In each case with copy (which shall not constitute notice) to:*

Gibson, Dunn & Crutcher LLP  
  
333 South Grand Ave.  
  
Los Angeles, California 90071  
  
United States  
  
Tel: 213-229-7242  
  
Fax: 213-229-6242  
  
Attn: Peter W. Wardle

*If to ITOCHU:*

ITOCHU Corporation  
  
5-1, Kita-Aoyama 2-chome  
  
Minato-ku, Tokyo 107-8077  
  
Japan

Edgar Filing: BLACKHAWK NETWORK HOLDINGS, INC - Form 10-K

Tel: +81-3-3497-6260

Fax: +81-3-3497-6267

Attn: General Manager of Agri Products Dept.

Squire Sanders (US) LLP

Ebisu Prime Square Tower 16F

1-39, Hiroo 1-chome

Shibuya-ku, Tokyo 150-0012

Japan

Tel: +81-3-5774-1800

Fax: +81-3-5774-1818

Attn: Ken Kurosu, Esq.

*With copy (which shall not constitute notice)  
to:*

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A Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

11.8 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

11.9 *Arbitration.* Except as set forth in Section 11.15 below, all disputes, controversies and claims arising out of, relating to or in connection with this Agreement or the transactions contemplated hereby (including the construction, existence, validity, enforceability, enforcement, breach or termination of this Agreement) that cannot be resolved amicably by the Parties shall be exclusively, finally and conclusively settled by arbitration administered by the International Chamber of Commerce (the *ICC*) and conducted in accordance with the ICC Rules of Arbitration (the *Rules*), subject to the following:

(a) there shall be a panel of three (3) arbitrators (collectively, the *Tribunal*), one appointed by ITOCHU, another by Dole and the third appointed in accordance with the Rules;

(b) the seat of arbitration shall be Tokyo, Japan;

(c) the arbitration shall be conducted in the English language, and all written and oral submissions and awards shall be prepared in English (or be accompanied by English translations);

(d) the Tribunal shall schedule all matters regarding the arbitration so that the arbitration progresses in a timely fashion;

(e) at the arbitration hearing, each Party may make written and oral presentations to the Tribunal, present testimony and written and oral evidence and examine witnesses;

(f) the Tribunal may not grant any award that is inconsistent with the terms of this Agreement and shall not have the authority to use the equitable powers provided by the Rules to modify any terms of this Agreement, nor shall the Tribunal have the power to award any punitive or exemplary damages;

(g) the Tribunal shall issue a written decision explaining the basis for its rulings and awards;

(h) all fees and expenses of the Tribunal and the ICC shall be shared equally between the Parties, provided that the Tribunal shall have the authority to award, as part of its decision, to the prevailing Party its costs and expenses of the arbitral proceedings, including reasonable fees of attorneys and experts;

(i) any monetary award shall be made in US\$ and shall be payable free of any Tax, withholding or other deduction (unless otherwise required by Legal Requirements); and

(j) the Parties shall be entitled to reasonable pre-hearing information exchanges, including production of documents, and the IBA Rules on the Taking of Evidence in International Commercial Arbitration shall be used as guidance.

Decisions rendered by the arbitral Tribunal shall be final, binding and enforceable in any court of competent jurisdiction. Except as necessary to enforce or effectuate the terms of this Section 11.9 or an arbitral decision or award, arbitration proceedings hereunder and any decision and award of the Tribunal shall be kept confidential by the Parties.

11.10 *Amendments and Waivers.* No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by ITOCHU and Dole, whether before or after the Stockholder Approval has been obtained; provided, however, that after the Stockholder Approval has been obtained, no amendment may be made that pursuant to applicable law requires further approval or adoption by the Dole stockholders without such further approval or adoption. No waiver by any Party of any provision of this Agreement or any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such default, misrepresentation or breach of warranty or covenant, provided, however, that after the Stockholder Approval has been obtained, no waiver





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may be made that pursuant to applicable law requires further approval or adoption by the Dole stockholders without such further approval or adoption.

11.11 *Severability.* Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

11.12 *Expenses.* Except as otherwise provided herein or in the Brand Agreement, (a) ITOCHU shall bear its costs and expenses (including advisory fees and other expenses) incurred in connection with this Agreement and the transactions contemplated hereby and (b) Dole shall bear its costs and expenses (including advisory fees and other expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

11.13 *Construction.* The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word including shall mean including without limitation, and references to Schedules and Exhibits shall mean Schedules and Exhibits to this Agreement.

11.14 *Incorporation of Exhibits and Schedules.* The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

11.15 *Specific Performance.* Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that, notwithstanding any other provision herein to the contrary (including Section 11.9), a Party shall be entitled to injunctive relief to prevent breaches of this Agreement and to enforce specifically in any court of competent jurisdiction, this Agreement and the terms and provisions hereof in addition to any other remedy to which such Party may be entitled, at law or in equity. Each of the Parties hereby further waives (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any Legal Requirement to post security as a prerequisite to obtaining equitable relief.

11.16 *Effectiveness of Representations and Warranties.* For the avoidance of doubt, a showing of any negligence (*kashitsu*) or intent (*koi*) on the part of Dole shall not be required in order to establish an inaccuracy or breach of any of Dole's representations and warranties under Section 3 or Section 4 of this Agreement. Furthermore, ITOCHU's awareness or possible awareness of any inaccuracy or breach of any of Dole's representations and warranties under Section 3 or Section 4 shall not have any effect on the force and effect of such representations and warranties, or Dole's indemnification obligations or ITOCHU's remedies relating thereto, except to the extent specifically provided for in Section 8.4.

11.17 *Disclosure Generally.* Notwithstanding anything to the contrary contained in the Disclosure Schedules or in this Agreement, the disclosures made in the Disclosure Schedules shall only apply to the extent the disclosures identify the exceptions with reasonable particularity and describe the relevant facts in reasonable detail. The fact that any item of information is disclosed in any Disclosure Schedule shall not be construed to mean that such information is required to be disclosed by this Agreement. Such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms material, materially and adversely, Material Adverse Change, Material Adverse Effect or other similar terms in this Agreement.

*[Signatures Appear on Following Page]*

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

**DOLE FOOD COMPANY, INC.**

By: /s/ David H. Murdock  
David H. Murdock, Chairman

**ITOCHU CORPORATION**

By: /s/ Masahiro Okafuji  
Masahiro Okafuji, President & CEO

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**EXHIBIT 1**

**DEFINITIONS**

*Acquired Entities* means (i) DAL, (ii) the Asia Fresh Entities, (iii) the Worldwide Packaged Food Entities, (iv) the other entities created after the date hereof solely for purposes of holding any assets or equity interests of the Asia Fresh Business or Worldwide Packaged Food Business, (v) DPF, (vi) the subsidiaries of DPF and (vii) to the extent not covered by any of the foregoing, the entities listed on Schedule 5.2(a)(ii) hereto, except for such additions and deletions that may be necessary in connection with changes to the ownership and holding structure of the Acquired Entities that are permitted under Section 5.2(a)(iii).

*Acquired Entities Benefit Plan* means an Employee Benefit Plan sponsored, maintained, or contributed to only by one or more Acquired Entity.

*Acquired Entity Group Companies* means the Acquired Entities other than DAL and DPF.

*Acquisition Proposal* means any inquiry, proposal or offer from any Person or group of Persons other than ITOCHU or one of its Affiliates for a merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution, asset purchase, share purchase or similar transaction involving an acquisition of the Asia Fresh Business, the Worldwide Packaged Food Business or the Business (or any Acquired Entity), whether as part of a proposed acquisition of Dole or otherwise; provided, however, that in each such case, other than the transactions contemplated by this Agreement.

*Adverse Recommendation Change* has the meaning set forth in Section 5.8(a).

*Affiliate* means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or under common control with, a specified Person, where control means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities or otherwise.

*Agreement* has the meaning set forth in the introductory paragraph.

*Antitrust Laws* has the meaning set forth in Section 5.10.

*Asia* means, collectively, Afghanistan, Bangladesh, Bhutan, Brunei, Burma, Cambodia, China, East Timor, Hong Kong, India, Indonesia, Japan, Kazakhstan, Kyrgyzstan, Laos, Macau, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Tajikistan, Thailand, Turkmenistan, Uzbekistan and Vietnam.

*Asia Fresh Business* means all of the Fresh Business conducted by Dole in Asia Plus Australia/New Zealand on and prior to the Closing Date, and specifically including all businesses conducted by the Asia Fresh Entities (even if unrelated to the Fresh Business or conducted outside of Asia Plus Australia/New Zealand), but specifically excluding the Dole Asia Business.

*Asia Fresh Entities* means those entities listed in **Exhibit 2** hereto.

*Asia Plus Australia/New Zealand* means, collectively, Asia, Australia and New Zealand.

*Assigned Intellectual Property Rights* has the meaning set forth in Section 5.2(a)(v).

*Brand Agreement* means that certain Trademark Rights Agreement among Dole, DAL and DPF in the form attached as **Exhibit 3** hereto.

*Business* means collectively the Asia Fresh Business and the Worldwide Packaged Food Business.

*Business Day* means any day other than a Saturday, Sunday or a day on which banking institutions in Los Angeles, California or Tokyo, Japan are not required to be open.

*Business Employee* has the meaning set forth in Section 6.5(a).



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*Cash and Cash Equivalents* means cash on hand and highly liquid investments, money market funds and time deposits, with original maturities of three months or less, all as applied by Dole in the preparation of its consolidated balance sheet for purposes of its filing with the SEC.

*Closing* has the meaning set forth in Section 2.3.

*Closing Date* has the meaning set forth in Section 2.3.

*COBRA* means Section 4980B of the Code, Part 6 of Subtitle B of Title I of ERISA, and any similar U.S. state law.

*Code* means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

*Confidentiality Agreement* means the Confidentiality Agreement between Dole and ITOCHU, dated May 2, 2012.

*Confidential Information* means all information concerning the business or operations of a Person, in oral, written, graphic or electronic form, including trade secrets concerning the business and affairs of such Person, that is not generally available to the public.

*Contract* means any agreement, contract, obligation, promise or other undertaking (whether written or oral) that is legally binding.

*DAL* means Dole Asia Holdings Pte Ltd, a Singapore private limited company, to be formed by Dole prior to the Closing solely for the purpose of holding the Asia Fresh Business and the Worldwide Packaged Food Business (other than DPF and its subsidiary).

*DAL IP* means (i) the Intellectual Property owned by Dole or its subsidiaries (other than DPF and its sub-sidiary) that is exclusively used in the Asia Fresh Business in Asia Plus Australia/New Zealand or the Worldwide Packaged Food Business, (ii) the Intellectual Property owned by Dole or its subsidiaries (other than DPF and its subsidiary) that covers both (A) products of the Asia Fresh Business in Asia Plus Australia/New Zealand or the Worldwide Packaged Food Business and (B) products of Dole's retained businesses and (iii) any other Intellectual Property (or related rights, including Contractual license rights) to be transferred or licensed to DAL pursuant to this Agreement, the Brand Agreement or the Assignment Agreement referred to therein.

*DAL Shares* means all of the capital stock of DAL, whether voting or non-voting.

*Damages* means all damages, costs, liabilities, losses, fines, penalties and expenses, including reasonable attorneys' fees and expenses.

*Disclosure Schedule* means the disclosure schedules attached hereto in connection with Sections 3.1 and 4 of this Agreement.

*Dole* has the meaning set forth in the introductory paragraph.

*Dole 401(k) Plans* has the meaning set forth in 6.5(c)

*Dole Asia Business* means the Fresh Business to be retained by Dole in Asia Plus Australia/New Zealand as specifically described in **Exhibit E** to the Brand Agreement.

*Dole Indemnitees* has the meaning set forth in Section 8.3(a).

*Dole U.S. Pension Plan* has the meaning set forth in Section 6.5(b).

*Dole SERPs* has the meaning set forth in Section 6.5(b).

*DPF* means Dole Packaged Foods, LLC, a California limited liability company.

*DPF Interests* means all of the membership interests of DPF, whether voting or non-voting.

*DPF IP* means (i) the Intellectual Property owned by Dole or its subsidiaries (other than DPF and its sub-sidiary) arising under the Laws of the United States that covers both (A) products of the Worldwide Packaged



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Food Business and (B) products of Dole's retained businesses, (ii) the Intellectual Property owned by DOLE or its subsidiaries (other than DPF and its subsidiary) arising under the Laws of the United States that is exclusively used in the Worldwide Packaged Food Business and (iii) any other Intellectual Property (or related rights, including Contractual license rights) to be transferred or licensed to DPF pursuant to this Agreement, the Brand Agreement or the Assignment Agreement referred to therein.

*Employee Benefit Plan* means any employee benefit plan (as such term is defined in ERISA Section 3(3), whether or not ERISA applies), any Employee Pension Benefit Plan, any Employee Welfare Benefit Plan and any other employee benefit plan, program, arrangement or policy of any kind, whether or not subject to the laws of the United States (including, without limitation, the Non-U.S. Benefit Plans).

*Employee Pension Benefit Plan* has the meaning set forth in ERISA Section 3(2), whether or not ERISA applies.

*Employee Welfare Benefit Plan* has the meaning set forth in ERISA Section 3(1), whether or not ERISA applies.

*Environmental, Health and Safety Requirements* means, as amended and as now and hereafter in effect, all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative Orders and determinations and all common law concerning public health and safety, worker health and safety or pollution, exposure of Persons to Hazardous Substances or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any Hazardous Substance.

*ERISA* means the Employee Retirement Income Security Act of 1974, as amended.

*ERISA Affiliate* means each entity that is treated as a single employer with DAL and/or DPF for purposes of Code Section 414(b), (c), (m) or (o), whether or not such entity is subject to the laws of the United States.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

*Financial Statements* has, subject to Section 5.13, the meaning set forth in Section 4.6.

*Fresh Business* means the producing, harvesting, preparing, selling, distributing or purchasing of cut, sliced, diced and whole fresh/non-processed (other than standard washing and related minimal processing that is customary for perishable items offered for human consumption) fruits, vegetables, seeds, grains and nuts (excluding chocolate and coffee, but, for the avoidance of doubt, including packaged or bagged salads).

*Fundamental Representations* means (i) with respect to Dole, the representations and warranties set forth in Sections 3.1(a), 3.1(b), 3.1(c), 3.1(e), 4.1, 4.2, 4.3(a) and (b) and 4.5; and (ii) with respect to ITOCHU, the representations and warranties set forth in Sections 3.2(a), 3.2(b), 3.2(c) and 3.2(e).

*GAAP* means United States generally accepted accounting principles as in effect from time to time, consistently applied, or with respect to a date specific, as in effect as of such date.

*Governmental Authority* means any national, federal, state, local or municipal government, agency, political subdivision, governmental authority, regulatory or administrative authority, any court, tribunal or judicial body or any arbitrator.

*Governmental Authorization* means any approval, consent, license, permit, waiver or other authorization issued, granted or otherwise made available by or under the authority of any Governmental Authority.

*Hazardous Substance* means any substance, material or waste that is regulated or governed by any Environmental, Health and Safety Requirements, including, without limitation: (a) any substance, material or waste that is defined, used or listed as hazardous waste, extremely hazardous waste, restricted hazardous waste, hazardous substance, hazardous material, toxic substance, solid waste, pollutant or contaminant under any applicable law, (b) any asbestos or asbestos containing materials, and (c) any petroleum, petroleum-based substances or polychlorinated biphenyl.





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*HSR Act* means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

*ICC* has the meaning set forth in Section 11.9.

*IFRS* means the International Financial Reporting Standards as in effect from time to time.

*Improvements* has the meaning set forth in Section 4.11(d).

*Indebtedness* means (a) any Indebtedness for Borrowed Money, whether short term or long term, (b) any indebtedness arising under capitalized leases, conditional sales Contracts or other similar title retention instruments, (c) all liabilities secured by any Lien, (d) all liabilities under any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement or other similar agreement designed to protect against fluctuations in interest rates, (e) any indebtedness evidenced by any note (including for the deferred purchase price of property or services), bond, debenture, letter of credits, surety bond or other debt security, (f) any indebtedness owed to any Affiliates, and (g) all interest, fees and other expenses owed with respect to indebtedness described in the foregoing clauses (a) through (f).

*Indebtedness for Borrowed Money* means, with respect to any Acquired Entity, all indebtedness, liabilities and obligations of such Acquired Entity for borrowed money, including (1) all indebtedness, liabilities and obligations of such Acquired Entity evidenced by bonds, debentures, notes or similar instruments, (2) all obligations of such Acquired Entity upon which periodic interest charges are customarily paid (excluding trade accounts payable in the Ordinary Course of Business and obligations to which interest charges apply only as a result of a failure to perform or pay amounts due in respect of such obligation), (3) any obligation to reimburse any bank or other Person in respect of amounts paid or payable under a letter of credit or bankers' acceptance, (4) any guaranty by such Acquired Entity of any indebtedness for matters set forth in clauses (1) and (3) of this definition of Dole or any of its Affiliates (including the pledge of any collateral or grant of any security interest by such Acquired Entity in any property as security for any such indebtedness), whether or not any of the foregoing is evidenced by any note, indenture, guaranty or agreement, (5) all prepayment fees, make whole amounts or other payments that such Acquired Entity would have to make in the event of an early termination of the foregoing, and (6) accrued interest on any of the foregoing.

*Indemnified Party* has the meaning set forth in Section 8.7(a).

*Indemnifying Party* has the meaning set forth in Section 8.7(a).

*Intellectual Property* means all of the following in any jurisdiction throughout the world, and all right, title and interest therein: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), discoveries, and all patents, patent applications and patent disclosures, together with all reissuances, divisions, continuations, continuations-in-part, revisions, extensions and reexaminations thereof, including without limitation any plant patents and any applications therefor, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, Internet domain names brand names and other indications or origin, including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith, (c) all copyrightable works, all copyrights and all applications, registrations and renewals in connection therewith, (d) all mask works and all applications, registrations and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals) and (f) all other proprietary rights, in each case to the extent any of the foregoing are subject to protection under applicable law, including, any of the foregoing that are embodied in or protect (1) computer software (including source code, executable code, data, algorithms, databases and related documentation), or (2) advertising and promotional materials. Intellectual Property shall include the goodwill associated with each of the foregoing.

*Intercompany Agreements* has the meaning set forth in Section 5.2(a)(v).

*Intercompany Asset Agreements* has the meaning set forth in Section 5.2(a)(iv).

*Intercompany Equity Agreements* has the meaning set forth in Section 5.2(a)(ii).

*ITOCHU* has the meaning set forth in the introductory paragraph.

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*ITOCHU Indemnites* has the meaning set forth in Section 8.2(a).

*Knowledge* of any Person means the actual (but not constructive or imputed) knowledge of such Person without any implication or verification or investigation concerning such knowledge. References to *Dole's Knowledge* (or similar term) means the actual knowledge of each of David H. Murdock, David A. DeLorenzo, C. Michael Carter, Joseph S. Tesoriero, Yoon J. Hugh, Brad Bartlett, Ronald Bouchard, Kevin Knifton, Mark McKinney, James Prideaux, Ian Ng, Tim Oswald, Beth Potillo, Kevin Elms, Yosuke Watanabe, Danko Stambuk and Sue Hagen. References to *ITOCHU's Knowledge* (or similar term) means the actual knowledge of each of Masahiro Okafuji, Yoshihisa Aoki, Naoto Chiba, Yutaka Yamamura, Masazumi Nishikage, Tetsuya Kitae, Takamasa Tsuzuki, Ikuya Hirano, Junji Higashi, Masahiko Inoi, Sumio Kawamura, Tadashi Yoneda and Tomoki Kodama.

*Leased Real Property* means all material leasehold or subleasehold estates and other material rights to use or occupy any land, buildings, structures, improvements, fixtures, or other material interest in real property held by any Acquired Entity for use in connection with the Business.

*Leases* means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which any Acquired Entity holds any Leased Real Property.

*Legal Requirement* means any federal, national, state, local, municipal, foreign, international, multinational or other administrative Order, constitution, law, ordinance, judicial decision, regulation, rule, code, statute or treaty.

*Liability* means any direct or indirect Indebtedness, endorsement, liability, covenant, Contractual obligation, loss, deficiency, damage, expense or cost of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due), including any liability for Taxes.

*Lien* means any mortgage, pledge, lien (statutory or otherwise), assessment, assignment, security interest, charge, levy, easement, right of way, claim or encumbrance of any kind (including any conditional sales or other title retention agreement, any lease in the nature thereof and any agreement to give any of the foregoing).

*Lien Releases* means releases, discharges, termination statements and other documentation or evidence in form and substance reasonably satisfactory to ITOCHU for any and all Liens securing Indebtedness for Borrowed Money of Dole or its Affiliates applicable to any of the DAL Shares, the DPF Interests, any shares or other equity interests in any Acquired Entity or any of Acquired Entity's tangible and intangible assets, including, without limitation, the Acquired Entities' ownership interests, as the case may be, in the Asia Fresh Entities, the Worldwide Packaged Food Entities, the Asia Fresh Business or the Worldwide Packaged Food Business, which releases, discharges, termination statements and other documentation or evidence when delivered by Dole to ITOCHU at Closing and duly filed or recorded shall fully and irrevocably satisfy, remove, release and discharge in all respects any and all Liens securing Indebtedness for Borrowed Money of Dole and its Affiliates applicable to any of the DAL Shares, the DPF Interests, any shares or other equity interests in any Acquired Entity or any Acquired Entity's tangible and intangible assets, including without limitation the Acquired Entities' ownership interests, as the case may be, in the Asia Fresh Entities, the Worldwide Packaged Food Entities, the Asia Fresh Business or the Worldwide Packaged Food Business, or that such Liens shortly thereafter be so released, discharged or terminated.

*Material Adverse Effect* or *Material Adverse Change* means any event, occurrence, fact, condition or change that is reasonably determined to be materially adverse to the Business, or the results of operations or financial condition of the Acquired Entities, taken as a whole; provided, however, that neither *Material Adverse Effect* nor *Material Adverse Change* shall include any event, occurrence, fact, condition or circumstance, directly or indirectly, arising out of or attributable to: (a) any changes, conditions or effects in the United States, Asian or other foreign economies or securities or financial markets in general; (b) changes, conditions or effects that affect all participants in the industries in which the Acquired Entities operate; (c) any change, effect or circumstance resulting from an action required or contemplated by the this Agreement or the Transaction Documents, or in connection with the completion of the transactions contemplated by Section 5.2 in compliance with Section 5.2; (d) any matter of which the ITOCHU management personnel identified in the definition of Knowledge were actually aware on the Closing Date; (e) the effect of any changes in applicable laws or tax or accounting rules, including GAAP or IFRS;

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(f) any change, effect or circumstance resulting from the announcement of the transactions contemplated hereby or by the Transaction Documents or Intercompany Agreements; (g) conditions caused by acts of terrorism or war (whether or not declared) or any natural or man-made disaster or acts of God or any changes in political conditions; or (h) any changes, conditions or effects that are cured by an Acquired Entity or Dole prior to the Closing; except, in the case of clauses (a), (b), (e) and (g), where such change, event, occurrence, fact, condition or circumstance has a disproportionate, disparate or exceptional effect on the Acquired Entities or the Asia Fresh Business or Worldwide Packaged Food Business as compared to similarly situated businesses operating in the same industries.

*Most Recent Balance Sheet* has the meaning set forth in Section 4.6.

*Most Recent Unaudited Financial Statements* has, subject to Section 5.13, the meaning set forth in Section 4.6.

*Most Recent Fiscal Quarter End* has the meaning set forth in Section 4.6.

*Multiemployer Plan* has the meaning set forth in ERISA Section 3(37).

*Non-U.S. Benefit Plan* means an Employee Benefit Plan maintained, or contributed to, or required to be contributed to, outside the United States by Dole or any of its Affiliates, including, without limitation, the Acquired Entities.

*Notice Period* has the meaning set forth in Section 5.8(b)(ii).

*Occupancy Agreement* means that certain Occupancy Agreement between the Acquired Entities, on the one hand, and Dole, on the other hand, in the form attached as **Exhibit 4** hereto.

*Order* means any award, injunction, judgment, order or decree entered, issued, made or rendered by any Governmental Authority.

*Ordinary Course of Business* means the ordinary course of business of the Acquired Entities consistent with the past practice of the Business.

*Owned Real Property* means material land owned by any Acquired Entity, together with all material buildings, structures, improvements and fixtures located thereon.

*Party* and *Parties* have the meaning set forth in the introductory paragraph.

*Patent License Agreement* means that certain Patent License Agreement among Dole, DAL and DPF in the form attached as **Exhibit 5** hereto.

*Pension Amount* has the meaning set forth in Section 6.5(b).

*Permitted Liens* means (i) Liens securing liabilities which are reflected or reserved against in the Most Recent Balance Sheet to the extent so reflected or reserved; (ii) Liens for Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if reserves with respect thereto are maintained on an Acquired Entities books in accordance with GAAP; (iii) mechanic's, materialmen's, and similar Liens; (iv) purchase money Liens and Liens securing rental payments under capital lease arrangements; (v) Liens set forth on the attached as **Exhibit 6**; (vi) zoning, building codes and other land use laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority which are not violated by the current use or occupancy of such real property or the operation of the business or any violation of which would not materially and adversely affect the Asia Fresh Business, the Worldwide Packaged Food Business or the Business, in each case taken as a whole; (vii) easements, covenants, conditions, restrictions and other similar matters of record affecting title to such real property; and (viii) prior to the Closing Date, Liens required to be discharged prior to or at the Closing by the Lien Releases pursuant to this Agreement.

*Person* means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity or a Governmental Authority.

*Post-Closing Confidential Information* has the meaning set forth in Section 6.4.

*Post-Closing Tax Periods* has the meaning set forth in Section 9.1(a).



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*Pre-Closing Tax Periods* has the meaning set forth in Section 9.1(a).

*Proceeding* means any action, arbitration, audit, hearing, investigation, litigation or suit, foreign or domestic (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Government Authority or arbitrator.

*Prohibited Transaction* has the meaning set forth in ERISA Section 406 and Code Section 4975.

*Proxy Statement* has the meaning set forth in Section 3.1(d).

*Purchase Price* means \$1,685,000,000.

*Real Property* means the Leased Real Property and the Owned Real Property.

*Real Property Laws* has the meaning set forth in Section 4.11(f).

*Related Party* means any general partner, shareholder, director, executive officer, trustee or Affiliate of Dole.

*Representative* means with respect to a particular Person, any director, officer, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

*Rules* has the meaning set forth in Section 11.9.

*SEC* means the United States Securities and Exchange Commission.

*Securities Act* means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

*Sellers* has the meaning set forth in the recitals.

*Ship Usage Agreement* means that certain Ship Usage Agreement by and between Dole and one or more of the Acquired Entities, in the form attached as **Exhibit 7** hereto.

*Stockholder Approval* has the meaning set forth in Section 3.1(b).

*Stockholders Meeting* has the meaning set forth in Section 5.12(b).

*Straddle Periods* has the meaning set forth in Section 9.1(a).

*Superior Proposal* means any Acquisition Proposal (A) that is not subject to any financing contingency and is otherwise on terms which the Dole board of directors determines in good faith, after consultation with outside legal counsel and financial advisors, to be more favorable from a financial point of view than the transactions contemplated by this Agreement, taking into account all the terms and conditions of such proposal and this Agreement and (B) that the Dole board of directors believes is reasonably capable of being completed, taking into account all financial, regulatory, legal and other aspects of such proposal.

*Supply Agreement* means that certain Supply Agreement between the Acquired Entities, on the one hand, and Dole, on the other hand, in the form attached as **Exhibit 8** hereto.

*Tax* or *Taxes* means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other matter, and including any interest, penalty or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax Liability of any other Person, and including any nonpayment thereof.

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*Tax Return* means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

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*Termination Date* has the meaning set forth in Section 10.1(b)(i).

*Termination Fee* has the meaning set forth in Section 10.3(a).

*Third-Party Claim* has the meaning set forth in Section 8.7(a).

*Transaction Documents* means this Agreement, the Brand Agreement, the Transition Services Agreement, the Supply Agreement, the Occupancy Agreement, the Ship Usage Agreement and the Patent License Agreement.

*Transferred Equity Interests* has the meaning set forth in Section 5.2(a)(ii).

*Transition Services Agreement* means that certain Transition Services Agreement between the Acquired Entities, on the one hand, and Dole, on the other hand, in the form attached as **Exhibit 9** hereto.

*Tribunal* has the meaning set forth in Section 11.9(a).

*Worldwide Packaged Food Business* means the producing, manufacturing, processing, packaging, selling, distributing or purchasing of (a) shelf-stable and processed (i.e., which alters the original state or nature of the relevant product) fruits, vegetables, seeds, grains and nuts excluding chocolate and coffee (other than, for the avoidance of doubt, any such cut, sliced and diced produce defined as part of the Fresh Business), (b) pineapple and pineapple-based juices, (c) dairy products (excluding beverages), (d) frozen fruits, vegetables, seeds, grains and nuts excluding chocolate and coffee, and (e) products which combine elements of one or more of the foregoing.

*Worldwide Packaged Food Entities* means those entities listed on **Exhibit 10**.



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*Appendix B*

Deutsche Bank Securities Inc.

60 Wall Street

New York, NY 10005

September 17, 2012

Board of Directors

Dole Food Company, Inc.

One Dole Drive

Westlake Village, California 91362

Ladies and Gentlemen:

Deutsche Bank Securities Inc. ( "Deutsche Bank" ) has acted as financial advisor to Dole Food Company, Inc. (the "Company" ) in connection with the Acquisition Agreement, dated as of September 17, 2012 (the "Acquisition Agreement" ), by and between the Company and ITOCHU Corporation ( "Purchaser" ), which provides, among other things, for Purchaser to acquire (the "Transaction" ) the Company's Asia Fresh Business and Worldwide Packaged Food Business (each as defined in the Acquisition Agreement) in exchange for an amount in cash equal to \$1,685,000,000 (the "Consideration" ).

You have requested our opinion, as investment bankers, as to the fairness of the Consideration to be received in exchange for the Asia Fresh Business and the Worldwide Packaged Food Business, from a financial point of view, to the Company.

In connection with our role as financial advisor to the Company, and in arriving at our opinion, we reviewed certain publicly available financial and other information concerning the Company, the Asia Fresh Business and the Worldwide Packaged Food Business, and certain internal analyses, financial forecasts and other information relating to the Company, the Asia Fresh Business and the Worldwide Packaged Food Business prepared by management of the Company. We have also held discussions with certain senior officers of the Company regarding the businesses and prospects of the Company, the Asia Fresh Business and the Worldwide Packaged Food Business. In addition, we have (i) compared certain financial information for the Asia Fresh Business and the Worldwide Packaged Food Business with, to the extent publicly available, similar information for certain other companies we considered relevant whose securities are publicly traded, (ii) reviewed, to the extent publicly available, the financial terms of certain recent business combinations which we deemed relevant, (iii) reviewed the Acquisition Agreement, and (iv) performed such other studies and analyses and considered such other factors as we deemed appropriate.

We have not assumed responsibility for independent verification of, and have not independently verified, any information, whether publicly available or furnished to us, concerning the Company, the Asia Fresh Business or the Worldwide Packaged Food Business, including, without limitation, any financial information considered in connection with the rendering of our opinion. Accordingly, for purposes of our opinion, we have, with your knowledge and permission, assumed and relied upon the accuracy and completeness of all such information. We have not conducted a physical

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Board of Directors

Dole Food Company, Inc.

September 17, 2012

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inspection of any of the properties or assets, and have not prepared, obtained or reviewed any independent evaluation or appraisal of any of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities), of the Company, the Asia Fresh Business, the Worldwide Packaged Food Business or Purchaser or any of the Company's or Purchaser's respective subsidiaries, nor have we evaluated the solvency or fair value of the Company, Purchaser or any of their respective subsidiaries under any law relating to bankruptcy, insolvency or similar matters. With respect to the financial forecasts made available to us and used in our analyses, we have assumed with your knowledge and permission that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company as to the matters covered thereby. In rendering our opinion, we express no view as to the reasonableness of such forecasts and projections or the assumptions on which they are based. Our opinion is necessarily based upon economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We expressly disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting our opinion of which we become aware after the date hereof.

For purposes of rendering our opinion, we have assumed with your knowledge and permission that, in all respects material to our analysis, the Transaction will be consummated in accordance with the terms of the Acquisition Agreement, without any waiver, modification or amendment of any term, condition or agreement that would be material to our analysis. We also have assumed with your knowledge and permission that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the Transaction will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, no restrictions, terms or conditions will be imposed that would be material to our analysis. For purposes of our analysis, we have assumed with your knowledge and permission that the value of all relevant intellectual property being transferred or shared in connection with the Transaction is reflected in the value of the Asia Fresh Business and the Worldwide Packaged Food Business, and we have not independently analyzed the value thereof. We are not legal, regulatory, tax or accounting experts and have relied on the assessments made by the Company and its other advisors with respect to such issues. We have not reviewed any of the other agreements entered into or to be entered into in connection with the Transaction for purposes of this opinion and representatives of the Company have informed us, and we have assumed with your knowledge and permission, that the other agreements entered into or to be entered into in connection with the Transaction will not contain any terms or conditions that would be material to our analysis in any respect.

This opinion has been approved and authorized for issuance by a Deutsche Bank fairness opinion review committee and is addressed to, and is for the use and benefit of, the Board of Directors of the Company in connection with and for the purpose of its evaluation of the Transaction. This opinion is limited to the fairness of the Consideration to be received in exchange for the Asia Fresh Business and the Worldwide Packaged Food Business, from a financial point of view, to the Company as of the date hereof. This opinion does not address any other terms of the Transaction, the Acquisition Agreement or any other agreement entered into or to be entered into in connection with the Transaction. You have not asked us to, and this opinion

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September 17, 2012

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does not, address the fairness of the Transaction, or any consideration received in connection therewith, to the holders of any class of securities, creditors or other constituencies of the Company, nor does it address the fairness of the contemplated benefits of the Transaction. We express no opinion as to the merits of the underlying decision by the Company to engage in the Transaction or the relative merits of the Transaction as compared to any alternative transactions or business strategies. Nor do we express an opinion, and this opinion does not constitute a recommendation, as to how any holder of common stock, par value \$0.001 per share (the Company Common Stock), of the Company should vote with respect to the Transaction. In addition, we do not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by any of the Company's officers, directors, or employees, or any class of such persons, in connection with the Transaction relative to the Consideration to be received by the Company or otherwise. We express no opinion as to the price at which the Company Common Stock will trade at any time following the announcement or consummation of the Transaction.

Deutsche Bank will be paid a fee for its services as financial advisor to the Company in connection with the Transaction, a portion of which becomes payable upon delivery of this opinion and a substantial portion of which is contingent upon consummation of the Transaction. The Company has also agreed to reimburse Deutsche Bank for its expenses, and to indemnify Deutsche Bank against certain liabilities, in connection with its engagement. We are an affiliate of Deutsche Bank AG (together with its affiliates, the DB Group). One or more members of the DB Group have, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to Purchaser and its affiliates for which they have received compensation, including having acted as financial advisor to Kureha Corporation and Purchaser in connection with a capital expansion of Kureha Battery Materials Japan Co., Ltd., a joint venture between Kureha Corporation and Purchaser, in July, 2012. In addition, one or more members of the DB Group have, from time to time, provided, and are currently providing, investment banking, commercial banking (including extension of credit) and other financial services to the Company or its affiliates for which they have received, and in the future may receive, compensation, including having acted as co-arranger in connection with the Company's \$350,000,000 multi-currency asset-based revolving credit facility (aggregate commitment \$32,000,000), \$315,000,000 senior secured term loan and \$585,000,000 senior secured term loan in July, 2011 (collectively, the July 2011 Loans). One or more members of the DB Group also have, from time to time, provided, and are currently providing, investment banking, commercial banking (including extension of credit) and other financial services to David H. Murdock, the Company's controlling shareholder, and other companies affiliated with him for which they have received, and in the future may receive, compensation, including having acted as financial advisor to Castle & Cooke, Inc., an affiliate of Mr. Murdock, in connection with the sale of the island of Lanai to Larry Ellison in June, 2012. The DB Group may also provide investment and commercial banking services to Purchaser, the Company and their respective affiliates (including Mr. Murdock and his affiliates) in the future, for which we would expect the DB Group to receive compensation. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of Purchaser, the Company and their respective affiliates for their own accounts and for the accounts of their

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Board of Directors

Dole Food Company, Inc.

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customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations. All amounts outstanding under the July 2011 Loans are expected to be repaid in connection with the Transaction.

Based upon and subject to the foregoing assumptions, limitations, qualifications and conditions, it is Deutsche Bank's opinion as investment bankers that, as of the date hereof, the Consideration to be received in exchange for the Asia Fresh Business and the Worldwide Packaged Food Business is fair, from a financial point of view, to the Company.

Very truly yours,

/s/ Deutsche Bank Securities Inc.

DEUTSCHE BANK SECURITIES INC.

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Appendix C

**DESCRIPTION OF THE BUSINESS**

*The following discussion describes Dole's worldwide packaged foods and Asia fresh businesses, the businesses to be sold by Dole to ITOCHU in the proposed sale transaction. We sometimes refer to these businesses together in this Appendix C as the business or the businesses to be sold.*

**Overview**

The business is a leading integrated producer and branded marketer and distributor of fresh fruit and an expanding line of value-added packaged fruit products. It is one of the largest producers of bananas and pineapples in Asia, and an industry leader in packaged fruit products. Its most significant products hold the number 1 or number 2 positions in their respective markets. For the fiscal year ended December 31, 2011, the business generated revenues of approximately \$2.5 billion and, at December 31, 2011, had total assets of \$1.7 billion.

**Asia Fresh**

**Generally**

The Asia fresh business has three primary components: bananas, Asian ripening and distribution and fresh pineapples. For the fiscal year ended December 31, 2011, the Asia fresh business generated revenues of approximately \$1.3 billion, representing approximately 52% of the business.

*Bananas.* We believe that the Asia fresh business is one of Asia's largest producers of bananas. It produces bananas and papaya from leased land in the Philippines and also sources these products through associated producers or independent growing arrangements in the Philippines. A plastic extruding plant and a box forming plant, both owned by the Asia fresh business, are located near the banana plantations. Bananas are also grown on leased land in Australia. The Asia fresh business also sources products from Japanese farmers through independent growing arrangements. The Asia fresh business sells most of its bananas under the DOLE® brand. Traditional green bananas comprise the majority of the banana sales of this business, but it also sells niche bananas, like organic bananas. While bananas are sold year round, there is a seasonal aspect to the banana business, and banana prices and volumes are typically higher in the first and second calendar quarters before the increased competition from summer fruits.

*Ripening and Distribution.* The Asia fresh business operates banana ripening and distribution centers in Hong Kong, South Korea, Taiwan, The People's Republic of China, the Philippines and New Zealand.

*Fresh Pineapples.* The Asia fresh business sources pineapples primarily from business-operated farms and independent growers in the Philippines and Thailand. It produces and sells several different varieties, including the sweet yellow pineapple. The Asia fresh business markets a substantial portion of this fruit under the DOLE TROPICAL GOLD® label. Other varieties of pineapples are also used in packaged products.

**Sales & Marketing**

The Asia fresh business sells and distributes its fruit products through a network of fresh produce operations in Asia. Some of these operations involve the sourcing, distribution and marketing of fresh fruits and vegetables, while others involve only distribution and marketing. The business has regional sales organizations dedicated to servicing major retail and wholesale customers. Retail customers include large chain stores, while wholesale customers include large distributors in North America, Europe and Asia. The Asia fresh business uses consumer advertising, marketing and trade spending to promote new items, bolster its brand awareness and promote nutrition knowledge.

**Competition**

The Asia fresh produce markets are intensely competitive, and generally have a small number of key regional and global producers, filled out with independent growers, packers and middlemen. The large, interna-



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tional competitors for the Asia fresh business are Chiquita and Fresh Del Monte Produce. In some product lines, the business also competes with smaller national producers.

The Asia fresh business also faces competition from grower cooperatives and producers sponsored by foreign governments. Competition in the various markets in which the business operates is affected by reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

### ***Employees***

At December 31, 2011, the Asia fresh business had approximately 12,915 full-time permanent employees and 21,715 full-time seasonal or temporary employees. Approximately 30% of the employees work under collective bargaining agreements, some of which are in the process of being renegotiated.

### **Worldwide Packaged Foods**

The worldwide packaged foods business is a leader in sourcing, processing, distributing and marketing fruit products throughout the world. For the fiscal year ended December 31, 2011, Dole worldwide packaged foods generated revenues of approximately \$1.2 billion, representing approximately 48% of the business. The worldwide packaged foods business produces and markets canned pineapple, canned pineapple juice, fruit juice concentrate, fruit in plastic cups, jars and pouches, fruit parfaits, healthy snack foods and frozen fruit. Most of its significant packaged foods products hold the number 1 branded market position in North America. The packaged foods business has experienced significant growth in Canada and Europe in recent years, not only in its traditional fruit-based product lines, but also with the introduction of healthy alternative snacks. This business also markets and sells a variety of consumer products as well as food service and industrial ingredients in sixteen countries and territories throughout Asia.

Fruit for the packaged foods products is sourced primarily in the Philippines, Thailand, the United States and China and packed primarily in four Asian canneries, two in Thailand and two in the Philippines. The worldwide packaged foods business has continued to focus on expanding its product range beyond traditional canned fruit and juice products. FRUIT BOWL and other non-canned products accounted for approximately 55% of 2011 revenues for the business. To keep up with demand for its products, the worldwide packaged foods business has made substantial investments in its Asian canneries, significantly increasing FRUIT BOWLS capacity in the past five years. These investments should ensure its position as an industry innovator and low-cost producer.

### ***Products***

The worldwide packaged foods business has the following product categories:

***Packaged Pineapple:*** The packaged pineapple category is comprised of pineapple juice, concentrate and packaged pineapples and is sourced in the Philippines and Thailand.

***Fruit Bowls and Jars:*** In response to the trend towards convenient, healthy snacking, the single-serve shelf stable packaged fruit category has grown to exceed the applesauce and shelf-stable prepared gelatin categories combined. Our FRUIT BOWLS products, introduced in 1998, have achieved significant market share. In late 2010, we introduced FRUIT BOWLS in 100% juice, the only non-refrigerated fruit bowl in 100% juice. FRUIT BOWLS in 100% juice have no added sugar or artificial sweeteners, and completely replaced our FRUIT BOWLS in light syrup in the U.S.

***Frozen Fruit:*** Frozen fruit is comprised of berries, pineapple, peaches and mangoes. In the frozen fruit category, revenue grew at a compounded annual growth rate of 7.1% over the past six years. During 2011, we introduced two new concepts in the frozen fruit category to take advantage of the consumer's desire for healthier, portion-controlled products that contain no additives or preservatives. Our first new item, Fruit Smoothie SHAKERS<sup>®</sup>, is a single serve container of frozen fruit and yogurt. The product line comes in three flavors. The other new concept is a three ounce, frozen fruit single serve cup that features our new Nature Lock technology to guarantee fresh fruit flavor and texture. Our strawberry, blueberry and pineapple varieties are available in two-packs.





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*Canned Fruit:* The canned fruit category is comprised of canned tropical fruit salad and mandarins. Tropical fruit salad is packed in Asian facilities while mandarins are sourced via co-packers in China.

### ***Mrs. May's Naturals Acquisition***

During the first quarter of 2012, the business acquired Mrs. May's Naturals Inc., a company that aims to provide consumers with wholesome snacks for a healthier lifestyle. A family-run business founded in 2002, Mrs. May's Naturals was created to bring consumers natural, wholesome snack alternatives to junk food. With product offerings like fruit and nut based clusters, bars and freeze-dried fruit, Mrs. May's Naturals provides a platform for growth of all-natural offerings in the health and nutrition food category. Mrs. May's products will continue to be packaged under the Mrs. May's label.

### ***Sales Organizations***

In North America, the worldwide packaged foods business is primarily a brokered sales organization. We partner with two primary brokers Acosta and Crossmark. Dedicated teams of in-house sales professionals cover national accounts including Wal-Mart, Costco, Safeway, Supervalu, Delhaize, Ahold, and Kroger. In Europe, the worldwide packaged foods business sells mostly through distributors with UK direct and, in Asia, through Dole in-country direct sales staff and through distributors.

### ***Facilities***

The worldwide packaged foods business, through Dole Philippines and Dole Thailand, operates a pineapple plantation of approximately 37,600 leased acres in the Philippines, and owns and operates over 2 million square feet of processing facilities. Two multi-fruit canneries, a blast freezer, cold storage, a juice concentrate plant, a box forming plant, a can and drum manufacturing plant, warehouses, a wharf and a fresh fruit packing plant are located at or near the Philippine pineapple plantation. The worldwide packaged foods business also grows pineapples in Thailand on approximately 3,800 acres of owned land, not all of which are currently under cultivation. It also owns and operates a tropical fruit cannery and a multi-fruit processing factory in central Thailand and a second tropical fruit cannery in southern Thailand. The worldwide packaged foods business sources finished products and ingredients from over thirty co-packers in China. These co-packer facilities manufacture a wide range of fruit and vegetable based items under the close supervision and quality control of Dole personnel.

In the United States, the worldwide packaged foods business owns and farms approximately 1,050 acres of peach orchards in California. It also owns and operates a plant in Atwater, California that produces individually quick frozen fruit, and leases a forward packing distribution facility in Decatur, Michigan. It also leases a dairy facility with cryogenic freezing and fruit inclusion technologies in Stockton, California, where it produces its Fruit Smoothie Shakers, among other products.

### ***Employees***

At December 31, 2011, the worldwide packaged foods business had approximately 6,440 full-time permanent employees and 4,975 full-time seasonal or temporary employees. Approximately 33% of the employees work under collective bargaining agreements.

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*Appendix D*

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited pro forma condensed consolidated balance sheet and the unaudited pro forma condensed consolidated statements of operations are derived from, and should be read in conjunction with, our historical financial statements and notes thereto of Dole Food Company, Inc. ( Dole ), as presented in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 15, 2012, and our quarterly report on Form 10-Q for the three quarters ended October 6, 2012 filed with the SEC on November 15, 2012.

The unaudited pro forma condensed consolidated financial statements have been prepared giving effect to the sale of Dole's worldwide packaged food business and Asia fresh business as well as the pay down of existing indebtedness and new borrowings (the Transactions ) as if the Transactions occurred as of October 6, 2012 for the unaudited pro forma condensed consolidated balance sheet and as of January 2, 2011 for the unaudited pro forma condensed consolidated statements of operations. Pro forma operating information presented for all periods reflects pro forma adjustments to exclude Dole's worldwide packaged food business and Asia fresh business from the continuing operations of Dole. Pro forma adjustments that reflect the pay down of existing indebtedness and new borrowings are presented in a separate column as only the sale transaction is subject to a vote of shareholders.

The unaudited pro forma condensed consolidated financial statements are prepared in accordance with Article 11 of Regulation S-X. The pro forma adjustments are described in the accompanying notes and are based upon information and assumptions available at the time of the filing of this proxy statement. Pro forma adjustments that reflect the pay down of existing indebtedness and new borrowings are presented in a separate column as only the sale transaction is subject to a vote of shareholders.

We did not account for Dole's worldwide packaged food business and Asia fresh business ( Dole Asia ) as, and it was not operated as, a separate, stand-alone entity, subsidiary or division for the periods presented.

The unaudited pro forma condensed consolidated financial statements do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the transaction occurred on the dates indicated. In addition, these unaudited pro forma condensed consolidated financial statements should not be considered to be indicative of our future financial performance. For example, actions that management may undertake to reduce overhead expenses in light of the Transaction are not reflected.

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**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**

As of October 6, 2012

	Dole Food Company, Inc.	Pro Forma Adjustments			Pro Forma Consolidated
		Disposition of Dole Asia (c)		Other	
(In thousands)					
<b>ASSETS</b>					
Cash and cash equivalents	\$ 82,044	\$ 1,649,397	(a)	\$ (1,541,756)	(b) \$ 189,685
Restricted cash					
Receivables, net	706,322	(225,029)			481,293
Inventories	844,795	(646,768)			198,027
Prepaid expenses and other assets	72,072	(31,606)		(4,800)	(e) 35,666
Deferred income tax assets	28,687	(19,189)			9,498
Assets held-for-sale	21,488	(3,214)			18,274
<b>Total current assets</b>	<b>1,755,408</b>	<b>723,591</b>		<b>(1,546,556)</b>	<b>932,443</b>
Investments	106,150	(19,186)			86,964
Actively marketed land	74,814				74,814
Property, plant and equipment, net	897,810	(221,308)			676,502
Goodwill	413,966	(159,894)	c(i)		254,072
Intangible assets, net	735,226	(387,581)	c(ii)(d)		347,645
Other assets, net	251,865	(140,733)	c(iii)	(6,850)	(e) 104,282
<b>Total assets</b>	<b>\$ 4,235,239</b>	<b>\$ (205,111)</b>		<b>\$ (1,553,406)</b>	<b>\$ 2,476,722</b>
<b>LIABILITIES AND EQUITY</b>					
Accounts payable	\$ 428,236	\$ (164,428)		\$	\$ 263,808
Accrued liabilities	524,166	(126,447)	c(iv)		397,719
Current portion of long-term debt, net	162,851	(766)	c(v)	(158,387)	(e) 3,698
Notes payable	55,161	(44,113)			11,048
<b>Total current liabilities</b>	<b>1,170,414</b>	<b>(335,754)</b>		<b>(158,387)</b>	<b>676,273</b>
Long-term debt, net	1,472,045	(2,237)	c(v)	(1,215,119)	(e) 254,689
Deferred income tax liabilities	193,308	(44,213)	c(vi)		149,095
Other long-term liabilities	471,252	(71,353)	c(vii)	(60,000)	(f) 339,899
Equity attributable to shareholders of Dole Food Company, Inc.	900,838	270,542		(119,900)	(h) 1,051,480
Equity attributable to noncontrolling interests	27,382	(22,096)			5,286
<b>Total equity</b>	<b>928,220</b>	<b>248,446</b>		<b>(119,900)</b>	<b>1,056,766</b>
<b>Total liabilities and equity</b>	<b>\$ 4,235,239</b>	<b>\$ (205,111)</b>		<b>\$ (1,553,406)</b>	<b>\$ 2,476,722</b>

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Quarters Ended October 6, 2012**

	Dole Food Company, Inc.	Pro Forma Adjustments		Pro Forma Consolidated
		Disposition of Dole Asia (c)	Other	
(In thousands, except per share data)				
Revenues, net	\$ 5,302,176	\$ (1,990,132)	\$	\$ 3,312,044
Cost of products sold	(4,722,340)	1,709,391		(3,012,949)
Gross margin	579,836	(280,741)		299,095
Selling, marketing and general and administrative expenses	(425,039)	204,264 c(viii)		(220,775)
Charges for restructuring and long-term receivables	(4,062)	(39)		(4,101)
Gain on asset sales	11,916			11,916
Operating income	162,651	(76,516)		86,135
Other income (expense), net	(3,324)	505		(2,819)
Interest income	4,145	(503)		3,642
Interest expense	(101,546)	1,651 c(v)	86,251 (e)	(13,644)
Income from continuing operations before income taxes and equity earnings	61,926	(74,863)	86,251	73,314
Income taxes	230	24,525 c(v)c(viii)	(24,516) (g)	239
Earnings from equity method investments	6,929	(1,544)		5,385
Income from continuing operations	\$ 69,085	\$ (51,882)	\$ 61,735	\$ 78,938
Earnings per share Basic and Diluted:				
Income from continuing operations Basic	\$ 0.79			\$ 0.90
Income from continuing operations Diluted	\$ 0.78			\$ 0.89
Weighted average common shares outstanding Basic.	87,761			87,761
Weighted average common shares outstanding Diluted.	88,483			88,483

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Quarters Ended October 8, 2011**

	Dole Food Company, Inc.	Pro Forma Adjustments		Pro Forma Consolidated
		Disposition of Dole Asia (c)	Other	
(In thousands, except per share data)				
Revenues, net	\$ 5,687,861	\$ (1,907,321)	\$	\$ 3,780,540
Cost of products sold	(5,047,176)	1,604,438		(3,442,738)
Gross margin	640,685	(302,883)		337,802
Selling, marketing and general and administrative expenses	(415,865)	199,250 c(viii)		(216,615)
Charges for restructuring and long-term receivables	(16,579)	4,018		(12,561)
Gain on asset sales	3,337			3,337
Operating income	211,578	(99,615)		111,963
Other income (expense), net	(53,970)	996		(52,974)
Interest income	3,802	(427)		3,375
Interest expense	(111,709)	1,980 c(v)	93,770 (e)	(15,959)
Income from continuing operations before income taxes and equity earnings	49,701	(97,066)	93,770	46,405
Income taxes	(18,781)	28,901 c(v)c(viii)	(26,351) (g)	(16,231)
Earnings from equity method investments	6,627	(484)		6,143
Income from continuing operations	\$ 37,547	\$ (68,649)	\$ 67,419	\$ 36,317
Earnings per share				
Income from continuing operations Basic	\$ 0.43			\$ 0.41
Income from continuing operations Diluted	\$ 0.43			\$ 0.41
Weighted average common shares outstanding Basic.	87,588			87,588
Weighted average common shares outstanding Diluted.	88,091			88,091

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Year Ended December 31, 2011**

	Dole Food Company, Inc.	Pro Forma Adjustments Disposition		Pro Forma Consolidated
		of Dole Asia (c)	Other	
(In thousands, except per share data)				
Revenues, net	\$ 7,223,836	\$ (2,488,495)	\$	\$ 4,735,341
Cost of products sold	(6,438,685)	2,103,278		(4,335,407)
Gross margin	785,151	(385,217)		399,934
Selling, marketing and general and administrative expenses	(535,132)	249,118 c(viii)		(286,014)
Charges for restructuring and long-term receivables	(24,916)	8,504		(16,412)
Gain on asset sales	4,541			4,541
Operating income	229,644	(127,595)		102,049
Other income (expense), net	(49,233)	359		(48,874)
Interest income	4,665	(572)		4,093
Interest expense	(142,430)	2,224 c(v)	117,666 (e)	(22,540)
Income from continuing operations before income taxes and equity earnings	42,646	(125,584)	117,666	34,728
Income taxes	(6,521)	36,191 c(v)c(viii)	(33,246) (g)	(3,576)
Earnings from equity method investments	5,530	(941)		4,589
Income from continuing operations	\$ 41,655	\$ (90,334)	\$ 84,420	\$ 35,741
<b>Earnings per share</b>				
Income from continuing operations Basic	\$ 0.48			\$ 0.41
Income from continuing operations Diluted	\$ 0.47			\$ 0.41
<b>Weighted average common shares outstanding</b>				
Basic.	87,619			87,619
Weighted average common shares outstanding Diluted.	88,081			88,081

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Year Ended January 1, 2011**

	<b>Dole Food Company, Inc.</b>	<b>Disposition of Dole Asia (c)</b>	<b>Pro Forma Consolidated</b>
	<b>(In thousands, except per share data)</b>		
Revenues, net	\$ 6,892,614	\$ (2,238,965)	\$ 4,653,649
Cost of products sold	(6,202,864)	1,901,594	(4,301,270)
Gross margin	689,750	(337,371)	352,379
Selling, marketing and general and administrative expenses	(498,866)	222,538 c(viii)	(276,328)
Charges for restructuring and long-term receivables	(32,748)	1,289	(31,459)
Gain on legal settlements, net	32,521		32,521
Gain on asset sales	3,017		3,017
Operating income	193,674	(113,544)	80,130
Other income (expense), net	(63,641)	(62)	(63,703)
Interest income	6,195	(324)	5,871
Interest expense	(163,950)	2,877 c(v)	(161,073)
Loss from continuing operations before income taxes and equity earnings	(27,722)	(111,053)	(138,775)
Income taxes	(13,394)	38,742 c(v)c(viii)	25,348
Earnings from equity method investments	7,364	(793)	6,571
Loss from continuing operations	\$ (33,752)	\$ (73,104)	\$ (106,856)
Earnings per share Basic and Diluted:			
Loss from continuing operations	\$ (0.39)		\$ (1.22)
Weighted average common shares outstanding Basic and Diluted.	87,451		87,451

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Year Ended January 2, 2010**

	<b>Dole Food Company, Inc.</b>	<b>Disposition of Dole Asia (c) (In thousands, except per share data)</b>	<b>Pro Forma Consolidated</b>
Revenues, net	\$ 6,778,521	\$ (2,112,681)	\$ 4,665,840
Cost of products sold	(6,008,803)	1,749,972	(4,258,831)
Gross margin	769,718	(362,709)	407,009
Selling, marketing and general and administrative expenses	(479,229)	196,699 c(viii)	(282,530)
Gain on asset sales	61,257		61,257
Operating income	351,746	(166,010)	185,736
Other income (expense), net	(24,727)	(1,278)	(26,005)
Debt retirement costs in connection with initial public offering	(30,551)		(30,551)
Interest income	6,917	(225)	6,692
Interest expense	(205,715)	3,697 c(v)	(202,018)
Income (loss) from continuing operations before income taxes and equity earnings	97,670	(163,816)	(66,146)
Income taxes	(22,684)	38,309 c(v)c(viii)	15,625
Earnings from equity method investments	10,100	(1,590)	8,510
Income (loss) from continuing operations	\$ 85,086	\$ (127,097)	\$ (42,011)
Earnings per share Basic and Diluted:			
Loss from continuing operations	\$ 1.45		\$ (0.71)
Weighted average common shares outstanding Basic and Diluted.	58,775		58,775

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements



**Table of Contents****NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 1 Sale of Dole Asia**

The estimated sales price and gain on the sale of Dole Asia, based on the historical book balances of Dole Asia as of October 6, 2012, are as follows (in thousands):

Sales price	\$ 1,685,000
U.S. pension adjustment	29,000
<b>Total estimated proceeds</b>	<b>1,714,000</b>
Less:	
Net assets of Dole Asia	(1,305,254)
Dole Asia net debt settlement	(9,800)
Transaction costs	(20,500)
 Pre-tax estimated gain on sale	 378,446
Income taxes	(130,000)
 Estimated gain on sale	 \$ 248,446

The agreed upon sale price for Dole Asia is \$1.685 billion. Under the terms of the agreement, Dole is required to settle the net debt of Dole Asia (determined by subtracting the Dole Asia cash on hand less the outstanding borrowings), which was approximately \$9.8 million as of October 6, 2012, and has been reflected as a reduction in the sales proceeds from the Transaction.

In addition, if the acquirer chooses not to assume certain U.S. pension liabilities of Dole Asia, then the buyer must pay Dole \$29 million in the form of cash or a note receivable that will be repaid over a five year period. For purposes of the pro forma financial statements, it has been assumed that the acquirer will elect not to assume these liabilities and additional cash proceeds of \$29 million will be received. As a result, the estimated proceeds have been increased by \$29 million, and the long-term liabilities to be assumed by the acquirer of Dole Asia exclude certain Dole Asia pension liabilities as of October 6, 2012.

**Note 2 Pro Forma Adjustments**

The following are descriptions of the pro forma adjustments related to the sale of Dole Asia and the use of cash proceeds as identified:

- (a) Represents the expected proceeds of \$1.714 billion from the sale of Dole Asia, less \$34.3 million of cash held by Dole Asia as of October 6, 2012, estimated transaction costs of \$20.5 million, and a payment of \$9.8 million to settle the net debt of Dole Asia.
- (b) The table below details the estimated use of cash associated with the cash proceeds received from the Transaction net of new borrowings (in thousands):

Repayment of notes, debentures, revolving credit facility and term loan facilities	\$ (1,589,206)
Payment for early retirement of debt	(49,300)
Estimated change of control and other employee compensation payments	(35,000)
SERP and other benefit plan funding	(60,000)
New borrowings, net of debt discount	198,000
Debt issuance costs associated with new borrowings	(6,250)

Total estimated use of cash

\$ (1,541,756)

- (c) Represents adjustments to eliminate the results of operations of Dole Asia that management believes are directly attributable to the sale of Dole Asia and are factually supportable and will not continue after the sale.

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While pro-forma financial statements only adjust for items that are directly attributable to the Transaction and are non-recurring, historical carve-out financial statements include adjustments for certain indirect costs such as corporate overhead that are indirectly related to the balances being carved out. In addition, certain pro-forma adjustments made to allocate goodwill balances and trade names are based upon current estimated fair values in pro-forma financial statements, while in historical carve-out financial statements, these allocations may be based on historical fair values. The unaudited pro forma condensed consolidated statements of operations exclude the impact of one-time, non-recurring adjustments related to the sale of Dole Asia that will be reflected in the period in which the transaction is completed. These one-time adjustments have been reflected in the unaudited pro forma condensed consolidated balance sheet and include estimated transaction costs of \$20.5 million.

Material differences between the historical carve out financial statement line items of Dole Asia and the pro forma adjustments included in the Disposition of Dole Asia column of the unaudited pro forma condensed consolidated financial statements have been summarized below:

(c)(i) Dole Asia consists of the entire Packaged Foods reporting unit and the Asia Fresh component of Dole's fresh fruit reporting unit. The pro forma adjustment to goodwill included in the unaudited pro forma condensed consolidated balance sheets of \$160 million consists of the entire Packaged Foods goodwill balance of \$68 million and the estimated portion of Asia Fresh's share of the Fresh Fruit reporting unit goodwill which is estimated to be \$92 million as of October 6, 2012.

The goodwill balance included in the Dole Asia historical condensed combined balance sheet as of October 6, 2012 was \$126 million, which consisted of the entire Packaged Foods goodwill balance of \$68 million and the allocated portion of Asia Fresh's share of the Fresh Fruit reporting unit goodwill balance of \$58 million.

When allocating the portion of the Fresh Fruit reporting unit goodwill for purposes of preparing the Dole Asia historical financial statements, the allocation was based upon the estimated amount of Fresh Fruit goodwill attributable to the Asia Fresh business at the time the goodwill was originally established. When Dole disposes of the Asia Fresh component, and for purposes of preparing the pro forma adjustments to the unaudited pro forma condensed consolidated balance sheet as of October 6, 2012, the allocation of the Fresh Fruit goodwill is based on the estimated current fair value of the Asia Fresh business relative to the estimated fair value of the entire Fresh Fruit reporting unit as of October 6, 2012.

The adjustment to goodwill in the unaudited pro forma condensed consolidated balance sheets is greater than the goodwill balance included in the historical condensed combined balance sheet of Dole Asia because the Asia Fresh component of the fresh fruit reporting unit has increased in value relative to the overall fresh fruit reporting unit subsequent to the initial establishment of the fresh fruit goodwill.

(c)(ii) Refer to footnote (2)(d) for an explanation of the difference between the intangible asset adjustment included in the unaudited pro forma condensed consolidated balance sheet and intangible asset reflected in the condensed historical combined balance sheet of Dole Asia.

(c)(iii) The other assets, net financial statement line item in the unaudited pro forma condensed consolidated balance sheets includes both other assets and non-current deferred income tax assets. These financial statement line items are presented separately in the Dole Asia historical financial statements. The adjustment included in the unaudited pro forma condensed consolidated balance sheets to other assets, net is \$141 million. As of October 6, 2012, the combined other assets, net and deferred income tax assets balance included in the October 6, 2012 historical financial statements of Dole Asia was \$143 million. The difference between the two balances is the result of various immaterial corporate related allocations that have been included in the historical financial statements of Dole Asia that will not be assumed by the Acquirer of Dole Asia.

(c)(iv) The accrued liabilities balance in the unaudited pro forma condensed consolidated balance sheet as of October 6, 2012 includes accrued liabilities, derivative liabilities, and deferred income taxes. The combined accrued liabilities, derivative liabilities, and deferred income tax liabilities balances included in the October 6, 2012 historical condensed combined balance sheet of Dole Asia was \$207 million, compared to a

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pro forma adjustment of \$126 million in the unaudited pro forma condensed consolidated balance sheet. This difference of \$81 million is primarily relates to the following (in thousands):

Current portion of the long-term yen hedges	\$ 55,823 (1)
Corporate related allocations	2,590 (2)
Increase in income taxes payable	21,000 (3)
Certain pension liabilities related to Dole Asia employees	1,543 (4)
<b>Total</b>	<b>\$ 80,956</b>

- (1) The long-term Japanese yen hedges were included in the historical financial statements of Dole Asia since these hedges are associated with the operations of Dole Asia. These hedges will not be retained by the acquirer of Dole Asia and, as a result, have not been included in the pro forma adjustment to accrued liabilities.
- (2) This amount represents various immaterial corporate related allocations that were included in the historical financial statements of Dole Asia but that will not be retained by the acquirer of Dole Asia, and as a result, have not been included in the pro forma adjustment to accrued liabilities.
- (3) This amount primarily represents the expected increase in current income taxes payable as a result of the estimated gain to be recorded by Dole upon the disposition of Dole Asia.
- (4) See note (c)(vii) for an explanation of this item.

(c)(v) Included in the current portion of long-term debt and long-term debt balance as of October 6, 2012 in the historical condensed combined balance sheet of Dole Asia is approximately \$23.7 million and \$206.7 million, respectively, of Dole corporate acquisition related debt that was allocated to Dole Asia. In addition, the October 6, 2012 historical condensed combined statement of operations of Dole Asia reflects the interest expense associated with this debt. This debt will not be assumed by the acquirer of Dole Asia, and as a result, has been excluded from the pro forma adjustments made to the unaudited pro forma condensed consolidated balance sheet and the related interest expense has been excluded from the unaudited pro forma condensed consolidated statements of operations.

(c)(vi) The adjustment to long-term deferred income tax liabilities in the unaudited pro forma condensed consolidated balance sheet as of October 6, 2012 was \$44 million and the deferred income tax liability balance included in the October 6, 2012 historical condensed combined balance sheet of Dole Asia was \$100 million. The difference of \$56 million primarily relates to the tax impact of \$109 million associated with the expected utilization of Dole's net operating losses as a result of the estimated gain to be recorded upon the disposition of Dole Asia, offset by approximately \$53 million of adjustments to the deferred income tax liabilities in the pro forma financial statements. The deferred taxes recorded in historical financial statements were calculated on a separate return basis, and as such, the corporate related and other allocations were allocated to each taxable jurisdiction that Dole Asia operates in, with the related deferred tax consequences calculated for each jurisdiction. When preparing the unaudited pro forma condensed consolidated financial statements, certain allocations, such as corporate overhead, that were included in the preparation of the historical financial statements of Dole Asia and discussed herein were excluded from the unaudited pro forma condensed consolidated financial statements. In addition, the methodology for allocating certain items such as tradenames is computed using different methodologies (see footnote 2(d)). As a result, the deferred taxes were adjusted accordingly.

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(c)(vii) Note that the other long-term liabilities balances of Dole included in the unaudited pro forma condensed consolidated balance sheet as of October 6, 2012 of \$471 million includes long-term derivative liabilities. The combined other long-term liabilities balance and the other long-term derivative liabilities balance included in the October 6, 2012 historical condensed combined balance sheet of Dole Asia was \$173 million, compared to a pro forma adjustment of \$71 million. This difference of \$102 million consists of the following (in thousands):

Non-current portion of the long-term Japanese yen hedges	\$ 68,329 (1)
Certain pension liabilities related to Dole Asia employees	28,089 (2)
Dole Asia related legal reserves	5,357 (2)
 Total	 \$ 101,775

(1) The long-term Japanese yen hedges were included in the historical financial statements of Dole Asia since these hedges are associated with the operations of Dole Asia. However, these hedges will not be retained by the acquirer of Dole Asia and have not been included in the pro forma adjustment.

(2) In connection with the sale of Dole Asia, the acquirer may not be assuming certain pension obligations and legal contingencies that relate to Dole Asia. These items were included in the historical financial statements of Dole Asia, but will not be assumed by the acquirer of Dole Asia.

(c)(viii) The historical condensed combined statement of operations of Dole Asia reflect the allocation of certain selling, marketing, and general and administrative expenses ( SG&A ) that are recorded by Dole that have been allocated and included in the historical financial statements of Dole Asia. Since these costs will not be assumed by the acquirer of Dole Asia, these costs and the related income tax impacts have been excluded from the pro forma adjustments made to SG&A and to income tax expense in the unaudited pro forma condensed consolidated statements of operations.

(d) In connection with the Transaction, the acquirer of Dole Asia will co-own the Dole trade name. As a result, approximately 55% of the Dole trade name has been removed from the unaudited pro forma condensed consolidated balance sheet determined by multiplying the historical book value of the Dole trade name by an estimated percentage determined by dividing the estimated fair value of portion of the Dole trade name that will be sold by the total estimated fair value of the Dole trade name. The allocation percentage has been based on preliminary estimates and is sensitive to certain assumptions such as royalty rates, estimated cost of capital, revenue projections and expected tax rates. In connection with the preparation of the historical financial statements of Dole Asia, approximately 40% of the Dole trade name was allocated to Dole Asia based upon the estimated portion of the trade name value that was attributable to Dole Asia at the time the tradename was established. When the Dole trade name was established on Dole's balance sheet during 2003, the Asia Fresh component and the Packaged Foods business represented a smaller portion of Dole's consolidated revenues when compared to current revenues, resulting in an increase in the allocation percentage of the Dole trade name. In addition, certain revenue streams of Dole's Fresh Vegetables segment and Fresh Fruit segment do not benefit from the Dole trade name, while substantially all of the Packaged Foods segment revenues benefit from the Dole trade name, resulting in more than 50% of the trade name balance as of October 6, 2012 being allocated to Dole Asia.

(e) Dole assumes that it will use approximately \$1.589 billion of proceeds from the Transaction and its expected new borrowings to repay \$155 million of its 8.75% debentures due 2013, \$174.9 million of its 13.875% senior secured notes due 2014, \$315 million of its 8% senior secured notes due 2016, \$867.7 million of its term loan facilities, and \$76.6 million of its revolving credit facility. The pro forma financial statements have also been adjusted to reflect estimated new borrowings of approximately \$198 million which is net of a \$2 million discount, although Dole's new borrowings ultimately may be higher. Dole expects to pay approximately \$49.3 million of pre-payment penalties in connection with the early retirement of debt. This payment has been reflected as a use of cash in the unaudited pro forma condensed consolidated balance sheets (see footnote (b)).

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A pro forma adjustment has been made to reflect a decrease in interest expense in the unaudited pro forma condensed consolidated statements of operations as if the debt repayment and new borrowings occurred as of January 2, 2011. The interest rates used to calculate the pro forma interest expense adjustment were the interest rates stated above for our debentures and senior secured notes, the weighted average variable interest rate for our revolving credit facility of 4.89% at October 6, 2012, as well as the weighted average variable interest rate for our term loan facilities of 5.03%, 5.03% and 5.05% at October 6, 2012, December 31, 2011 and October 8, 2011, respectively. The adjustments to the unaudited pro forma condensed consolidated statements of operations exclude the impact of one-time, non-recurring expenses related to the write-off of debt discounts and issuance costs.

Pro forma adjustments recorded as a result of the pay down of indebtedness and new borrowings are as follows (in thousands):

Write-off of debt issuance costs	\$ (4,800) (1)
Total adjustment to prepaid expense and other assets	\$ (4,800)
Write-off of debt issuance costs	\$ (13,100) (1)
Capitalization of new issuance costs	6,250 (4)
Total adjustment to other assets, net	\$ (6,850)
Write-off of debt discount	\$ 5,400 (1)
Repayment of the current portion of long-term debt, net	(163,787) (2)
Total adjustment to current portion of long-term debt, net	\$ (158,387)
Write-off of debt discount	\$ 12,300 (1)
Additional borrowings	200,000 (3)
Debt discount associated with new borrowings	(2,000) (3)
Repayment of long-term debt	(1,425,419) (2)
Total adjustment to long-term debt, net	\$ (1,215,119)

- (1) These adjustments represents the elimination of 100% of the remaining debt issuance costs and debt discounts associated with Dole's 8.75% debentures due 2013, Dole's 13.875% senior secured notes due 2014, Dole's 8% senior secured notes due 2016, Dole's revolving credit facility and Dole's term loan facilities. Since these debt instruments will be repaid in full, all of the associated debt issuance costs and debt discounts will be written-off.
- (2) These adjustments represent the repayment in full of Dole's 8.75% debentures due 2013, Dole's 13.875% senior secured notes due 2014, Dole's 8% senior secured notes due 2016, Dole's revolving credit facility and Dole's term loan facilities.
- (3) These adjustments represent new borrowings of \$200 million, with an expected interest rate of 5%, and expected discount of \$2 million.
- (4) In connection with the new borrowings of \$200 million, Dole expects to incur debt issuance costs of approximately \$6.3 million.

(f)

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In connection with the transaction, Dole will be required to fund approximately \$60 million of its U.S. supplemental employee retirement plans ( SERP ).

- (g) For purposes of these pro forma adjustments, the U.S. federal statutory tax rate of 37.5 percent has been used for all periods presented on the U.S. portion of interest expense eliminated. The non-U.S. portion of interest expense that has been eliminated has been taxed at a zero tax rate. The tax rates used are estimates and do not take into account any possible future tax events that may impact Dole in the future.

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(h) Adjustments to shareholders' equity are computed as follows (in thousands):

Payment for early retirement of debt	\$ 49,300(1)
Estimated change of control and other employee compensation payments	35,000(2)
Write-off of debt issuance costs	17,900(3)
Write-off of debt discount costs	17,700(4)
	<b>\$ 119,900</b>

- (1) As noted in footnote 2(b) and 2(e), Dole expects to pay a penalty of approximately \$49.3 million in connection with the early retirement of debt.
- (2) Such amount represents change of control payments and other payments to employees that Dole expects to make as a result of the sale of Dole Asia.
- (3) Such amount represents the write-off of \$4.8 million of debt issuance costs included in prepared expense and the write-off of \$13.1 million of debt issuance costs included in other assets, net. Refer to footnote 2(e) for further information.
- (4) Such amount represents the write-off of \$5.4 million of debt discounts included in the current portion of long-term debt and the write-off of \$12.3 million of debt discounts included in long-term debt. Refer to footnote 2(e) for further information.

The consummation of the Transaction will trigger the change of control provisions of the 2009 Stock Incentive Plan. As a result, all of the awards granted under the 2009 Stock Incentive Plan will become fully vested, resulting in Dole recognizing additional share based compensation expense of \$18.5 million upon the change of control. As this expense is one-time and has no continuing impact, a pro forma adjustment has not been made for this expense.



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*Appendix E*

**Dole Asia**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**Combined Financial Statements as of  
December 31, 2011 and January 1, 2011, and  
for the Years Ended December 31, 2011,  
January 1, 2011, and January 2, 2010, and  
Independent Auditors Report**

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**INDEPENDENT AUDITORS REPORT**

To the Board of Directors of

Dole Food Company, Inc.:

We have audited the accompanying combined balance sheets of Dole Asia and subsidiaries (the Company), a wholly owned business of Dole Food Company, Inc., as of December 31, 2011 and January 1, 2011, and the related combined statements of operations, comprehensive income, parent company equity, and cash flows for the years ended December 31, 2011, January 1, 2011, and January 2, 2010. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the statements referred to above have been prepared from Dole Food Company, Inc.'s historical accounting records and are presented on a carve-out basis to include the historical financial position, results of operations, and cash flows applicable to the Company.

September 17, 2012

**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****COMBINED STATEMENTS OF OPERATIONS****FOR THE YEARS ENDED DECEMBER 31, 2011, JANUARY 1, 2011, AND JANUARY 2, 2010**

	2011	2010 (In thousands)	2009
Revenues net	\$ 2,488,495	\$ 2,238,967	\$ 2,112,680
Cost of products sold	(2,102,423)	(1,901,632)	(1,750,435)
Gross margin	386,072	337,335	362,245
Selling, marketing, and general and administrative expenses	(271,606)	(239,905)	(214,910)
Charges for restructuring	(8,504)	(1,289)	
Operating income	105,962	96,141	147,335
Other expense net	(1,671)	(11,104)	(6,332)
Interest income	572	324	225
Interest expense	(21,773)	(24,661)	(32,330)
Income before income taxes and equity earnings	83,090	60,700	108,898
Income taxes	(28,807)	(38,299)	(33,322)
Earnings from equity method investments	941	792	1,591
Net income	55,224	23,193	77,167
Less: net income attributable to noncontrolling interests	(2,147)	(2,660)	(1,338)
Net income attributable to Dole Asia	\$ 53,077	\$ 20,533	\$ 75,829

See notes to combined financial statements.

**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****COMBINED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2011, JANUARY 1, 2011, AND JANUARY 2, 2010**

	<b>2011</b>	<b>2010</b> <b>(In thousands)</b>	<b>2009</b>
Net income	\$ 55,224	\$ 23,193	\$ 77,167
Net foreign currency translation adjustment	(1,972)	12,956	3,301
Unrealized hedging losses net of income tax expense (benefit) of \$(2,615), \$1,765, and \$0	(48,045)	(25,734)	(571)
Reclassification of net realized losses to net income Net of income tax expense (benefit) of \$1,359, \$(199), and \$0	24,782	7,947	1,844
Change in employee benefit plans net of income tax benefit of \$(1,647), \$(1,310), and \$(1,891)	(7,008)	(1,702)	(1,160)
Comprehensive income	22,981	16,660	80,581
Less comprehensive income attributable to noncontrolling interests	(2,153)	(2,675)	(1,338)
Comprehensive income attributable to Dole Asia	\$ 20,828	\$ 13,985	\$ 79,243

See notes to combined financial statements.

**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****COMBINED BALANCE SHEETS****AS OF DECEMBER 31, 2011 AND JANUARY 1, 2011**

	2011	2010
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 54,450	\$ 44,441
Restricted cash and deposits	5,473	16,738
Receivables net of allowances of \$13,038 and \$15,582, respectively	225,523	221,311
Inventories	603,962	516,512
Prepaid expenses and other assets	29,889	24,128
Deferred income tax assets	21,154	14,107
Assets held for sale	3,214	3,214
<b>Total current assets</b>	<b>943,665</b>	<b>840,451</b>
Equity method investments	18,705	15,338
Property, plant, and equipment net of accumulated depreciation of \$389,304 and \$378,972, respectively	219,617	213,733
Goodwill	118,945	118,945
Intangible assets net	275,893	279,576
Deferred income tax assets	21,789	19,392
Other assets net	99,035	82,661
<b>Total assets</b>	<b>\$ 1,697,649</b>	<b>\$ 1,570,096</b>

(Continued)

**Table of Contents****DOLE ASIA**

(A Wholly-Owned Business of Dole Food Company, Inc.)

**COMBINED BALANCE SHEETS (Continued)****AS OF DECEMBER 31, 2011 AND JANUARY 1, 2011**

	2011	2010
	(In thousands)	
<b>Liabilities and Parent Company Equity</b>		
Accounts payable	\$ 200,804	\$ 189,672
Accrued liabilities	127,784	129,930
Derivative liabilities	69,761	51,243
Current portion of long-term debt net	946	343
Notes payable	27,969	28,115
Deferred income tax liabilities	22,282	18,037
Total current liabilities	449,546	417,340
Long-term debt net	236,151	233,031
Deferred income tax liabilities	98,863	95,432
Long-term derivative liabilities	123,304	
Other long-term liabilities	107,292	99,183
Commitments and contingencies (Note 16)		
Parent company equity:		
Parent company investment	710,189	721,588
Accumulated other comprehensive income	(48,515)	(16,266)
Equity attributable to parent company	661,674	705,322
Equity attributable to noncontrolling interests	20,819	19,788
Total equity	682,493	725,110
Total liabilities and equity	\$ 1,697,649	\$ 1,570,096

See notes to combined financial statements.

(Concluded)

**Table of Contents****DOLE ASIA**

(A Wholly-Owned Business of Dole Food Company, Inc.)

**COMBINED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2011, JANUARY 1, 2011, AND JANUARY 2, 2010**

	2011	2010 (In thousands)	2009
<b>Operating activities:</b>			
Net income	\$ 55,224	\$ 23,193	\$ 77,167
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	40,022	38,332	39,885
Asset write-offs and net (gain) loss on sale of assets	16,106	700	(731)
Share-based compensation	1,021	522	76
Earnings from equity method investments	(729)	(531)	(1,403)
Deferred income taxes	3,950	4,381	2,776
Pension and other postretirement benefit plan expense	7,954	5,932	4,853
Unrealized foreign currency (gain) loss	99	8,762	(7,053)
Changes in operating assets and liabilities:			
Receivables	(22,949)	(22,319)	50,068
Inventories	(98,153)	(28,719)	18,251
Prepaid expenses and other assets	(23,635)	(12,821)	(23,970)
Accounts payable	5,247	27,003	(1,845)
Accrued expenses	4,769	10,567	(19,940)
Derivative assets and liabilities	(27,263)	2,054	(2,009)
Other long-term liabilities	(8,833)	(8,048)	(3,678)
Cash flow provided by (used in) operating activities	(47,170)	49,008	132,447
<b>Investing activities:</b>			
Cash received from sales of assets	90	57	2,010
Capital expenditures	(44,052)	(49,070)	(18,605)
Restricted cash and deposits	11,265	(7,173)	(9,565)
Acquisition of noncontrolling interests	(314)		
Investments in non-consolidated subsidiaries	(2,038)	(55)	
Cash flow used in investing activities	(35,049)	(56,241)	(26,160)
<b>Financing activities:</b>			
Short-term debt borrowings (repayments), net of repayments	3,250	1,166	(2,649)
Long-term debt borrowings	650	97	61
Long-term debt repayments	(373)	(334)	(790)
Settlement of long-term Japanese yen hedge forwards	(3,910)		
Dividends paid to parent	(16)	(15)	(11,911)
Dividends paid to noncontrolling interests	(808)	(763)	(700)
Contributions from noncontrolling interests			80
Repayment of allocated debt	1,082	(757)	(72,517)
Net transfers (to) from parent	91,879	16,508	(4,517)
Cash flow provided by (used in) financing activities	91,754	15,902	(92,943)
Effect of foreign currency exchange rate changes on cash	474	511	264
Increase in cash and cash equivalents	10,009	9,180	13,608

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Cash and cash equivalents	beginning of period	44,441	35,261	21,653
Cash and cash equivalents	end of period	\$ 54,450	\$ 44,441	\$ 35,261

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**COMBINED STATEMENTS OF CASH FLOWS (Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2011, JANUARY 1, 2011, AND JANUARY 2, 2010**

**Supplemental cash flow information:**

At December 31, 2011, January 1, 2011, and January 2, 2010, accounts payable included approximately \$4.9 million, \$8.1 million, and \$4.5 million, respectively, for capital expenditures. Amounts included in accounts payable for capital expenditures at the end of each year have been paid substantially in the subsequent year.

Income tax payments, net of refunds, for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, were \$12.6 million, \$14.6 million, and \$12.1 million, respectively.

Interest payments on borrowings, excluding interest payments related to debt allocations, totaled \$2.2 million, \$2.9 million, and \$3.7 million during the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively.

During 2011, the long-term Japanese yen hedges were allocated to Dole Asia. The initial allocation amount was \$159.3 million and was treated as a non-cash item in the statement of cash flows.

See notes to combined financial statements.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**COMBINED STATEMENTS OF PARENT COMPANY EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2011, JANUARY 1, 2011, AND JANUARY 2, 2010**

	Equity Attributable to Parent Company Accumulated Other Comprehensive Income (Loss)					Equity Attributable to Noncontrolling Interests	Total Equity
	Parent Company Investment	Pension & Other Postretirement Benefits	Cumulative Translation Adjustment	Unrealized Gains (Losses) on Hedges			
	(In thousands)						
Balance January 3, 2009	\$ 622,711	\$ (5,756)	\$ (2,744)	\$ (4,632)	\$ 17,158	\$ 626,737	
Net income	75,829				1,338	77,167	
Contributions					80	80	
Dividends paid	(11,911)				(700)	(12,611)	
Net foreign currency translation adjustment			3,301			3,301	
Unrealized hedging losses, net of income taxes of \$0				(571)		(571)	
Reclassification of realized losses to net income, net of income taxes of \$0				1,844		1,844	
Change in employee benefit plans, net of income tax benefit of \$(1,891)		(1,160)				(1,160)	
Net transfers to Parent	(3,700)					(3,700)	
Balance January 2, 2010	\$ 682,929	\$ (6,916)	\$ 557	\$ (3,359)	\$ 17,876	\$ 691,087	
Net income	20,533				2,660	23,193	
Dividends paid	(15)				(763)	(778)	
Net foreign currency translation adjustment			12,941		15	12,956	
Unrealized hedging losses, net of income tax expense of \$1,765				(25,734)		(25,734)	
Reclassification of realized losses to net income, net of income tax benefit of \$(199)				7,947		7,947	
Change in employee benefit plans, net of income tax benefit of \$(1,310)		(1,702)				(1,702)	
Net transfers from Parent	18,141					18,141	
Balance January 1, 2011	\$ 721,588	\$ (8,618)	\$ 13,498	\$ (21,146)	\$ 19,788	\$ 725,110	
Net income	53,077				2,147	55,224	
Dividends paid	(16)				(808)	(824)	
Acquisition of noncontrolling interest					(314)	(314)	
Net foreign currency translation adjustment			(1,978)		6	(1,972)	
Unrealized hedging losses, net of income tax benefit of \$(2,615)				(48,045)		(48,045)	
Reclassification of realized losses to net income, net of income tax expense of \$1,359				24,782		24,782	
Change in employee benefit plans, net of income tax benefit of \$(1,647)		(7,008)				(7,008)	
Net transfers to Parent	(64,460)					(64,460)	
Balance December 31, 2011	\$ 710,189	\$ (15,626)	\$ 11,520	\$ (44,409)	\$ 20,819	\$ 682,493	

See notes to combined financial statements.



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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF DOLE ASIA**

The combined financial statements of Dole Asia ( Dole Asia or the Company ) consist of Dole Food Company, Inc. s ( Dole ) Packaged Foods reportable operating segment ( DPF ) and Asia Fresh ( AF ), which is a component of Dole s Fresh Fruit reportable operating segment.

DPF produces canned pineapple, canned pineapple juice, fruit juice concentrate, fruit in plastic cups, jars and pouches, fruit parfaits, healthy snack foods, and frozen fruit. Fruit for the packaged foods reportable segment is sourced primarily in the Philippines, Thailand, the United States and China, and packed primarily in four Asian canneries, two in Thailand and two in the Philippines. This segment also has a frozen fruit category that sources and packs fruit in North America.

AF sources bananas, fresh pineapple and deciduous fruit from local growers or Company-owned or leased farms in Asia, with significant selling locations in Japan and other Asian markets. AF also sources and grows vegetables in Asia for sale primarily in Japan.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Combination** The combined financial statements presented herein include assets, liabilities, revenues, and expenses directly attributable to the operations of AF and DPF and have been derived from the consolidated financial statements and accounting records of Dole. These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and represent carve-out stand-alone combined financial statements. All significant intracompany transactions and accounts have been eliminated.

All significant intercompany transactions between Dole Asia and Dole or its affiliates have been included in the combined financial statements and are reflected as if such transactions were effectively settled for cash in the combined financial statements with the total net effect of the settlement of these intercompany transactions being reflected in the combined statements of cash flows as a financing activity. The intercompany accounts have been netted against parent company equity and allocations have been reflected in the combined balance sheet as Parent company investment. The cash paid for corporate expenses and other allocations has been assumed to have been paid by Dole Asia and reflected as such in the combined statement of cash flows and included in the corresponding section of the cash flows that the allocation relates to. The financing of these payments has been included in financing activities and reflected in net transfers (to) from parent in the combined statements of cash flows.

The combined financial statements include an allocation of Dole s corporate debt, interest expense, and allocations of Dole s interest rate swap and cross currency swap, which are associated with the corporate debt of Dole. These allocations have been based on the estimated amount of acquisition related debt incurred by Dole that is attributable to Dole Asia. Management believes that the basis for these allocations are reasonable; however, these amounts may not be indicative of the actual amounts that Dole Asia would have incurred had Dole Asia been operating as an independent company for the periods presented. See Notes 11 and 14 to the combined financials for further discussion regarding the debt and derivative related allocations. As of December 31, 2011, January 2, 2011, and January 1, 2010, Dole Asia had approximately \$545 million, \$538 million, and \$554 million, respectively, of net intercompany notes payable. In addition, Dole Asia was charged net intercompany interest expense of \$23.4 million, \$22.4 million, and \$22.4 million, respectively, for the years ended December 31, 2011, January 2, 2011, and January 1, 2010. These notes have been included in Dole Asia s parent company investment based on the substance of these arrangements, and the net interest expense related to these arrangements has been eliminated from the results of Dole Asia.

These combined financial statements reflect allocations of corporate expenses from Dole for certain functions provided by Dole, including, but not limited to, general corporate expenses related to finance, legal,

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

information technology, human resources, communications, compliance, facilities, procurement, employee benefits, and share-based compensation. These expenses have been allocated to Dole Asia on the basis of direct usage when identifiable, with the remainder allocated on the basis of relative net revenue, headcount or other drivers. Management believes that the basis on which the expenses have been allocated represents a reasonable reflection of the utilization of services provided to or the benefit received by Dole Asia during the periods presented.

The allocations may not, however, reflect the expense that Dole Asia would have incurred as an independent entity for the periods presented. Actual costs that may have been incurred if Dole Asia had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Dole uses a centralized approach to its cash management and the financing of its operations, excluding debt directly incurred by any of its subsidiaries to finance certain foreign working capital needs. In addition, certain foreign locations do not participate in the centralized cash management program. As a result, the majority of Dole's cash is transferred to a central location on a daily basis and Dole then funds the operating and investing activities of its subsidiaries as needed. Cash transfers to and from Dole Asia have been reflected in Parent company investment. The cash and cash equivalents included in the combined balance sheets primarily represent cash held locally by certain international entities included in the combined financial statements.

**Fiscal Year End** Dole Asia's fiscal year ends on the Saturday closest to December 31. The fiscal years 2011, 2010 and 2009 ended on December 31, 2011, January 1, 2011, and January 2, 2010, respectively. Dole Asia operates under a 52/53-week year. Fiscal years 2011, 2010 and 2009 were 52-week years.

**Revenue Recognition** Revenue is recognized 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.

**Sales Incentives** Dole Asia 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. Consideration given to customers and consumers related to sales incentives is recorded as a reduction of revenues, rather than as a cost or expense. 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, Dole Asia's 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 Dole Asia.

**Crop Growing Costs** Recurring crop growing costs include costs relating to irrigation, fertilizing, disease and insect control, and other ongoing crop and land maintenance activities. These costs primarily represent the costs associated with growing bananas, pineapples, and vegetables on company-owned or operated farms. Recurring crop growing costs are charged to operations as incurred or included in inventories and recognized when the crops are harvested and sold, depending on the product.

**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 of products sold and represent costs incurred by Dole Asia to ship product from the sourcing locations to the end consumer markets.

**Value-Added Taxes** Value-added taxes that are collected from customers and remitted to taxing authorities are excluded from sales and cost of sales.

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**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, Dole Asia 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, Dole Asia 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, amounted to \$78.9 million, \$72.5 million, and \$62.4 million, respectively, during the years ended December 31, 2011, January 1, 2011, and January 2, 2010.

**Research and Development Costs** Research and development costs are expensed as incurred. Research and development costs were not material for the years ended December 31, 2011 January 1, 2011, and January 2, 2010.

**Income Taxes** Income taxes as presented have been calculated on a separate return basis, although Dole's subsidiaries have historically been included in Dole's U.S federal and state tax returns or non-U.S. jurisdictions tax returns. Dole's global tax model has been developed based on its entire portfolio of businesses. Accordingly, the income taxes as presented in the combined financial statements are not necessarily reflective of the results that Dole Asia would have generated on a stand-alone basis. Corporate and other related allocations, such as overhead, interest expense, and the perpetual license to use the Dole trade name were allocated to the various tax jurisdictions in which Dole Asia operates. For each of these allocations, various local country rules were reviewed to ascertain the tax effects of these allocations. In tax jurisdictions in which Dole Asia would not receive a deduction had a separate return been filed, the deduction was treated as a permanent difference in the income tax provision. If it was determined that a deduction would be allowed, the statutory rate was used in determining the related tax benefit.

With the exception of certain foreign entities, Dole Asia does not maintain taxes payable or receivable from Dole and management has reflected these balances as being settled immediately with the legal tax paying entities in the respective jurisdictions. These settlements are reflected as changes in parent company equity.

Dole Asia 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 statement 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.

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.

Dole Asia establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain positions that do not meet the minimum probability threshold, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In addition, once the recognition threshold for the tax position is met, only the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority is recorded. The impact of provisions for uncertain tax positions, as well as any related net interest and penalties, are included in income taxes in the combined 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** Dole Asia makes advances to third-party growers primarily in Asia for various farming needs. Some of these advances are secured with property or other collateral owned by the growers. Dole

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

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 estimated uncollectible balances.

**Receivables** Receivables consist primarily of trade, notes, and other receivables. These receivables are recorded at net realizable value. Allowances against receivables are established based on specific account data and factors, such as Dole Asia's historical losses, current economic conditions, age of receivables, the value of any collateral, and payment status compared to payment terms. Account balances are written off against the allowance if and when management determines the receivable is uncollectible.

**Inventories** 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.

**Investments** Investments in affiliates and joint ventures with ownership of 20% to 50% are recorded on the equity method, provided Dole Asia has the ability to exercise significant influence. All other non-consolidated investments are accounted for using the cost method. At December 31, 2011, January 1, 2011, and January 2, 2010, substantially all of Dole Asia's investments have been accounted for under the equity method.

Dole Asia's investments are reviewed for impairment when indicators of impairment arise, and investments are impaired when there is an other-than-temporary decline in the investments fair value.

**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. Dole Asia 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 identifiable net 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.

Dole Asia's indefinite-lived intangible asset, consisting of a perpetual license to use 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. The perpetual license to use the Dole brand is an allocation of the Dole trade name based upon the estimated value of the Dole trade name that related to Dole Asia at the time the Dole trade name was recognized on Dole's balance sheet. Dole Asia's 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 life. The remaining weighted average useful life of Dole Asia's definite lived intangible assets is three years.

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**Concentration of Credit Risk** Financial instruments that potentially subject Dole Asia to a concentration of credit risk principally consist of cash equivalents, derivative contracts, grower advances, and trade receivables. Dole Asia 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 Dole Asia's derivative contracts are major financial institutions. Grower advances are principally with farming enterprises located throughout 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, Dole Asia performs periodic credit evaluations of its customers but does not generally require advance payments or collateral. Additionally, Dole Asia maintains allowances for credit losses.

**Fair Value of Financial Instruments** Dole Asia's financial instruments primarily comprise cash and cash equivalents, short-term trade and grower receivables, trade payables, notes receivable and notes payable, as well as long-term receivables, capital lease obligations, and notes payable. Since these instruments are primarily short-term instruments, the carrying amount approximates fair value.

Dole Asia also holds derivative instruments to hedge against foreign currency exchange and interest rate movements. Dole Asia's derivative financial instruments are recorded at fair value. Dole Asia estimates the fair values of its derivatives including any credit valuation adjustments using market based inputs (refer to Note 14 for additional information).

Dole Asia's employees participate in certain of Dole's retirement plans that have assets, which are measured at fair value. Dole estimates the fair values of its retirement plan assets based on quoted market prices dependent on availability. In instances where quoted market prices are not readily available, the fair value of the investments securities is estimated based on pricing models using observable or unobservable inputs (refer to Note 15 for additional information).

**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 parent company equity.

**Leases** Dole Asia leases property and equipment for use in operations where leasing offers advantages of operating flexibility and is less expensive than alternative types of funding. Dole Asia also leases land in countries where land ownership by foreign entities is restricted. Dole Asia's 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. For operating leases that contain rent escalations, rent holidays or rent concessions, rent expense is recognized on a straight-line basis over the term of the lease. The majority of Dole Asia's leases are classified as operating leases. Dole Asia's principal operating leases are for land and machinery and equipment. Dole Asia's decision to exercise renewal options is primarily dependent on the level of business conducted at the location and the profitability thereof. Dole Asia's leasehold improvements were not significant at December 31, 2011 or January 1, 2011.

**Share-Based Compensation** Certain Dole Asia employees participate in Dole's share-based compensation plans and compensation expense is recorded based on equity awards granted to employees of Dole Asia. Dole recognizes share-based compensation based on their fair value and the estimated number of shares ultimately expected to vest. The estimated forfeiture rate is based on historical attrition data. Dole uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock options grants. The option pricing model



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**DOLE ASIA**

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

requires input of assumptions regarding expected term, expected volatility, dividend yield, and risk free rate. Expected term of the option grants is estimated using the simplified method. Expected volatility of the option grants is estimated using annualized historical volatility of the publicly traded stock prices of Dole's significant competitors. Risk free rate is estimated using the implied yield available on U.S. Treasury securities with a maturity equivalent to the stock options' expected term. Share-based compensation is expensed on a straight-line basis over the service period of the awards, with the exception of performance-based options, which are expensed based on the probability of achievement of the underlying targets (refer to Note 18 for further information).

**Employee Benefit Plans** Employees of Dole Asia participate in Dole's benefit plans. Dole Asia accounts for its employees' participation as a multiple employer plan and records net periodic pension cost and the related pension liability associated with Dole Asia's employees. Using multiple employer plan accounting, Dole Asia has carved out and accounted for Dole Asia's employees' share of Dole's U.S. pension plans as a single-employer employer plan in Dole Asia's financial statements. The gain or loss in accumulated other comprehensive income and the plan assets have been allocated to Dole Asia in proportion to Dole Asia's employees' share of the projected benefit obligation of the U.S. plans.

**Guarantees** Dole makes guarantees as part of its normal business activities. These guarantees include guarantees of the indebtedness of some of Dole Asia's key fruit suppliers. Dole 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 Dole Asia.

**Comprehensive Income (Loss)** Comprehensive income (loss) consists of changes to parent company equity, other than contributions from or distributions to Dole Asia's parent company, and net income (loss). Dole Asia's other comprehensive income (loss) principally consists of unrealized foreign currency translation gains and losses, gains and losses on cash flow hedging instruments, and minimum pension liability. The components of, and changes in, accumulated other comprehensive income (loss) are presented in Dole Asia's combined statements of comprehensive income.

**Workers' Compensation and Loss Reserves** Dole Asia self-insures certain losses arising out of workers' compensation claims. Dole Asia establishes workers' compensation accruals for its self-insured programs based upon reported claims in process and actuarial estimates for losses incurred but not reported. Loss reserves, including incurred but not reported reserves, are estimated using actuarial methods and ultimate settlements may vary significantly from such estimates due to increased claims frequency or the severity of claims.

**Subsequent Events** Management has monitored events through the date which the combined financial statements are available to be issued, which is September 17, 2012.

**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, share-based compensation, income taxes, self-insurance reserves, retirement benefits, financial instruments and commitments and contingencies. Actual results could differ from these estimates.

**3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

During May 2011, the Financial Accounting Standards Board ( FASB ) issued a standard, which seeks further convergence between accounting principles generally accepted in the United States of America ( U.S. GAAP ) and International Financial Reporting Standards requirements for measurement of, and disclosures about, fair value. This guidance clarifies the application of existing fair value measurements and disclosures, and

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changes certain principles or requirements for fair value measurements and disclosures. The amendments are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2011. Dole Asia anticipates that the implementation of the guidance will only affect future disclosures, and will not have an impact on Dole Asia's results of operation or financial position.

In September 2011, the FASB issued a standard, which amended how entities test for goodwill impairments. The new guidance permits a company to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This accounting guidance is effective for annual reporting periods beginning after December 15, 2011, and is effective for Dole Asia beginning in the first quarter of 2012. The adoption of the standard is expected to have no impact on Dole Asia's results of operations or financial position.

**4. CHARGES FOR RESTRUCTURING**

As a result of challenging market conditions in Dole's fresh fruit operations, Dole committed to a restructuring plan during the third quarter of 2010 ( 2010 Plan ) in its fresh fruit segment that impacted Dole Asia. These restructuring efforts are designed to reduce costs by realigning fruit supply with expected demand. As part of these initiatives, Dole restructured certain farming operations of Dole Asia.

During the third quarter of 2011, Dole committed to further restructure its fresh fruit operations ( 2011 Plan ) which impacted Dole Asia and also Dole ended certain unprofitable contractual arrangements of Dole Asia.

As a result of these various initiatives, Dole Asia expects to realize cash savings in its financial results. These savings are expected to result from lower production costs, including lower labor costs in Dole Asia's farms, enhanced farm productivity, and the termination of unprofitable contractual arrangements.

**2010 Restructuring Plan** Related to the 2010 Plan, Dole Asia incurred restructuring costs of \$9.9 million during 2011, which includes approximately \$5.3 million of inventory write-downs that were recorded in costs of products sold during the third quarter of 2011. During 2010, Dole Asia incurred restructuring costs of \$1.3 million. Dole Asia incurred cumulative restructuring costs of \$11.2 million since the third quarter of 2010 for this plan. Of these costs, \$2.8 million were paid or will be paid in cash, with the remaining amounts related to the non-cash write-down of long-lived assets and deferred crop-growing costs of \$8.4 million.

Dole Asia does not expect to incur additional restructuring charges related to the 2010 Plan.

The following table summarizes restructuring charges related to the 2010 Plan:

	<b>Charges Incurred in 2010</b>	<b>Charges Incurred in 2011</b>	<b>Cumulative Charges Incurred (In thousands)</b>	<b>Additional Charges to be Incurred</b>	<b>Total Charges</b>
Severance and other employee-related costs	\$ 971	\$ 422	\$ 1,393	\$	\$ 1,393
Pension-related settlement charges		1,434	1,434		1,434
Asset write-downs	318	2,733	3,051		3,051
Subtotal	1,289	4,589	5,878		5,878
Inventory write-downs recorded in costs of products sold		5,294	5,294		5,294

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Total restructuring charges	\$ 1,289	\$ 9,883	\$ 11,172	\$	\$ 11,172
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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

A rollforward of activity for Dole Asia's restructuring liabilities related to the 2010 Plan, which are classified in accrued liabilities in the accompanying combined balance sheets, is summarized as follows:

	Balance as of January 1, 2011	Charges	Cash Payments (In thousands)	Balance as of December 31, 2011
Severance and other employee-related costs	\$	\$ 422	\$ (337)	\$ 85

During 2010, Dole Asia recognized and paid \$1 million of severance and other employee-related costs.

**2011 Restructuring Plan** Related to the 2011 Plan, Dole Asia incurred restructuring costs of \$3.9 million during 2011. Of these costs, \$2.4 million were paid or will be paid in cash, with the remaining amounts related to the noncash write-down of long-lived assets of \$1.5 million.

Dole Asia does not expect to incur additional restructuring charges related to the 2011 Plan.

The following table summarizes restructuring charges related to the 2011 Plan:

	Charges Incurred in 2011	Additional Charges to be Incurred (In thousands)	Total Charges
Contract termination and other costs	\$ 2,393	\$	\$ 2,393
Asset write-downs	1,522		1,522
<b>Total</b>	<b>\$ 3,915</b>	<b>\$</b>	<b>\$ 3,915</b>

A rollforward of activity for Dole Asia's restructuring liabilities related to the 2011 Plan, which are classified in accrued liabilities in the accompanying combined balance sheets, is summarized as follows:

	Balance as of January 1, 2011	Charges	Cash Payments (In thousands)	Balance as of December 31, 2011
Contract termination and other costs	\$	\$ 2,393	\$ (1,000)	\$ 1,393

**5. FINANCING RECEIVABLES**

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At December 31, 2011, Dole Asia's long-term financing receivables consisted of \$13.2 million grower advances, net of allowances, which were included in other assets, in the accompanying combined balance sheet as of December 31, 2011.

Dole Asia's grower advances are generally secured by the underlying assets of the grower, and Dole Asia monitors the collectability of these advances through periodic review of financial information received from these growers. At December 31, 2011, these advances had an allowance for credit losses of \$8.1 million, and approximately \$6.3 million of the net grower advances were 90 days past due. Dole Asia's historical losses on its long-term grower advances have been immaterial and Dole Asia expects this to continue. During the year ended December 31, 2011, the allowance for grower advances increased by \$0.5 million related to an increase in the provision that was recorded to cost of products sold.

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**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****6. INCOME TAXES**

Income tax expense (benefit) was as follows:

	2011	2010 (In thousands)	2009
<b>Current</b>			
Federal, state and local	\$ 9,973	\$ 24,251	\$ 18,310
Foreign	14,884	9,667	11,830
	24,857	33,918	30,140
<b>Deferred</b>			
Federal, state and local	2,244	3,001	3,418
Foreign	1,706	1,380	(642)
	3,950	4,381	2,776
<b>Non-current income tax expense</b>			406
	\$ 28,807	\$ 38,299	\$ 33,322
<b>Pretax income (loss) attributable to foreign operations</b>	\$ 49,552	\$ (6,425)	\$ 55,033

Dole Asia's reported income tax expense (benefit) differs from the expense calculated using the U.S. federal statutory tax rate primarily due to state taxes offset by operations in foreign jurisdictions that are taxed at a rate lower than the U.S. federal statutory tax rate. Also, included in the difference are certain non-deductible expenses outside of the United States. For 2010, Dole Asia's income tax expense (benefit) differs from the expense calculated using the U.S. federal statutory tax rate primarily due to losses in certain jurisdictions for which it is more likely than not that a tax benefit will not be realized. For 2011, Dole Asia's income tax provision benefited by a remeasurement of certain state deferred tax liabilities.

Deferred tax assets (liabilities) comprised the following:

	December 31, 2011	January 1, 2011
	(In thousands)	
Intangibles	\$ (108,128)	\$ (109,817)
Property, plant, and equipment	(10,563)	(4,508)
Inventory and other asset basis differences	22,730	17,785
Postretirement benefits	29,550	28,592
Operating accruals	22,021	22,083
Tax credit carryforwards	4,834	2,983
Net operating loss and other carryforwards	8,083	10,816
Valuation allowances	(52,655)	(50,329)
Other, net	5,926	2,425

\$ (78,202)      \$ (79,970)

Dole Asia has gross foreign net operating losses of \$36.6 million at December 31, 2011. Dole Asia has recorded deferred tax assets of \$8.1 million for foreign net operating loss carryforwards, which are subject to varying expiration rules. Tax credit carryforwards include foreign minimum tax credit carryforwards of \$4.8 million, which will expire in 2014.

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A valuation allowance has been established to offset certain foreign net operating loss carryforwards, minimum tax credit carryforwards, and certain other deferred tax assets in foreign jurisdictions. Dole Asia 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. The decrease in valuation allowances in 2011 for equity related items was \$3.4 million.

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

	December 31, 2011	January 1, 2011
	(In thousands)	
Deferred tax assets	\$ 126,674	\$ 121,536
Deferred tax asset valuation allowance	(52,655)	(50,329)
	74,019	71,207
Deferred tax liabilities	(152,221)	(151,177)
Net deferred tax liabilities	\$ (78,202)	\$ (79,970)
Total net current deferred taxes consist of:		
Net current deferred tax assets	\$ 21,154	\$ 14,107
Net current deferred tax liabilities	(22,282)	(18,037)
Total net current deferred taxes	(1,128)	(3,930)
Total net non-current deferred taxes consist of:		
Net non-current deferred tax assets	21,789	19,392
Net non-current deferred tax liabilities	(98,863)	(95,432)
Total net non-current deferred taxes	(77,074)	(76,040)
Total net deferred tax liabilities	\$ (78,202)	\$ (79,970)

The total for unrecognized tax benefits was \$0.4 million at December 31, 2011, and January 1, 2011, respectively.

Dole Asia subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, Dole Asia 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 2006.

**Income Tax Audits** Dole Asia believes its tax positions comply with the applicable tax laws and that it has adequately provided for all tax-related matters. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably. Management considers it unlikely that the resolution of these matters will have a material adverse effect on Dole Asia's results of operations.



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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****7. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Details of receivables and inventories were as follows:

	December 31, 2011	January 1, 2011
	(In thousands)	
Receivables:		
Trade	\$ 197,029	\$ 185,652
Notes and other	31,079	31,923
Grower advances	10,430	4,703
Derivative receivables	23	14,615
	238,561	236,893
Allowance for doubtful accounts	(13,038)	(15,582)
	\$ 225,523	\$ 221,311
Inventories:		
Finished products	\$ 346,270	\$ 297,520
Raw materials and work in progress	85,076	71,312
Crop-growing costs	132,877	107,752
Operating supplies and other	39,739	39,928
	\$ 603,962	\$ 516,512

Accounts payable consists primarily of trade payables.

Accrued liabilities included the following:

	December 31, 2011	January 1, 2011
	(In thousands)	
Employee-related costs and benefits	\$ 36,668	\$ 31,372
Income taxes payable	7,188	4,386
Amounts due to growers	3,042	4,339
Marketing and advertising	22,430	32,186
Shipping related costs	16,143	27,043
Materials and supplies	7,292	9,634
Interest	41	50
Other	34,980	20,920
	\$ 127,784	\$ 129,930

Other long-term liabilities were as follows:

	December 31, 2011	January 1, 2011
	(In thousands)	
Accrued postretirement and other employee benefits	\$ 88,515	\$ 83,329
Other	18,777	15,854
	\$ 107,292	\$ 99,183

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****8. ASSETS HELD FOR SALE**

Included in assets held-for-sale is land that is being marketed that does not meet Dole's future strategic direction or internal economic return criteria. The land that has been identified is available for sale in its present condition and an active program is underway to sell the properties. Dole is actively marketing these properties at a price that is in excess of book value. This land consists of approximately 400 acres of peach orchards located in California that is held by Dole Asia.

**9. PROPERTY, PLANT, AND EQUIPMENT**

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

	December 31, 2011	January 1, 2011
	(In thousands)	
Land and land improvements	\$ 82,453	\$ 81,324
Buildings and leasehold improvements	121,253	112,544
Machinery and equipment	363,035	342,710
Vessels and containers	8,146	8,164
Equipment under capital leases	2,066	2,055
Construction in progress	31,968	45,908
	608,921	592,705
Accumulated depreciation	(389,304)	(378,972)
Net property, plant, and equipment	\$ 219,617	\$ 213,733

Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Land improvements	3-40
Buildings and leasehold improvements	2-50
Machinery and equipment	3-20
Vessels and containers	5-20
Equipment under capital leases	Shorter of useful life or life of lease

Depreciation expense on property, plant, and equipment totaled \$36.3 million, \$34.7 million, and \$36.2 million for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively.

**10. GOODWILL AND INTANGIBLE ASSETS**

The goodwill associated with the DPF reporting unit was \$60.6 million as of December 31, 2011, January 1, 2011, and January 2, 2010. The goodwill associated with the AF component of Dole Asia represents goodwill that has been allocated from Dole's Fresh Fruit reporting unit based upon the estimated carrying balance of the goodwill attributable to AF at the time the goodwill was originally established by Dole. The

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goodwill allocated to AF was \$58.3 million as of December 31, 2011, January 1, 2011, and January 2, 2010. Since the establishment of the Packaged Foods and Fresh Fruit goodwill, there have been no impairments.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

Details of Dole Asia's intangible assets are as follows:

	December 31, 2011	January 1, 2011
	(In thousands)	
Amortizable intangible assets	\$ 38,663	\$ 38,660
Accumulated amortization	(31,347)	(27,661)
Amortizable intangible assets net	7,316	10,999
Indefinite-lived intangible assets perpetual license	268,577	268,577
Total identifiable intangible assets net	\$ 275,893	\$ 279,576

Amortization expense of intangibles totaled \$3.7 million for each of the years ended December 31, 2011, January 1, 2011 and January 2, 2010, respectively.

As of December 31, 2011, the estimated remaining amortization expense associated with Dole Asia's intangible assets was as follows (in thousands):

Fiscal Year	Amount
2012	\$ 3,683
2013	1,498
2014	842
2015	842
2016	366
Thereafter	85

Dole performed its annual impairment test of goodwill and indefinite-lived intangible assets during the second quarter of fiscal 2011, which included the Packaged Foods goodwill and the Fresh Fruit goodwill, of which AF is a component. This test indicated no impairment to goodwill or any of Dole Asia's indefinite-lived intangible assets.

**11. NOTES PAYABLE AND LONG-TERM DEBT**

**Notes Payable** Dole Asia borrows funds from third party financial institutions primarily on a short-term basis to finance current operations. The terms of these borrowings range from one month to three months and were denominated in U.S. Dollars as of December 31, 2011.

**Long-Term Debt** The long-term debt primarily relates to Dole's debt attributable to Dole Asia. In addition, long-term debt includes capital lease obligations that are immaterial.

During March 2003, David H. Murdock, acquired the (approximately) 76% of Dole's common stock that he and his affiliates did not already own for \$33.50 per share in cash. The aggregate purchase price of all of this 76% of Dole's common stock, plus transaction costs, was approximately \$1.55 billion. The funds necessary to purchase these shares consisted principally of funds borrowed by Dole under new \$1.125 billion senior secured credit facilities and \$475 million principal amount of 8.875% Senior Notes due 2011. The debt incurred by Dole to consummate this transaction is considered to be acquisition related debt, a portion of which has been allocated to Dole Asia based upon Dole Asia's relative share

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of Dole's operating segment earnings before interest expense, income taxes, depreciation and amortization during 2003. The amount of debt allocated to Dole Asia has been reduced based on Dole Asia's proportionate share of reductions in Dole's corporate debt. In addition, the impacts of interest expense and debt refinancings have been allocated based upon Dole Asia's allocated share of the corporate related debt.

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As of December 31, 2011 and January 1, 2011, approximately \$233 million and \$232 million of acquisition related debt, which has been recorded net of allocated debt issuance costs and debt discounts, has been allocated to Dole Asia and included in long-term debt in the combined balance sheets. Interest expense of approximately \$18.5 million, \$19.6 million, and \$26.8 million for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively, has been allocated to Dole Asia. In addition, debt refinancing costs of \$4 million, \$0.7 million, and \$5.7 million for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively, have been allocated to Dole Asia and have been included in other income (expense) in the combined statements of operations.

**Debt Guarantees** The following is a summary of Dole's debt instruments that are guaranteed by certain of Dole Asia's subsidiaries or where certain of Dole Asia's net assets have been pledged as collateral. At December 31, 2011, Dole had \$155 million of 8.75% debentures due 2013, \$174.9 million of 13.875% senior secured notes due 2014 (2014 Notes) and \$315 million of 8% senior secured notes due 2016 (2016 Notes). Dole's 100% owned domestic subsidiaries, including Dole Packaged Foods, LLC (DPFNA), which is a subsidiary included in Dole Asia's combined financial statements, have fully and unconditionally guaranteed, on a joint and several basis, Dole's obligations under the indentures for these obligations. In addition, the 2014 and the 2016 notes have liens on certain U.S. assets of Dole Asia that are junior to the liens of Dole's senior secured credit facilities and pari passu with each other.

Dole has an asset-based revolver (ABL Revolver), which is secured by a first-priority lien on its U.S. receivables and inventory and a second-priority lien on other U.S. tangible and intangible assets. Dole also has two term loans, B and C. Term loan B is secured by a first-priority lien on substantially all U.S. tangible and intangible assets, including the assets of DPFNA, the capital stock of DPFNA's subsidiaries, and a second lien on U.S. receivables and inventory. Term loan C is secured by a first-priority lien on significant portions of Dole's non-U.S. tangible and intangible assets, including the assets of Dole Asia's subsidiaries. Term loan C also has a second-priority lien on U.S. assets.

**Covenants** Dole Asia does not have any separate covenant requirements; however, provisions under the amended senior secured credit facilities and the indentures governing Dole's senior notes and debentures require Dole to comply with certain covenants. These covenants include limitations on, among other things, indebtedness, investments, liens, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. The ABL revolver also contains a springing covenant, which would not be effective unless the availability under the ABL revolver were to fall below the greater of (i) \$35 million and (ii) 12.5% of the lesser of the Total Commitment (as defined) and the borrowing base. To date, the springing covenant has never been effective and Dole does not currently anticipate that the springing covenant will become effective. At December 31, 2011, Dole was in compliance with all applicable covenants.

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

In addition to amounts available under the revolving credit facility, Dole Asia has uncommitted lines of credit of approximately \$98.6 million at various local banks, of which \$66.7 million was available at December 31, 2011. 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 Asia's uncommitted

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

lines of credit expire in 2012, while others do not have a commitment expiration date. These arrangements may be cancelled at any time by Dole Asia or the banks. Dole Asia's ability to utilize these lines of credit may be impacted by the terms of its senior secured credit facilities and bond indentures.

**12. EMPLOYEE BENEFIT PLANS**

Dole sponsors certain U.S. defined pension plans and certain other postretirement benefit ( OPRB ) plans that Dole Asia's employees participate in. Dole Asia accounts for its employees' participation in these plans as multiple employer plans and records net periodic pension cost and the related pension liability associated with Dole Asia's employees. In addition, Dole Asia sponsors certain international defined pension plans and one OPRB plan. Benefits under the defined benefit pension plans are generally based on each employee's eligible compensation and years of service, except for union employees, which are based on negotiated benefits.

The OPRB plan provides certain health care and life insurance benefits for a limited number of eligible retired employees.

Dole sponsors one qualified pension plan for U.S. employees that some of Dole Asia's employees participate in, which is funded. All but one of Dole Asia's international pension plans and its OPRB plan are unfunded.

Substantially all pension benefits for U.S. employees of Dole Asia were frozen in 2002. None of Dole Asia's employees in the U.S. earn benefits under the terms of collective bargaining agreements in the United States at December 31, 2011.

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

**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 has been larger contributions since 2009, with the goal of being fully funded in the next several years. 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. Dole anticipates funding pension contributions with cash from operations.

As a result of the Pension Protection Act of 2006, Dole Asia's expected share of contributions for its employees who participate in Dole's U.S. qualified plan is expected to be approximately \$3.1 million per year over the next eight years.

**OPRB Plan Amendment** During the fourth quarter of 2008, Dole amended its domestic OPRB Plan in which Dole Asia's employees participate. This amendment became effective January 1, 2009. Dole 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 is provided an annual amount in an HRA account. This plan amendment reduced Dole Asia's share of the January 2, 2009 benefit obligation by \$5.9 million. The reduction of Dole Asia's benefit obligation is recognized in OPRB expense by a credit of approximately \$0.8 million a year from 2009 through 2016. This credit is reflected in the table of OPRB expense below in the negative amortization of net prior service benefit.



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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**Obligations and Funded Status** The following table summarizes the balance sheet impact, including benefit obligations, assets, and funded status associated with Dole Asia employees that participate in Dole's U.S. defined pension plans and its OPRB plans and the international plans sponsored by Dole Asia:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended December 31, 2011	Year Ended January 1, 2011
	(In thousands)					
Change in projected benefit obligation:						
Benefit obligation at beginning of period	\$ 81,645	\$ 80,383	\$ 48,885	\$ 44,656	\$ 13,007	\$ 13,364
Service cost			3,405	3,113		
Interest cost	4,223	4,415	3,135	3,460	665	716
Plan amendments and other				1,217		
Foreign currency exchange rate changes			51	2,854		
Actuarial (gain) loss	(1,562)	2,976	6,637	(417)	(596)	125
Curtailments, settlements, and terminations, net			(4,269)			
Benefits paid	(5,924)	(6,129)	(1,271)	(5,998)	(1,106)	(1,198)
Benefit obligation at end of period	78,382	81,645	56,573	48,885	11,970	13,007
Change in plan assets:						
Fair value of plan assets at beginning of period	57,576	53,840	5,272	4,428		
Actual return on plan assets	(938)	5,983	473	587		
Company contributions	4,620	3,882	6,446	5,999	1,106	1,198
Foreign currency exchange rate changes			(10)	256		
Benefits paid	(5,924)	(6,129)	(1,271)	(5,998)	(1,106)	(1,198)
Settlements			(5,175)			
Fair value of plan assets at end of period	55,334	57,576	5,735	5,272		
Funded status	\$ (23,048)	\$ (24,069)	\$ (50,838)	\$ (43,613)	\$ (11,970)	\$ (13,007)
Amounts recognized in the combined balance sheets:						
Current liabilities	\$ (422)	\$ (380)	\$ (2,121)	\$ (2,062)	\$ (1,173)	\$ (1,233)
Long-term liabilities	(22,626)	(23,689)	(48,717)	(41,551)	(10,797)	(11,774)
	\$ (23,048)	\$ (24,069)	\$ (50,838)	\$ (43,613)	\$ (11,970)	\$ (13,007)

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Amounts recognized in accumulated other comprehensive loss by Dole Asia were as follows:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended December 31, 2011	Year Ended January 1, 2011
	(In thousands)					
Net actuarial loss (gain)	\$ 27,216	\$ 24,723	\$ 4,210	\$ (1,270)	\$ (2,343)	\$ (1,770)
Prior service cost (benefit)			817	1,033	(6,041)	(7,514)
Net transition obligation			5	6		
Income taxes	(10,712)	(9,760)	(898)	(557)	3,372	3,727
<b>Total</b>	<b>\$ 16,504</b>	<b>\$ 14,963</b>	<b>\$ 4,134</b>	<b>\$ (788)</b>	<b>\$ (5,012)</b>	<b>\$ (5,557)</b>

All of Dole Asia's pension plans and Dole Asia's employees' share of Dole's U.S. pension plans were underfunded at December 31, 2011, having accumulated benefit obligations exceeding the fair value of plan assets. The total of the accumulated benefit obligation for all defined benefit pension plans sponsored by Dole Asia plus Dole Asia's employees' share of Dole's U.S. pension plans was \$119.3 million and \$118.1 million at December 31, 2011 and January 1, 2011, 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 related to Dole Asia's employees were as follows:

	December 31, 2011	January 1, 2011
	(In thousands)	
Projected benefit obligation	\$ 134,955	\$ 130,530
Accumulated benefit obligation	\$ 119,304	\$ 118,138
Fair value of plan assets	\$ 61,069	\$ 62,848

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**NOTES TO COMBINED 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 Dole Asia's employees share of Dole's U.S. pension plans and OPRB plans and Dole Asia's international pension plans and OPRB plans were as follows:

	U.S. Pension Plans			International Pension Plans		
	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended January 2, 2010	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended January 2, 2010
(In thousands)						
Components of net periodic benefit cost:						
Service cost	\$	\$	\$	\$ 3,405	\$ 3,113	\$ 2,923
Interest cost	4,223	4,415	4,824	3,135	3,460	3,358
Expected return on plan assets	(4,844)	(4,820)	(4,978)	(453)	(453)	(428)
Amortization of:						
Net loss	1,727	1,004	39	61	13	48
Prior service cost				144	418	72
Net transition obligation				2	2	24
Restructuring related settlements and other				1,362	(470)	(147)
	1,106	599	(115)	7,656	6,083	5,850
Other changes recognized in other comprehensive loss:						
Net loss (gain)	4,220	1,812	2,815	5,947	(603)	(1,842)
Prior service cost					1,217	
Amortization of:						
Net loss (gain)	(1,727)	(1,004)	(39)	(443)	457	163
Prior service cost				(218)	(418)	(72)
Transition obligation				(2)	(2)	(24)
Foreign currency adjustment				(22)	42	(47)
Income taxes	(952)	(319)	(1,096)	(340)	(398)	(2)
Total recognized in other comprehensive loss	1,541	489	1,680	4,922	295	(1,824)
Total recognized in net periodic benefit cost and other comprehensive loss, net of income taxes	\$ 2,647	\$ 1,088	\$ 1,565	\$ 12,578	\$ 6,378	\$ 4,026

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

	Year Ended December 31, 2011	OPRB Plans	
		Year Ended January 1, 2011 (In thousands)	Year Ended January 2, 2010
Components of net periodic benefit cost:			
Service cost	\$	\$	\$
Interest cost	665	716	853
Amortization of:			
Net loss (gain)		7	(196)
Prior service benefit	(1,473)	(1,473)	(1,539)
	(808)	(750)	(882)
Other changes recognized in other comprehensive loss:			
Net loss (gain)	(574)	44	362
Prior service benefit			
Amortization of:			
Net loss (gain)		(7)	196
Prior service benefit	1,474	1,474	1,539
Income taxes	(355)	(593)	(793)
Total recognized in other comprehensive loss	545	918	1,304
Total recognized in net periodic benefit cost and other comprehensive loss, net of income taxes	\$ (263)	\$ 168	\$ 422

The estimated actuarial net gain or loss, prior service benefit, and transition obligation for Dole Asia's employees share of Dole's defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is \$2.5 million of expense. The estimated actuarial net gain and prior service benefit for Dole Asia's OPRB plans and Dole Asia's share of Dole OPRB plans that will be amortized from accumulated other comprehensive loss into periodic benefit cost over the next fiscal year is \$1 million of income.

**Assumptions** Weighted average assumptions used to determine Dole Asia's benefit obligations were as follows:

	U.S. Pension Plans		International Pension Plans		OPRB Plans	
	2011	2010	2011	2010	2011	2010
Discount rate	4.7%	5.0%	5.2%	6.6%	4.6%	4.9%
Rate of compensation increase	0.0%	0.0%	5.0%	5.0%	0.0%	0.0%

Weighted average assumptions used to determine net periodic benefit cost were as follows:

U.S. Pension Plans			International Pension Plans			OPRB Plans		
2011	2010	2009	2011	2010	2009	2011	2010	2009

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Discount rate	5.0%	5.5%	6.8%	6.7%	8.0%	8.0%	4.6%	5.3%	6.7%
Compensation increase	0.0%	0.0%	0.0%	5.0%	7.0%	7.0%	0.0%	0.0%	0.0%
Rate of return on plan assets	8.0%	8.0%	8.0%	8.5%	10.0%	10.0%	0.0%	0.0%	0.0%

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

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. No rate of compensation increase is shown for U.S. plans because benefits under the U.S. plans are frozen.

The accumulated pension benefit obligation for Dole Asia's employees share of Dole's U.S. OPRB plan were determined using the following assumed annual rate of increase in the per capita cost of covered health care benefits:

	2012	2011
Health care costs trend rate assumed for next year	7.5%	7.5%
Rate of increase to which the cost of benefits is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2017	2016

The health care plan offered to retirees in the United States 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 accumulated pension benefit obligation. 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 Dole Asia's share of Dole's OPRB plans:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In thousands)	
Increase (decrease) in service and interest cost	\$ 34	\$ (30)
Increase (decrease) in postretirement benefit obligation	\$ 697	\$ (602)

**Plan Assets** The following is the target asset mix for Dole's U.S. pension plan that Dole Asia's employees participate in, which management believes provides the optimal trade-off of diversification and long-term asset growth:

Asset Class	Target Allocation
Fixed income securities	50%
Equity securities	49%
Private equity	1%

Dole's U.S. pension plan that Dole Asia's employees participate in has a weighted average asset allocations by asset category, which is as follows:

Asset Class	Plan Assets at	
	December 31, 2011	January 1, 2011

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Fixed income securities	50%	41%
Equity securities	49%	55%
Private equity	1%	4%
Total	100%	100%

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

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 United States and international stocks as well as growth, value, and small and large capitalizations.

Dole 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 Dole's 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.

The pension plan did not hold any of Dole's common stock at December 31, 2011 and January 1, 2011.

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

Dole 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 December 31, 2011, the average remaining service period used to amortize unrecognized actuarial gains (losses) for Dole Asia's employees' share of Dole's U.S. plans was approximately nine years.

**Plan Contributions and Estimated Future Benefit Payments** During 2011, Dole contributed \$14.7 million to its qualified U.S. pension plan, of which \$4.3 million related to contributions made for Dole Asia employees. These contributions were made to comply with minimum funding requirements under the Internal Revenue Code. Dole expects to contribute approximately \$17.1 million to its U.S. qualified plan in 2012, of which \$4.7 million is expected to relate to Dole Asia employees. Dole intends to make future contributions to the U.S. pension plan that will satisfy the minimum funding requirements. Future contributions to the U.S. pension plan in excess of the minimum funding requirement are voluntary and may change depending on Dole's operating performance or at management's discretion. Dole expects to make \$18.4 million of contributions related to its other U.S. and foreign pension and OPRB plans in 2012, of which \$6.5 million of these contributions are expected to be made on behalf of Dole Asia employees.



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The following table presents Dole Asia's share of estimated future benefit payments to be made by Dole on behalf of Dole Asia's employees and estimated payments to be made by Dole Asia:

Fiscal Year	U.S. Pension Plans	International Pension Plans (In thousands)	OPRB Plans
2012	\$ 5,962	\$ 5,052	\$ 1,103
2013	5,830	6,281	1,077
2014	5,718	6,378	1,048
2015	5,646	6,096	1,016
2016	5,597	5,857	980
2017 - 2021	26,693	25,888	4,366
Total	\$ 55,446	\$ 55,552	\$ 9,590

**Defined Contribution Plans** Dole offers defined contribution plans that Dole Asia's employees participate in. 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. Dole Asia's contributions to Dole's defined contribution plans totaled \$2.1 million, \$1.2 million, and \$1.3 million in the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively.

**13. OPERATING LEASES AND OTHER COMMITMENTS**

In addition to obligations recorded on Dole Asia's combined balance sheet as of December 31, 2011, Dole Asia has commitments under cancelable and non-cancelable operating leases, primarily for land, machinery and equipment, and office and warehouse facilities. A significant portion of Dole Asia's lease payments are fixed. Total rental expense, including rent related to cancelable and non-cancelable leases, was \$58.1 million, \$52 million, and \$46.5 million (net of sublease income of \$0.1 million, \$0.2 million, and \$0.3 million) for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively.

As of December 31, 2011, Dole Asia's non-cancelable minimum lease commitments were as follows (in thousands):

Fiscal Year	Amount
2012	\$ 14,595
2013	10,281
2014	8,626
2015	8,075
2016	7,640
Thereafter	41,634
Total	\$ 90,851

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In order to secure sufficient product to meet demand and to supplement Dole Asia's own production, Dole Asia has entered into non-cancelable agreements with various suppliers to purchase inventory related supplies 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 \$163.9 million, \$124.3 million, and \$115.8 million for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, respectively.

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At December 31, 2011, aggregate future payments under supplier purchase commitments (based on December 31, 2011 pricing and volumes) were as follows (in thousands):

<b>Fiscal Year</b>	<b>Amount</b>
2012	\$ 103,775
2013	38,126
2014	19,479
2015	12,168
2016	11,682
Thereafter	24,313
<b>Total</b>	<b>\$ 209,543</b>

Dole Asia has numerous collective bargaining agreements with various unions covering approximately 30.6% of Dole Asia's hourly, full-time, and seasonal employees. Of the unionized employees, 9.9% are covered under a collective bargaining agreement that will expire within one year and the remaining 90.1% 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 Dole Asia's financial condition or results of operations.

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

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

**Cash Flow Hedges** Since 2010, Dole Asia's foreign currency exchange forward contracts have been designated as cash flow hedges of its forecasted revenue and operating expense transactions. As a result, changes in fair value of the foreign currency derivative instruments since hedge designation, to the extent effective, are recorded as a component of accumulated other comprehensive income (loss) (AOCI) in the accompanying combined balance sheet and are reclassified into earnings in the same period the underlying transactions affect earnings. Any portion of a cash flow hedge deemed ineffective is recognized into current period earnings.

**Interest Rate Swap** Dole entered into an interest rate swap in 2006 to hedge future changes in interest rates. This agreement effectively converted \$320 million of borrowing under Dole's term loans, which were variable-rate debt to fixed-rate debt that matured June 16, 2011. The interest rate swap was designated as a cash flow hedge at inception. During March 2010, Dole refinanced its term loans and in connection with this refinancing transaction, elected not to re-designate the interest rate swap as a cash flow hedge of its interest rate risk. As a result, changes in the fair value of the interest rate swap after de-designation on March 2, 2010, were recorded in interest expense. The unrealized loss in AOCI was recognized into interest expense through the June 2011 maturity as the underlying debt payments were made. Since the interest rate swap related to the corporate debt, of which a portion has been allocated to Dole Asia, a proportionate share of the interest rate swap has been allocated to Dole Asia and included in the combined financial statements based on Dole Asia's proportionate share of the corporate related debt at the time the interest rate swap was entered into.

**Cross Currency Swap and Long-Term Japanese Yen Hedges** During 2006 (subsequently amended in 2009), Dole executed a cross currency swap to synthetically convert \$320 million of its corporate related debt into Japanese yen denominated debt in order to effectively lower the U.S. dollar fixed interest rate. The cross



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currency swap was scheduled to mature in June 2011. Since the cross currency swap is related to corporate debt, of which a portion has been allocated to Dole Asia, a proportionate share of the cross currency swap has been allocated to Dole Asia is included in the combined financial statements based upon Dole Asia's proportionate share of Dole's corporate debt at the time Dole entered into the swap.

During the first quarter of 2011, Dole entered into a transaction to effectively unwind the cross currency swap by refinancing its obligation under the cross currency swap and entering into a series of long-term Japanese yen hedges (the long-term Japanese yen hedges) that mature through December 2014. The long-term Japanese yen hedges require Dole to buy U.S. Dollars and sell Japanese yen at an exchange rate of ¥101.3. At inception, these contracts were in a liability position and the total notional amount outstanding under the long-term Japanese yen hedges was \$596.3 million. The value of these contracts will fluctuate based on changes in the exchange rate over the life of the individual forward contracts.

Dole has designated the long-term Japanese yen hedges as cash flow hedges of its forecasted Japanese yen revenue stream. Due to the fact that the long-term Japanese yen hedges have been designated as a cash flow hedge and hedge a revenue stream related to Dole Asia, these hedges and the related activity have been included in the combined financial statements of Dole Asia. The liability at the inception of entering into the long-term Japanese yen hedges was \$159.3 million, which was adjusted through parent company's equity at inception and included in the financial statements of Dole Asia. Due to the fact that there is a significant financing element present at the inception of the long-term Japanese yen hedges, the cash inflows or outflows associated with settlement of these contracts are included within the financing activities in Dole Asia's combined statement of cash flows. A portion of the long-term Japanese yen hedges are deemed ineffective. With respect to this portion, changes in the fair value of the hedges are recorded in other income (expense) in the combined statement of operations, because the ineffectiveness is considered to be caused by the financing element of this instrument.

**Collateral Deposit** During 2009, Dole 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 connection with these amendments, Dole also entered into a collateral arrangement, which required Dole to provide collateral to its counterparties when the fair market value of the cross currency and interest rate swaps exceeded a combined liability of \$35 million. As of January 1, 2011, Dole Asia's estimated proportionate share of the cash collateral was \$6.5 million, which has been allocated to Dole Asia. Dole Asia's allocated portion of the collateral deposit has been included in restricted cash in the combined balance sheet for the year ended January 1, 2011.

At December 31, 2011, the gross notional amounts of Dole Asia's derivative instruments are as follows:

	Average Strike Price	Notional Amount
	(In thousands, except average strike price)	
Derivatives designated as cash flow hedging instruments – foreign currency hedges (buy/sell):		
U.S. dollar/Japanese yen	JPY 100.96	\$ 589,390
Thai baht/U.S. dollar	THB 30.90	186,298
Philippine peso/U.S. dollar	PHP 42.63	88,753

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The following table presents the derivative assets (liabilities) at fair value for derivatives designated as cash flow hedging instruments:

	Balance Sheet Classification	December 31, 2011	January 1, 2011
(In thousands)			
<b>Assets:</b>			
Foreign currency exchange contracts	Receivables net	\$ 23	\$ 14,364
<b>Liabilities:</b>			
Foreign currency exchange contracts	Derivative liabilities	(69,761)	(28,714)
	Long-term derivative liabilities	(123,304)	
		(193,065)	(28,714)
<b>Total derivatives designated as cash flow hedging instruments</b>		<b>\$ (193,042)</b>	<b>\$ (14,350)</b>

The following table presents the derivative assets (liabilities) at fair value for derivatives not designated as cash flow hedging instruments:

	Balance Sheet Classification	December 31, 2011	January 1, 2011
(In thousands)			
<b>Assets:</b>			
Cross currency swap	Receivables net	\$	\$ 252
<b>Liabilities:</b>			
Cross currency swap	Accrued liabilities		(20,731)
Interest rate swap	Accrued liabilities		(1,798)
			(22,529)
<b>Total derivatives not designated as cash flow hedging instruments</b>		<b>\$</b>	<b>\$ (22,277)</b>

Settlement of the foreign currency hedges will occur during 2012 through 2014.

The effect of the interest rate swap and foreign currency hedges designated as cash flow hedging instruments on AOCI and on the combined statements of operations for the years ended December 31, 2011 and January 1, 2011, were as follows:

**Gains (Losses) Recognized in AOCI  
During Year Ended**

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	December 31, 2011	January 1, 2011 (In thousands)	January 2, 2010
Interest rate swap	\$	\$ 108	\$ (571)
Foreign currency hedges	(50,660)	(24,077)	

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

	Income Statement Classification	Gains (Losses) Reclassified into Income During Years Ended			Gains (Losses) Recognized in Income due to Hedge Ineffectiveness or Amounts Excluded from Effectiveness or Amounts Excluded from Effectiveness Testing During Year Ended		
		December 31, 2011	January 1, 2011	January 2, 2010	December 31, 2011	January 1, 2011	January 2, 2010
(In thousands)							
Interest rate swap	Interest expense	\$ (1,056)	\$ (2,159)	\$ (1,844)	\$	\$	\$
Foreign currency hedges	Cost of products sold	(22,367)	(5,987)		343	3,479	
	Other income (expenses), net				6,343		

Unrealized gains and losses on the interest rate swap were recorded through AOCI through the de-designation date. Amounts included in AOCI as of the de-designation date were being amortized into interest expense as the quarterly payments were made through maturity of the interest rate swap that occurred during June 2011. Unrecognized losses of \$21.9 million related to the foreign currency hedges are expected to be realized into earnings in the next twelve months.

Net gains (losses) on derivatives not designated as hedging instruments or prior to being designated as hedging instruments for the years ended December 31, 2011, January 1, 2011, and January 2, 2010, were as follows:

	Income Statement Classification	December 31, 2011	January 1, 2011	January 2, 2010
		(In thousands)		
Foreign exchange contracts	Cost of products sold	\$	\$	\$ (1,780)
Cross currency swap	Other income (expense), net	(302)	(9,345)	(1,855)
Interest rate swap	Interest expense	(3)	(28)	
		\$ (305)	\$ (9,373)	\$ (3,635)

In connection with the refinancing of the cross currency swap that occurred during 2011, Dole recorded \$26.7 million of expense. Approximately \$4.2 million of this expense has been allocated to Dole Asia and reflected in other income (expense) in the combined statement of operations. This expense has been excluded from the table above.

**15. FAIR VALUE MEASUREMENTS**

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



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The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority are described below:

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

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

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

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

	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	
	December 31, 2011	January 1, 2011
	(In thousands)	
<b>Assets:</b>		
Cross currency swap	\$	\$ 252
Foreign currency exchange contracts	23	14,364
<b>Liabilities:</b>		
Interest rate swap		(1,798)
Cross currency swap		(20,731)
Foreign currency exchange contracts	(193,065)	(28,714)
	\$ (193,042)	\$ (36,627)

The assets and liabilities that are required to be recorded at fair value on a recurring basis are the derivative instruments. The fair values of Dole Asia'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 were estimated using internal discounted cash flow calculations based upon forward foreign currency exchange rates or interest-rate yield curves or quotes obtained from brokers for contracts with similar terms less any credit valuation adjustments. Dole Asia has recorded a credit valuation adjustment against its derivatives as of December 31, 2011, which has resulted in a net reduction in the derivative liability balances of \$10.5 million. The credit valuation adjustment was not material as of January 1, 2011 and January 2, 2010.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, Dole Asia is required to record assets and liabilities at fair value on a nonrecurring basis. Nonfinancial assets such as goodwill, indefinite-lived intangible assets, and long-lived assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized.

During 2011 and 2010, respectively, \$4.3 million and \$0.3 million of assets were written down to their estimated fair value of \$0 based on Level 3 inputs.

The goodwill and indefinite-lived intangible asset impairment analysis were performed by Dole during 2011 using a combination of discounted cash flow models and market multiples. The discounted cash flow models used estimates and assumptions, including pricing and volume data, anticipated growth rates, profitability levels, tax rates, and discount rates. The fair value of the goodwill and indefinite-lived intangible asset are highly sensitive to differences between estimates and actual cash flows and changes in the related discount rate used to evaluate the fair value of

these assets.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

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

**Fair Value of Retirement Plan Assets** Dole estimates the fair value of its retirement plan assets based on current quoted market prices. In instances where quoted market prices are not readily available, the fair value of the investments is estimated by the trustee. The carrying value and estimated fair values of Dole Asia's employees' estimated share of the U.S. retirement plan assets and for assets held in Dole Asia plans are summarized below:

	Fair Value Measurements at Reporting Date Using			December 31, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(In thousands)			
Cash and cash equivalents	\$ 503	\$	\$	\$ 503
Corporate debt instruments		3,462		3,462
Common stock	972			972
Interest in registered investment companies	8,071			8,071
Common collective trusts		26,107	429	26,536
Interests in limited partnerships			108	108
Interest in 103-12 investment companies		15,108	2,189	17,297
Unallocated annuity contracts			3,320	3,320
Preferred stock and other		800		800
Total	\$ 9,546	\$ 45,477	\$ 6,046	\$ 61,069

	Fair Value Measurements at Reporting Date Using			January 1, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(In thousands)			
Cash and cash equivalents	\$ 417	\$	\$	\$ 417
U.S. government securities	2,915	3,527		6,442
Foreign government/state/municipal securities		196		196
Corporate debt instruments		7,320		7,320
Common stock	903			903
Interest in registered investment companies	11,531			11,531
Common collective trusts		29,395	489	29,884
Interests in limited partnerships			1	1

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Interest in 103-12 investment companies			4,299	4,299
Unallocated annuity contracts			3,183	3,183
Preferred stock and other		597		597
Due to (from) broker for investments net	(43)	(1,882)		(1,925)
Total	\$ 15,723	\$ 39,153	\$ 7,972	\$ 62,848

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**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

The table below sets forth a summary of changes in the fair value of Dole Asia's estimated share of Dole's plan's Level 3 assets for the years ended December 31, 2011 and January 1, 2011:

		Fair Value Measurements Using significant Unobservable Inputs (Level 3)				Total
		Common Collective Trusts	Interest in Limited Trusts	Unallocated Annuity Contracts (In thousands)	Interest in 103-12 Investment Companies	
Beginning balance	January 2, 2010	\$ 547	\$ 8	\$ 3,082	\$ 3,451	\$ 7,088
Net realized and unrealized gains (losses)		6	3	(1)	882	890
Net purchases, issuances, and settlements		(64)	(10)	102	(34)	(6)
Net transfer in (out) of Level 3						
Beginning balance	January 1, 2011	489	1	3,183	4,299	7,972
Net realized and unrealized gains (losses)		51			(556)	(505)
Net purchases, issuances, and settlements		(111)		137	(1,554)	(1,528)
Net transfer in (out) of Level 3			107			107
Ending balance	December 31, 2011	\$ 429	\$ 108	\$ 3,320	\$ 2,189	\$ 6,046

**16. CONTINGENCIES**

Dole is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to Dole's operations. At December 31, 2011, Dole had guarantees of \$2.5 million that consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply Dole Asia with product. In addition, Dole Asia had restricted cash on deposit at December 31, 2011, January 1, 2011, and January 2, 2010, of \$5.5 million, \$10.2 million, and \$5.9 million, respectively. The restricted cash held by Dole Asia is to secure the indebtedness of several fruit suppliers. Dole Asia has not historically experienced any significant losses associated with these guarantees.

Dole issues letters of credit and bank guarantees through its ABL revolver and, in addition, separately through major banking institutions. Dole also provides bonds issued by insurance companies. These letters of credit, bank guarantees, and insurance company bonds are required by certain regulatory authorities, suppliers, and other operating agreements. As of December 31, 2011, total letters of credit, bank guarantees, and bonds outstanding under these arrangements for Dole Asia obligations were \$10.1 million.

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, which would impact certain Dole Asia employees.

Dole Asia is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Dole Asia has established what management currently believes to be adequate reserves for pending legal matters. These reserves are established by Dole Asia as part of an ongoing worldwide assessment by Dole and Dole Asia 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 of Dole and Dole Asia, after consultation with outside counsel, the claims or actions to which Dole Asia is a party or that are related to Dole Asia's

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operations are not expected to have a material adverse effect, individually or in the aggregate, on the Company's financial position or results of operations.

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

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

Currently there are ten lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP. Nine lawsuits are pending in the Philippines—three are awaiting rulings on dispositive motions, three are pending in trial courts but are inactive, one has been dismissed and is being appealed, and two have been dismissed without prejudice and have not been appealed. One lawsuit is pending in the United States—Dole has moved to dismiss the lawsuit based on the statute of limitations and is awaiting a ruling.

Claimed damages in these DBCP cases total approximately \$5 billion. In each of these cases, Dole is a joint defendant with other growers and the major DBCP manufacturers.

As to all the DBCP matters, Dole has denied liability and asserted substantial defenses. Although no assurance can be given concerning the outcome of the DBCP cases, in the opinion of management of Dole and Dole Asia, 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 position or results of operations.

**17. RELATED PARTY TRANSACTIONS**

David H. Murdock, Dole's Chairman, owns, inter alia, Castle and Cooke, Inc. ( Castle ), warehousing service companies and a hotel. During the years ended December 31, 2011, January 1, 2011, and January 2, 2010, Dole Asia paid Mr. Murdock's companies an aggregate of approximately \$4.9 million, \$5.3 million, and \$6 million, respectively, primarily for warehousing services. At December 31, 2011, January 1, 2011, and January 2, 2010, there were no outstanding payables with Castle and other entities owned by Mr. Murdock.

Dole Asia buys and sells inventory from other entities that are consolidated by Dole. During the years ended December 31, 2011, January 1, 2011, and January 2, 2010, Dole Asia recorded revenues of \$2.8 million, \$2.2 million, and \$2.2 million for sales to entities consolidated by Dole. During the years ended December 31, 2011, January 1, 2011, and January 2, 2010, Dole Asia acquired \$39.4 million, \$30.1 million, and \$27.1 million of product and product related costs from entities consolidated by Dole.

During the year ended December 31, 2011, purchases from Dole Asia's equity method investees were approximately \$161.3 million, and sales to Dole Asia's equity method investees were approximately \$69.5 million. In addition, Dole Asia incurred approximately \$7.2 million in costs during 2011 related to operating service agreements with certain equity method investees.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****18. SHARE-BASED COMPENSATION**

Dole Asia participates in Dole's share-based compensation plans and records compensation expense based on equity awards granted to Dole Asia's employees. Dole currently grants share-based awards under its 2009 Stock Incentive Plan (2009 Plan), in which 6 million shares of Dole common stock have been authorized for issuance. The 2009 Plan provides for issuance of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock awards and restricted stock units, any of which may be performance-based, and for incentive bonuses, which may be paid in cash or stock or a combination of both, to eligible employees, officers, non-employee directors, and persons who have been retained to provide consulting, advisory, or other services to Dole or any of its subsidiaries. The non-qualified stock options are time-based and expire 10 years from the grant date, three months after employee termination, or one year after the date of an employee's retirement or death, if earlier.

In addition, stock options granted under the plan vest over a three year period, with shares becoming exercisable in equal annual installments of 33.3%. The restricted stock awards and restricted stock units are time-based and either vest at the end of a one-year period, vest over a three-year period in equal annual installments of 33.3%, or vest at the end of the three-year period. As of December 31, 2011, Dole had 162,233 shares of common stock available for future issuance of awards under the 2009 Plan. The shares of common stock to be issued under the 2009 Plan are made available from authorized and unissued Dole common stock.

Total share-based compensation expense recognized in the combined statements of operations that is directly attributable to Dole Asia's operations is as follows:

	2011	2010	2009
	(In thousands)		
Cost of products sold	\$ 18	\$ 6	\$ 15
Selling, marketing, and general administrative expenses	1,200	640	75
<b>Total share-based compensation</b>	<b>1,218</b>	<b>646</b>	<b>90</b>
Estimated income tax benefit included in provision for income taxes	(197)	(94)	(14)
<b>Total share-based compensation net of estimated income tax benefits</b>	<b>\$ 1,021</b>	<b>\$ 552</b>	<b>\$ 76</b>

**Stock Options** The following table summarizes stock option activity related to Dole Asia's employees:

	Shares under Option (In thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (In thousands)
Outstanding January 4, 2009		\$		\$
Granted	199,000	\$ 12.50		
Outstanding January 2, 2010	199,000	\$ 12.50	9.81	
Granted	195,000	\$ 9.74		



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Outstanding	January 1, 2011	394,000	\$ 11.13	9.35	\$ 936
Granted		200,000	\$ 9.04		
Outstanding	December 31, 2011	594,000	\$ 10.43	8.87	\$
Expected to vest in the future	December 31, 2011	380,827	\$ 9.84	9.23	\$
Exercisable	December 31, 2011	197,666	\$ 11.59	8.17	\$

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**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

The unrecognized compensation expense calculated under the fair value method for shares expected to vest (unvested shares net of expected forfeitures) as of December 31, 2011, was approximately \$1.6 million and is expected to be recognized over a weighted average period of 1.6 years.

Dole estimates the fair value of share-based payments using the Black-Scholes-Merton option-pricing model, which was developed for use in determining the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models, including the Black-Scholes-Merton option-pricing model, require the input of assumptions, including expected term, expected volatility, dividend yield, and risk free rate. Changes in the input assumptions can materially affect the fair value estimates and ultimately how much Dole recognizes as share-based compensation expense. The weighted average fair value per share of stock options granted to Dole Asia employees during 2011, 2010, and 2009 were \$4.02, \$4.33, and \$5.67, respectively, as estimated at the date of grant. The weighted average input assumptions used and resulting fair values were as follows:

	2011	2010	2009
Expected life (in years)	6	6	6
Risk-free interest rate	1.2%	1.9%	3.0%
Expected volatility	45.7%	44.2%	42.7%
Dividend yield	0%	0%	0%

**Restricted Stock Awards** The following table summarizes Dole's restricted stock award activity related to Dole Asia's employees:

	Shares (In thousands)	Weighted Average Grant Date Fair value	Weighted Average Remaining Contractual Life (years)
Unvested January 4, 2009		\$	
Granted	26,522	\$ 12.50	
Unvested January 2, 2010	26,522	\$ 12.50	2.81
Granted	30,250	\$ 9.74	
Unvested January 1, 2011	56,772	\$ 11.03	2.40
Granted	32,350	\$ 9.04	
Unvested December 31, 2011	89,122	\$ 10.31	1.95
Expected to vest in the future December 31, 2011	84,653	\$ 10.31	1.95

The fair value of Dole Asia's employees restricted stock awards were estimated at the date of the grant. The grant date fair value is the stock price on the date of grant. The unrecognized compensation expense calculated under the fair value method for shares expected to vest that have been granted to Dole Asia employees (unvested shares net of expected forfeitures) as of December 31, 2011, was approximately \$0.5 million and is expected to be recognized over a weighted average period of 2.20 years. There were no restricted stock awards that were vested as of December 31, 2011.



**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**Restricted Stock Units** The following table summarizes Dole's restricted stock unit activity related to Dole Asia's employees:

		Shares (In thousands)	Weighted- Average Grant Date Fair value	Weighted- Average Remaining Contractual Life (years)
Unvested	January 4, 2009		\$	
Granted		30,111	\$ 12.50	
Unvested	January 2, 2010	30,111	\$ 12.50	2.81
Granted		48,150	\$ 9.74	
Unvested	January 1, 2011	78,261	\$ 10.80	2.49
Granted		52,350	\$ 9.21	
Forfeited		(4,200)	\$ 11.12	
Unvested	December 31, 2011	126,411	\$ 10.13	2.06
Expected to vest in the future	December 31, 2011	120,072	\$ 10.13	2.06

The fair value of Dole Asia's restricted stock units were estimated at the date of the grant. The grant date fair value is the stock price on the date of grant. The unrecognized compensation expense calculated under the fair value method for shares expected to vest (unvested shares net of expected forfeitures) as of December 31, 2011, was approximately \$0.8 million and is expected to be recognized over a weighted average period of 2.28 years.

**Performance Shares** The following table summarizes Dole's performance share activity related to Dole Asia's employees:

		Shares (In thousands)	Weighted- Average Grant Date Fair value	Weighted- Average Remaining Contractual Life (years)
Unvested	January 1, 2011		\$	
Granted		32,500	\$ 14.45	
Unvested	December 31, 2011	32,500	\$ 14.45	2.00
Expected to vest in the future	December 31, 2011	30,950	\$ 14.45	2.00

The fair value of Dole Asia's performance shares were estimated at the date of the grant. Each quarter, Dole assesses the probability of vesting for the performance shares, which is used to derive the compensation expense, and makes changes as needed. The grant date fair value is the stock price on the date of grant. The unrecognized compensation expense calculated under the fair value method for shares expected to vest

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(unvested shares net of expected forfeitures) as of December 31, 2011, was approximately \$0.2 million and is expected to be recognized over a weighted average period of two years.

The performance shares granted during 2011 represent performance shares given to employees during 2010 for which the performance metric was finalized during February 2011.

In addition, during fiscal 2011, the Corporate Compensation and Benefits Committee of the Board of Directors awarded 32,500 performance shares to Dole Asia employees for which a measurement date had not been

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**DOLE ASIA**

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

established as of December 31, 2011. During February 2012, the Corporate Compensation and Benefits Committee finalized the performance metric (net debt reduction, as defined), thereby establishing a grant date for accounting purposes. Under the terms of the performance share agreement, award recipients can receive up to 200% of the shares granted dependent upon achievement of the performance metric.

**19. ACQUISITIONS**

During the first quarter of 2012, Dole Asia acquired Mrs. May's Naturals, Inc., a company committed to providing consumers with wholesome snacks for a healthier lifestyle. The acquisition provides a platform for growth of all-natural offerings in the health and nutrition food category, which is a part of our packaged foods segment. The purchase price was approximately \$15 million plus an annual earn-out between \$0 and \$1 million payable in 2013, 2014 and 2015. The acquisition resulted in goodwill of \$6.9 million. In addition, Dole recorded \$9.3 million of intangible assets consisting of \$7.1 million for customer relationships and \$2.2 million for trade names.

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**Dole Asia**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**Condensed Combined Financial Statements as of**

**October 6, 2012 and December 31, 2011 and**

**the three quarters ended October 6, 2012 and October 8, 2011**

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**CONDENSED COMBINED STATEMENTS OF OPERATIONS (UNAUDITED)****FOR THE THREE QUARTERS ENDED OCTOBER 6, 2012 AND OCTOBER 8, 2011**

	Three Quarters Ended	
	October 6, 2012	October 8, 2011
	(In thousands)	
Revenues net	\$ 1,990,132	\$ 1,907,321
Cost of products sold	(1,711,179)	(1,601,913)
Gross margin	278,953	305,408
Selling, marketing, and general and administrative expenses	(223,529)	(216,024)
(Charges) adjustments for restructuring net	39	(4,018)
Operating income	55,463	85,366
Other expense net	(343)	(2,046)
Interest income	503	427
Interest expense	(15,519)	(17,304)
Income before income taxes and equity earnings	40,104	66,443
Income tax expense	(21,118)	(23,921)
Earnings from equity method investments	1,544	484
Net income	20,530	43,006
Less: Net income attributable to noncontrolling interests	(2,042)	(2,842)
Net income attributable to Dole Asia	\$ 18,488	\$ 40,164

See notes to condensed combined financial statements.



**Table of Contents****DOLE ASIA****(A Wholly-Owned Business of Dole Food Company, Inc.)****CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)****FOR THE THREE QUARTERS ENDED OCTOBER 6, 2012 AND OCTOBER 8, 2011**

	<b>Three Quarters Ended</b>	
	<b>October 6, 2012</b>	<b>October 8, 2011</b>
	<b>(In thousands)</b>	
Net income	\$ 20,530	\$ 43,006
Net foreign currency translation adjustment	1,866	(922)
Unrealized hedging gains (losses) net of income tax expense (benefit) of \$948 and \$(1,580)	22,090	(47,569)
Reclassification of net realized losses to net income net of income tax expense (benefit) of \$(1,017) and \$1,097	7,060	16,972
Comprehensive income	51,546	11,487
Less comprehensive income attributable to noncontrolling interests	(2,042)	(2,840)
Comprehensive income attributable to Dole Asia	\$ 49,504	\$ 8,647

See notes to condensed combined financial statements.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**CONDENSED COMBINED BALANCE SHEETS (UNAUDITED)****AS OF OCTOBER 6, 2012 AND DECEMBER 31, 2011**

	October 6, 2012	December 31, 2011
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 34,303	\$ 54,450
Restricted cash		5,473
Receivables net of allowances of \$14,075 and \$13,038, respectively	226,829	225,523
Inventories	644,968	603,962
Prepaid expenses and other assets	31,769	29,889
Deferred income tax assets	19,189	21,154
Assets held for sale	3,214	3,214
<b>Total current assets</b>	<b>960,272</b>	<b>943,665</b>
Equity method investments	19,987	18,705
Property, plant, and equipment net of accumulated depreciation of \$411,247 and \$389,304, respectively	220,216	219,617
Goodwill	125,799	118,945
Intangible assets net	281,549	275,893
Deferred income tax assets	21,473	21,789
Other assets net	121,893	99,035
<b>Total assets</b>	<b>\$ 1,751,189</b>	<b>\$ 1,697,649</b>

(Continued)

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**CONDENSED COMBINED BALANCE SHEETS (UNAUDITED) (Continued)****AS OF OCTOBER 6, 2012 AND DECEMBER 31, 2011**

	October 6, 2012	December 31, 2011
	(In thousands)	
<b>Liabilities and Parent Company Equity</b>		
Accounts payable	\$ 164,428	\$ 200,804
Accrued liabilities	129,298	127,784
Derivative liabilities	55,823	69,761
Current portion of long-term debt net	24,466	946
Notes payable	44,113	27,969
Deferred income tax liabilities	22,283	22,282
Total current liabilities	440,411	449,546
Long-term debt net	208,448	236,151
Deferred income tax liabilities	99,563	98,863
Long-term derivative liabilities	68,329	123,304
Other long-term liabilities	104,798	107,292
Commitments and contingencies (Note 14)		
Parent company equity:		
Parent company investment	825,043	710,189
Accumulated other comprehensive income	(17,499)	(48,515)
Equity attributable to parent company	807,544	661,674
Equity attributable to noncontrolling interests	22,096	20,819
Total equity	829,640	682,493
Total liabilities and equity	\$ 1,751,189	\$ 1,697,649

See notes to condensed combined financial statements.

(Concluded)

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**CONDENSED COMBINED STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE THREE QUARTERS ENDED OCTOBER 6, 2012 AND OCTOBER 8, 2011**

	<b>Three Quarters Ended</b>	
	<b>October 6, 2012</b>	<b>October 8, 2011</b>
	<b>(In thousands)</b>	
<b>Operating Activities</b>		
Net income	\$ 20,530	\$ 43,006
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	29,439	30,724
Share-based compensation expense	1,359	921
Net (gains) losses on financial instruments	10,131	6,831
Unrealized foreign currency gain (loss)	339	(1,028)
Asset write-offs and net loss on sale of assets	4,163	12,094
Earnings from equity method investments	(1,325)	(273)
Provision for deferred income taxes	(2,720)	12,060
Pension and other postretirement benefit plan expense	5,772	5,917
Changes in operating assets and liabilities:		
Receivables	1,041	5,262
Inventories	(42,168)	(117,797)
Prepaid expenses and other assets	(24,013)	(7,989)
Accounts payable	(38,784)	(15,701)
Accrued liabilities	5,414	7,009
Derivative assets and liabilities	(5,085)	(48,394)
Other long-term liabilities	(8,283)	(5,356)
Cash flow used in operating activities	(44,190)	(72,714)
<b>Investing Activities</b>		
Cash received from sales of assets	93	91
Business acquisitions, net of cash acquired	(15,253)	
Capital expenditures	(26,783)	(29,180)
Capitalized interest		(542)
Investment in non-consolidated subsidiary		(2,038)
Restricted cash and deposits	5,473	11,269
Cash flow used in investing activities	(36,470)	(20,400)
<b>Financing Activities</b>		
Short-term debt borrowings, net of repayments	14,660	15,211
Long-term debt borrowings	166	819
Long-term debt repayments	(4,341)	(289)
Dividends paid to noncontrolling interests	(765)	(793)
Settlement of long-term Japanese yen hedge forwards	(42,843)	(3,290)
Net transfers from parent	95,194	107,292
Cash flow provided by financing activities	62,071	118,950
Effect of foreign currency exchange rate changes on cash	(1,558)	843

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Increase (decrease) in cash and cash equivalents	(20,147)	26,679
Cash and cash equivalents at beginning of period	54,450	44,441
Cash and cash equivalents at end of period	\$ 34,303	\$ 71,120

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**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**CONDENSED COMBINED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**

**FOR THE THREE QUARTERS ENDED OCTOBER 6, 2012 AND OCTOBER 8, 2011**

**Supplemental cash flow information:**

At October 6, 2012 and October 8, 2011, accounts payable included approximately \$4 million and \$1.8 million, respectively, for capital expenditures. Amounts included in accounts payable for capital expenditures at the end of each period have been paid substantially in the subsequent period.

During the three quarters ended October 8, 2011, the long-term Japanese yen hedges were allocated to Dole Asia. The initial allocation amount was \$159.3 million and was treated as a non-cash item in the condensed combined statement of cash flows.

See notes to condensed combined financial statements.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**CONDENSED COMBINED STATEMENTS OF PARENT COMPANY EQUITY (UNAUDITED)****FOR THE THREE QUARTERS ENDED OCTOBER 6, 2012 AND OCTOBER 8, 2011**

		Equity Attributable to Parent Company						
		Parent Company Investment	Pension & Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss)		Unrealized Gains (Losses) on Hedges	Equity Attributable to Noncontrolling Interests	Total Equity
				Cumulative Translation Adjustment				
		(In thousands)						
Balance	January 1, 2011	\$ 721,588	\$ (8,618)	\$ 13,498	\$ (21,146)	\$ 19,788	\$ 725,110	
	Net income	40,164				2,842	43,006	
	Dividends paid					(793)	(793)	
	Net foreign currency translation adjustment			(920)		(2)	(922)	
	Unrealized hedging losses, net of income tax expense (benefit) of (\$1,580)					(47,569)	(47,569)	
	Reclassification of realized losses to net income, net of income tax (expense) benefit of \$1,097					16,972	16,972	
	Net transfers to Parent	(46,507)					(46,507)	
Balance	October 8, 2011	\$ 715,245	\$ (8,618)	\$ 12,578	\$ (51,743)	\$ 21,835	\$ 689,297	
Balance	December 31, 2011	\$ 710,189	\$ (15,626)	\$ 11,520	\$ (44,409)	\$ 20,819	\$ 682,493	
	Net income	18,488				2,042	20,530	
	Dividends paid					(765)	(765)	
	Net foreign currency translation adjustment			1,866			1,866	
	Unrealized hedging gains, net of income tax expense (benefit) of \$948					22,090	22,090	
	Reclassification of realized losses to net income, net of income tax expense (benefit) of \$(1,017)					7,060	7,060	
	Net transfers from Parent	96,366					96,366	
Balance	October 6, 2012	\$ 825,043	\$ (15,626)	\$ 13,386	\$ (15,259)	\$ 22,096	\$ 829,640	

See notes to condensed combined financial statements.

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)**

**1. DESCRIPTION OF DOLE ASIA**

The condensed combined financial statements of Dole Asia ( Dole Asia or the Company ) consist of Dole Food Company, Inc. s ( Dole ) Packaged Foods reportable operating segment ( DPF ) and Asia Fresh ( AF ), which is a component of Dole s Fresh Fruit reportable operating segment.

In the opinion of management, the accompanying unaudited condensed combined financial statements of Dole Asia include all adjustments necessary, which are of a normal recurring nature, to present fairly Dole Asia s financial position, results of operations and cash flows. For a summary of significant accounting policies relating to Dole Asia s condensed combined financial statements, refer to the Notes to Combined Financial Statements in Dole s Asia s Annual Report for the year ended December 31, 2011.

DPF produces canned pineapple, canned pineapple juice, fruit juice concentrate, fruit in plastic cups, jars and pouches, fruit parfaits, healthy snack foods, and frozen fruit. Fruit for the packaged foods reportable segment is sourced primarily in the Philippines, Thailand, the United States and China, and packed primarily in four Asian canneries, two in Thailand and two in the Philippines. This segment also has a frozen fruit category that sources and packs fruit in North America.

AF sources bananas, fresh pineapple and deciduous fruit from local growers or Company-owned or leased farms in Asia, with significant selling locations in Japan and other Asian markets. AF also sources and grows vegetables in Asia for sale primarily in Japan.

**2. PROPOSED SALE OF PACKAGED FOODS AND ASIA FRESH PRODUCE BUSINESSES**

On September 17, 2012, Dole signed a definitive agreement (the Agreement ) with ITOCHU Corporation ( ITOCHU ) for the sale of Dole Asia for \$1.685 billion in cash. Additional consideration of \$29 million may be received if the acquirer chooses to exercise its option not to assume certain U.S. pension liabilities of Dole Asia. In the event of a termination of the Agreement, under certain very limited circumstances Dole would be obligated to pay ITOCHU a termination fee of \$50.4 million as provided in the Agreement. In addition, the transaction is subject to Dole stockholder approval and customary regulatory approvals in multiple countries.

**3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Combination** The condensed combined financial statements presented herein include assets, liabilities, revenues, and expenses directly attributable to the operations of AF and DPF and have been derived from the consolidated financial statements and accounting records of Dole. These condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and represent carve-out stand-alone condensed combined financial statements. All significant intracompany transactions and accounts have been eliminated.

All significant intercompany transactions between Dole Asia and Dole or its affiliates have been included in the condensed combined financial statements and are reflected as if such transactions were effectively settled for cash in the condensed combined financial statements with the total net effect of the settlement of these intercompany transactions being reflected in the condensed combined statements of cash flows as a financing activity. The intercompany accounts have been netted against parent company equity and allocations have been reflected in the combined balance sheet as Parent company investment. The cash paid for corporate expenses and other allocations has been assumed to have been paid by Dole Asia and reflected as such in the condensed combined statement of cash flows and included in the corresponding section of the cash flows that the allocation relates to. The financing of these payments has been included in financing activities and reflected in net transfers (to) from parent in the condensed combined statements of cash flows.



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**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

The condensed combined financial statements include an allocation of Dole's corporate debt, interest expense, and allocations of Dole's interest rate swap and cross currency swap, which are associated with the corporate debt of Dole. These allocations have been based on the estimated amount of acquisition related debt incurred by Dole that is attributable to Dole Asia. Management believes that the basis for these allocations are reasonable; however, these amounts may not be indicative of the actual amounts that Dole Asia would have incurred had Dole Asia been operating as an independent company for the periods presented. See Notes 10 and 12 to the condensed combined financials for further discussion regarding the debt and derivative related allocations.

As of October 6, 2012 and December 31, 2011, Dole Asia had approximately \$544 million and \$545 million, respectively, of net intercompany notes payable. In addition, Dole Asia was charged net intercompany interest expense of \$13.7 million and \$17.9 million, respectively, for the three quarters ended October 6, 2012 and October 8, 2011. These notes have been included in Dole Asia's parent company investment based on the substance of these arrangements, and the net interest expense related to these arrangements has been eliminated from the results of Dole Asia.

These condensed combined financial statements reflect allocations of corporate expenses from Dole for certain functions provided by Dole, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, compliance, facilities, procurement, employee benefits, and share-based compensation. These expenses have been allocated to Dole Asia on the basis of direct usage when identifiable, with the remainder allocated on the basis of relative net revenue, headcount or other drivers. Management believes that the basis on which the expenses have been allocated represents a reasonable reflection of the utilization of services provided to or the benefit received by Dole Asia during the periods presented.

The allocations may not, however, reflect the expense that Dole Asia would have incurred as an independent entity for the periods presented. Actual costs that may have been incurred if Dole Asia had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Dole uses a centralized approach to its cash management and the financing of its operations, excluding debt directly incurred by any of its subsidiaries to finance certain foreign working capital needs. In addition, certain foreign locations do not participate in the centralized cash management program. As a result, the majority of Dole's cash is transferred to a central location on a daily basis and Dole then funds the operating and investing activities of its subsidiaries as needed. Cash transfers to and from Dole Asia have been reflected in Parent company investment. The cash and cash equivalents included in the condensed combined balance sheets primarily represent cash held locally by certain international entities included in the condensed combined financial statements.

**Fiscal Year End** Dole Asia operates under a 52/53-week year. The three quarters ended October 6, 2012 and October 8, 2011 are forty weeks in duration.

**Revenue Recognition** Revenue is recognized 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.

**Sales Incentives** Dole Asia 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. Consideration given to customers and consumers related to sales incentives is recorded as a reduction of revenues, rather than as a cost or expense. 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

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**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

contractual terms of the arrangement with the customer and, where applicable, Dole Asia's 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 Dole Asia.

**Crop Growing Costs** Recurring crop growing costs include costs relating to irrigation, fertilizing, disease and insect control, and other ongoing crop and land maintenance activities. These costs primarily represent the costs associated with growing bananas, pineapples, and vegetables on company-owned or operated farms. Recurring crop growing costs are charged to operations as incurred or included in inventories and recognized when the crops are harvested and sold, depending on the product.

**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 of products sold and represent costs incurred by Dole Asia to ship product from the sourcing locations to the end consumer markets.

**Value-Added Taxes** Value-added taxes that are collected from customers and remitted to taxing authorities are excluded from sales and cost of sales.

**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, Dole Asia 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, Dole Asia 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.

**Research and Development Costs** Research and development costs are expensed as incurred.

**Income Taxes** Income taxes as presented have been calculated on a separate return basis, although Dole's subsidiaries have historically been included in Dole's U.S. federal and state tax returns or non-U.S. jurisdictions tax returns. Dole's global tax model has been developed based on its entire portfolio of businesses. Accordingly, the income taxes as presented in the condensed combined financial statements are not necessarily reflective of the results that Dole Asia would have generated on a stand-alone basis. Corporate and other related allocations, such as overhead, interest expense, and the perpetual license to use the Dole trade name were allocated to the various tax jurisdictions in which Dole Asia operates. For each of these allocations, various local country rules were reviewed to ascertain the tax effects of these allocations. In tax jurisdictions in which Dole Asia would not receive a deduction had a separate return been filed, the deduction was treated as a permanent difference in the income tax provision. If it was determined that a deduction would be allowed, the statutory rate was used in determining the related tax benefit.

With the exception of certain foreign entities, Dole Asia does not maintain taxes payable or receivable from Dole and management has reflected these balances as being settled immediately with the legal tax paying entities in the respective jurisdictions. These settlements are reflected as changes in parent company equity.

Dole Asia 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 statement 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.

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.



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**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

Dole Asia establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain positions that do not meet the minimum probability threshold, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In addition, once the recognition threshold for the tax position is met, only the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority is recorded. The impact of provisions for uncertain tax positions, as well as any related net interest and penalties, are included in income taxes in the condensed combined 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** Dole Asia makes advances to third-party growers primarily in Asia for various farming needs. Some of these advances are secured with property or other collateral owned by the growers. Dole 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 estimated uncollectible balances.

**Receivables** Receivables consist primarily of trade, notes, and other receivables. These receivables are recorded at net realizable value. Allowances against receivables are established based on specific account data and factors, such as Dole Asia's historical losses, current economic conditions, age of receivables, the value of any collateral, and payment status compared to payment terms. Account balances are written off against the allowance if and when management determines the receivable is uncollectible.

**Inventories** 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.

**Investments** Investments in affiliates and joint ventures with ownership of 20% to 50% are recorded on the equity method, provided Dole Asia has the ability to exercise significant influence. All other non-consolidated investments are accounted for using the cost method. At October 6, 2012 and October 8, 2011, substantially all of Dole Asia's investments have been accounted for under the equity method.

Dole Asia's investments are reviewed for impairment when indicators of impairment arise, and investments are impaired when there is an other-than-temporary decline in the investments fair value.

**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. Dole Asia 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 identifiable net 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.



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**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

Dole Asia's indefinite-lived intangible asset, consisting of a perpetual license to use 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. The perpetual license to use the Dole brand is an allocation of the Dole trade name based upon the estimated value of the Dole trade name that related to Dole Asia at the time the Dole trade name was recognized on Dole's balance sheet. Dole Asia's 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 life.

**Concentration of Credit Risk** Financial instruments that potentially subject Dole Asia to a concentration of credit risk principally consist of cash equivalents, derivative contracts, grower advances, and trade receivables. Dole Asia 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 Dole Asia's derivative contracts are major financial institutions. Grower advances are principally with farming enterprises located throughout 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, Dole Asia performs periodic credit evaluations of its customers but does not generally require advance payments or collateral. Additionally, Dole Asia maintains allowances for credit losses.

**Fair Value of Financial Instruments** Dole Asia's financial instruments primarily comprise cash and cash equivalents, short-term trade and grower receivables, trade payables, notes receivable and notes payable, as well as long-term receivables, capital lease obligations, and notes payable. Since these instruments are primarily short-term instruments, the carrying amount approximates fair value.

Dole Asia also holds derivative instruments to hedge against foreign currency exchange and interest rate movements. Dole Asia's derivative financial instruments are recorded at fair value. Dole Asia estimates the fair values of its derivatives including any credit valuation adjustments using market based inputs (refer to Note 13 for additional information).

Dole Asia's employees participate in certain of Dole's retirement plans that have assets, which are measured at fair value. Dole estimates the fair values of its retirement plan assets based on quoted market prices dependent on availability. In instances where quoted market prices are not readily available, the fair value of the investments securities is estimated based on pricing models using observable or unobservable inputs.

**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 parent company equity.

**Leases** Dole Asia leases property and equipment for use in operations where leasing offers advantages of operating flexibility and is less expensive than alternative types of funding. Dole Asia also leases land in countries where land ownership by foreign entities is restricted. Dole Asia's 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. For operating leases that contain rent escalations, rent holidays or rent concessions, rent expense is recognized on a straight-line basis over the term of the lease. The majority of Dole Asia's leases are classified as operating leases. Dole Asia's principal operating leases are for land and machinery and equipment. Dole Asia's decision to exercise renewal options is primarily dependent on the level of business conducted at the location and the profitability thereof.

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**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**Share-Based Compensation** Certain Dole Asia employees participate in Dole's share-based compensation plans and compensation expense is recorded based on equity awards granted to employees of Dole Asia. Dole recognizes share-based compensation based on their fair value and the estimated number of shares ultimately expected to vest. The estimated forfeiture rate is based on historical attrition data. Dole uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock options grants. The option pricing model requires input of assumptions regarding expected term, expected volatility, dividend yield, and risk free rate. Expected term of the option grants is estimated using the simplified method. Expected volatility of the option grants is estimated using annualized historical volatility of the publicly traded stock prices of Dole's significant competitors. Risk free rate is estimated using the implied yield available on U.S. Treasury securities with a maturity equivalent to the stock options' expected term. Share-based compensation is expensed on a straight-line basis over the service period of the awards, with the exception of performance-based options, which are expensed based on the probability of achievement of the underlying targets.

**Employee Benefit Plans** Employees of Dole Asia participate in Dole's benefit plans. Dole Asia accounts for its employees' participation as a multiple employer plan and records net periodic pension cost and the related pension liability associated with Dole Asia's employees. Using multiple employer plan accounting, Dole Asia has carved out and accounted for Dole Asia's employees' share of Dole's U.S. pension plans as a single-employer employer plan in Dole Asia's financial statements. The gain or loss in accumulated other comprehensive income and the plan assets have been allocated to Dole Asia in proportion to Dole Asia's employees' share of the projected benefit obligation of the U.S. plans.

**Guarantees** Dole makes guarantees as part of its normal business activities. These guarantees include guarantees of the indebtedness of some of Dole Asia's key fruit suppliers. Dole 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 Dole Asia.

**Comprehensive Income (Loss)** Comprehensive income (loss) consists of changes to parent company equity, other than contributions from or distributions to Dole Asia's parent company, and net income (loss). Dole Asia's other comprehensive income (loss) principally consists of unrealized foreign currency translation gains and losses, gains and losses on cash flow hedging instruments, and minimum pension liability. The components of, and changes in, accumulated other comprehensive income (loss) are presented in Dole Asia's combined statements of comprehensive income.

**Workers' Compensation and Loss Reserves** Dole Asia self-insures certain losses arising out of workers' compensation claims. Dole Asia establishes workers' compensation accruals for its self-insured programs based upon reported claims in process and actuarial estimates for losses incurred but not reported. Loss reserves, including incurred but not reported reserves, are estimated using actuarial methods and ultimate settlements may vary significantly from such estimates due to increased claims frequency or the severity of claims.

**Subsequent Events** Management has monitored events through the date which the condensed combined financial statements are available to be issued, which is November 15, 2012.

**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, share-based compensation, income taxes, self-insurance reserves, retirement benefits, financial instruments and commitments and contingencies. Actual results could differ from these estimates.

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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****4. CHARGES FOR RESTRUCTURING**

As a result of challenging market conditions in Dole's fresh fruit operations, Dole committed to a restructuring plan during the third quarter of 2010 ( 2010 Plan ) in its fresh fruit segment that impacted Dole Asia. These restructuring efforts are designed to reduce costs by realigning fruit supply with expected demand. As part of these initiatives, Dole restructured certain farming operations of Dole Asia.

During the third quarter of 2011, Dole committed to further restructure its fresh fruit operations ( 2011 Plan ) which impacted Dole Asia and also Dole ended certain unprofitable contractual arrangements of Dole Asia.

As a result of these various initiatives, Dole Asia expects to realize cash savings in its financial results. These savings are expected to result from lower production costs, including lower labor costs in Dole Asia's farms, enhanced farm productivity, and the termination of unprofitable contractual arrangements.

**2010 Restructuring Plan** Related to the 2010 Plan, Dole Asia recorded restructuring adjustments of \$0.1 million during the three quarters ended October 6, 2012. For the three quarters ended October 8, 2011, Dole Asia incurred restructuring costs of \$9.3 million. Dole Asia has incurred cumulative restructuring costs of \$11.1 million since the third quarter of 2010 for this plan. Of these costs, \$2.8 million were paid or will be paid in cash, with the remaining amounts related to the non-cash write-down of long-lived assets and deferred crop-growing costs of \$8.3 million.

Dole Asia does not expect to incur additional restructuring charges related to the 2010 Plan.

The following table summarizes restructuring charges related to the 2010 Plan:

	Charges/ (Adjustments) Incurred in Three Quarters 2011	Charges/ (Adjustments) Incurred in Three Quarters 2012	Cumulative Charges Incurred (In thousands)	Additional Charges to be Incurred	Total Charges
Severance and other employee-related costs	\$ 422	\$ (85)	\$ 1,308	\$	\$ 1,308
Pension-related settlement charges	864		1,434		1,434
Asset write-downs	2,732		3,051		3,051
Subtotal	4,018	(85)	5,793		5,793
Inventory write-downs recorded in costs of products sold	5,294		5,294		5,294
	\$ 9,312	\$ (85)	\$ 11,087	\$	\$ 11,087



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(A Wholly-Owned Business of Dole Food Company, Inc.)

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

A rollforward of activity for Dole Asia's restructuring liabilities related to the 2010 Plan, which are classified in accrued liabilities in the accompanying combined balance sheets, is summarized as follows:

	Severance and other employee- related costs (In thousands)
Balance as of January 1, 2011	\$
Charges/(Adjustments)	422
Cash Payments	(337)
Non-cash	
Balance as of December 31, 2011	85
Charges/(Adjustments)	(85)
Cash Payments	
Non-cash	
Balance as of October 6, 2012	\$

**2011 Restructuring Plan** Related to the 2011 Plan, Dole Asia incurred minimal restructuring costs during the three quarters ended October 6, 2012. Dole Asia has incurred cumulative restructuring costs of \$4 million since the third quarter of 2011 for this plan. Of these costs, \$2.4 million were paid or will be paid in cash, with the remaining amounts related to the noncash write-down of long-lived assets of \$1.6 million.

Dole Asia does not expect to incur additional restructuring charges related to the 2011 Plan.

The following table summarizes restructuring charges related to the 2011 Plan:

	Charges/ (Adjustments) Incurred in Three Quarters 2011	Charges/ (Adjustments) Incurred in Three Quarters 2012	Cumulative Charges Incurred (In thousands)	Additional Charges to be Incurred	Total Charges
Contract termination and other costs	\$	\$	\$ 2,393	\$	\$ 2,393
Asset write-downs		46	1,568		1,568
	\$	\$ 46	\$ 3,961	\$	\$ 3,961

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A rollforward of activity for Dole Asia's restructuring liabilities related to the 2011 Plan, which are classified in accrued liabilities in the accompanying combined balance sheets, is summarized as follows:

	<b>Contract termination and other costs (In thousands)</b>
Balance as of January 1, 2011	\$
Charges/(Adjustments)	2,393
Cash Payments	(1,000)
Non-cash	
Balance as of December 31, 2011	1,393
Charges/(Adjustments)	
Cash Payments	(1,393)
Non-cash	
Balance as of October 6, 2012	\$

**5. FINANCING RECEIVABLES**

At October 6, 2012, Dole Asia's long-term financing receivables consisted of \$13.3 million grower advances, net of allowances, which were included in other assets, in the accompanying combined balance sheet as of October 6, 2012.

Dole Asia's grower advances are generally secured by the underlying assets of the grower, and Dole Asia monitors the collectability of these advances through periodic review of financial information received from these growers. At October 6, 2012, these advances had an allowance for credit losses of \$10.9 million, of which approximately \$3.9 million of the net grower advances were 90 days past due. Dole Asia's historical losses on its long-term grower advances have been immaterial and Dole Asia expects this to continue. During the three quarters ended October 6, 2012, the allowance for grower advances increased by \$2.8 million which resulted in an increase in the provision that was recorded to cost of products sold.

**6. INCOME TAXES**

Dole Asia recorded \$21.1 million of income tax expense on \$40.1 million of pretax income from continuing operations for the three quarters ended October 6, 2012. Income tax expense of \$23.9 million on \$66.4 million of pretax income from continuing operations was recorded for the three quarters ended October 8, 2011. For the three quarters ended October 6, 2012, Dole Asia's income tax expense differs from the U.S. federal statutory rate applied to Dole Asia's pretax income primarily due to state taxes and losses in jurisdictions for which it is more likely than not that a tax benefit will not be realized. For the three quarters ended October 8, 2011, Dole Asia's income tax expense differs from the U.S. federal statutory rate applied to Dole Asia's pretax income primarily due to state taxes offset by operations in foreign jurisdictions that are taxed at a rate lower than the U.S. federal statutory tax rate.

Dole Asia 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. This 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.

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Dole Asia or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, Dole Asia 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 2006.

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*Income Tax Audits:* Dole Asia believes its tax positions comply with the applicable tax laws and that it has adequately provided for all tax related matters. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably. Management considers it unlikely that the resolution of these matters will have a material adverse effect on Dole Asia's results of operations.

**7. INVENTORIES**

The major classes of inventories were as follows:

	October 6, 2012	December 31, 2011
	(In thousands)	
Finished products	\$ 373,661	\$ 346,270
Raw materials and work in progress	91,691	85,076
Crop-growing costs	133,576	132,877
Operating supplies and other	46,040	39,739
	\$ 644,968	\$ 603,962

**8. ASSETS HELD FOR SALE**

Included in assets held-for-sale is land that is being marketed that does not meet Dole's future strategic direction or internal economic return criteria. The land that has been identified is available for sale in its present condition and an active program is underway to sell the properties. Dole is actively marketing these properties at a price that is in excess of book value. This land consists of approximately 400 acres of peach orchards located in California that is held by Dole Asia.

**9. GOODWILL AND INTANGIBLE ASSETS**

The goodwill associated with the DPF reporting unit was \$67.5 million and \$60.6 million as of October 6, 2012 and December 31, 2011, respectively. The goodwill associated with the AF component of Dole Asia represents goodwill that has been allocated from Dole's Fresh Fruit reporting unit based upon the estimated carrying balance of the goodwill attributable to AF at the time the goodwill was originally established by Dole. The goodwill allocated to AF was \$58.3 million as of October 6, 2012 and December 31, 2011. Since the establishment of the Packaged Foods and Fresh Fruit goodwill, there have been no impairments.

Details of Dole Asia's intangible assets are as follows:

	October 6, 2012	December 31, 2011
	(In thousands)	
Amortizable intangible assets	\$ 47,962	\$ 38,663
Accumulated amortization	(34,990)	(31,347)
Amortizable intangible assets - net	12,972	7,316
Indefinite-lived intangible assets - perpetual license	268,577	268,577

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Total identifiable intangible assets net	\$ 281,549	\$ 275,893
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Amortization expense of intangibles totaled \$3.7 million and \$2.8 million for each of the three quarters ended October 6, 2012 and October 8, 2011, respectively.

During the first quarter of 2012, Dole completed the acquisition of Mrs. May's Naturals, Inc. ( Mrs. May's ), a company committed to providing consumers with wholesome snacks for a healthier lifestyle.

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Mrs. May's is part of the packaged foods segment. Pursuant to the terms of the merger agreement, Dole purchased Mrs. May's for total consideration of approximately \$15 million, plus an annual earn-out between \$0 and \$0.5 million payable in 2013, 2014 and 2015. The acquisition resulted in goodwill of \$6.9 million. In addition, Dole recorded \$9.3 million of intangible assets consisting of \$7.1 million for customer relationships and \$2.2 million for trade names.

Reflecting the Mrs. May's acquisition as of the beginning of 2011, revenues for the three quarters ended October 8, 2011 would have increased by approximately \$14.1 million and net income would have changed by an immaterial amount. Mrs. May's results from operations from February 2012 through October 6, 2012 are included in the condensed combined statements of operations and the impact on revenues and net income as if the acquisition had occurred at the beginning of 2012 would not have been material.

As of October 6, 2012, the estimated remaining amortization expense associated with Dole Asia's intangible assets was as follows (in thousands):

<b>Fiscal Year</b>	<b>Amount</b>
2012	\$ 1,117
2013	\$ 2,661
2014	\$ 2,005
2015	\$ 2,005
2016	\$ 1,525
Thereafter	\$ 3,659

Dole performed its annual impairment test of goodwill and indefinite-lived intangible assets during the second quarter of fiscal 2012, which included the Packaged Foods goodwill and the Fresh Fruit goodwill, of which AF is a component. This test indicated no impairment to goodwill or any of Dole Asia's indefinite-lived intangible assets.

**10. NOTES PAYABLE AND LONG-TERM DEBT**

**Notes Payable** Dole Asia borrows funds from third party financial institutions primarily on a short-term basis to finance current operations. The terms of these borrowings range from one month to three months and were denominated in U.S. Dollars as of October 6, 2012.

**Long-Term Debt** The long-term debt primarily relates to Dole's debt attributable to Dole Asia. In addition, long-term debt includes capital lease obligations that are immaterial.

During March 2003, David H. Murdock, acquired the (approximately) 76% of Dole's common stock that he and his affiliates did not already own for \$33.50 per share in cash. The aggregate purchase price of all of this 76% of Dole's common stock, plus transaction costs, was approximately \$1.55 billion. The funds necessary to purchase these shares consisted principally of funds borrowed by Dole under new \$1.125 billion senior secured credit facilities and \$475 million principal amount of 8.875% Senior Notes due 2011. The debt incurred by Dole to consummate this transaction is considered to be acquisition related debt, a portion of which has been allocated to Dole Asia based upon Dole Asia's relative share of Dole's operating segment earnings before interest expense, income taxes, depreciation and amortization (EBITDA) during 2003. The amount of debt allocated to Dole Asia has been reduced based on Dole Asia's proportionate share of reductions in Dole's corporate debt. In addition, the impacts of interest expense and debt refinancings have been allocated based upon Dole Asia's allocated share of the corporate related debt.

As of October 6, 2012 and December 31, 2011, approximately \$230 million and \$233 million of acquisition related debt, which has been recorded net of allocated debt issuance costs and debt discounts, has been allocated to Dole Asia. As of October 6, 2012, \$24 million and \$206 million of acquisition related debt was included in the



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current portion of long-term debt and long-term debt, respectively in the combined balance sheets. As of December 31, 2011 all acquisition related debt was included in long-term debt in the combined balance sheets. Interest expense of approximately \$13.9 million and \$14.3 million for the three quarters ended October 6, 2012 and October 8, 2011, respectively, has been allocated to Dole Asia.

**Debt Guarantees** The following is a summary of Dole's debt instruments that are guaranteed by certain of Dole Asia's subsidiaries or where certain of Dole Asia's net assets have been pledged as collateral. At October 6, 2012, Dole had \$155 million of 8.75% debentures due 2013, \$174.9 million of 13.875% senior secured notes due 2014 (2014 Notes) and \$315 million of 8% senior secured notes due 2016 (2016 Notes). Dole's 100% owned domestic subsidiaries, including Dole Packaged Foods, LLC (DPFNA), which is a subsidiary included in Dole Asia's condensed combined financial statements, have fully and unconditionally guaranteed, on a joint and several basis, Dole's obligations under the indentures for these obligations. In addition, the 2014 and the 2016 notes have liens on certain U.S. assets of Dole Asia that are junior to the liens of Dole's senior secured credit facilities and pari passu with each other.

Dole has an asset-based revolver (ABL Revolver), which is secured by a first-priority lien on its U.S. receivables and inventory and a second-priority lien on other U.S. tangible and intangible assets. Dole also has two term loans, B and C. Term loan B is secured by a first-priority lien on substantially all U.S. tangible and intangible assets, including the assets of DPFNA, the capital stock of DPFNA's subsidiaries, and a second lien on U.S. receivables and inventory. Term loan C is secured by a first-priority lien on significant portions of Dole's non-U.S. tangible and intangible assets, including the assets of Dole Asia's subsidiaries. Term loan C also has a second-priority lien on U.S. assets.

**Covenants** Dole Asia does not have any separate covenant requirements; however, provisions under the amended senior secured credit facilities and the indentures governing Dole's senior notes and debentures require Dole to comply with certain covenants. These covenants include limitations on, among other things, indebtedness, investments, liens, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. The ABL revolver also contains a springing covenant, which would not be effective unless the availability under the ABL revolver were to fall below the greater of (i) \$35 million and (ii) 12.5% of the lesser of the Total Commitment (as defined) and the borrowing base. To date, the springing covenant has never been effective and Dole does not currently anticipate that the springing covenant will become effective. At October 6, 2012, Dole was in compliance with all applicable covenants.

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

In addition to amounts available under the revolving credit facility, Dole Asia has uncommitted lines of credit of approximately \$137.2 million at various local banks, of which \$81.3 million was available at October 6, 2012. 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 Asia's uncommitted lines of credit expire in 2012, while others do not have a commitment expiration date. These arrangements may be cancelled at any time by Dole Asia or the banks. Dole Asia's ability to utilize these lines of credit may be impacted by the terms of its senior secured credit facilities and bond indentures.



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**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****11. EMPLOYEE BENEFIT PLANS**

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

	U.S. Pension Plans		International Pension Plans		OPRB	
	Three Quarters Ended		Three Quarters Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
	(In thousands)					
Service cost	\$	\$	\$ 3,164	\$ 2,608	\$	\$
Interest cost	2,749	3,248	2,211	2,405	407	512
Expected return on plan assets	(3,209)	(3,726)	(327)	(348)		
Amortization of:						
Net loss	1,598	1,329	202	47	6	
Prior service cost			90	111	(1,120)	(1,134)
Net transition obligation			1	1		
Restructuring related settlements and other				864		
	\$ 1,138	\$ 851	\$ 5,341	\$ 5,688	\$ (707)	\$ (622)

**12. DERIVATIVE FINANCIAL INSTRUMENTS**

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

**Cash Flow Hedges** Since 2010, Dole Asia's foreign currency exchange forward contracts have been designated as cash flow hedges of its forecasted revenue and operating expense transactions. As a result, changes in fair value of the foreign currency derivative instruments since hedge designation, to the extent effective, are recorded as a component of accumulated other comprehensive income (loss) (AOCI) in the accompanying combined balance sheet and are reclassified into earnings in the same period the underlying transactions affect earnings. Any portion of a cash flow hedge deemed ineffective is recognized into current period earnings.

**Interest Rate Swap** Dole entered into an interest rate swap in 2006 to hedge future changes in interest rates. This agreement effectively converted \$320 million of borrowing under Dole's term loans, which were variable-rate debt to fixed-rate debt that matured June 16, 2011. The interest rate swap was designated as a cash flow hedge at inception. During March 2010, Dole refinanced its term loans and in connection with this refinancing transaction, elected not to re-designate the interest rate swap as a cash flow hedge of its interest rate risk. As a result, changes in the fair value of the interest rate swap after de-designation on March 2, 2010, were recorded in interest expense. The unrealized loss in AOCI was recognized into interest expense through the June 2011 maturity as the underlying debt payments were made. Since the interest rate swap related to the corporate debt, of which a portion has been allocated to Dole Asia, a proportionate share of the interest rate swap has been allocated to Dole Asia and included in the condensed combined financial statements based on Dole Asia's proportionate share of the corporate related debt at the time the interest rate swap was entered into.

**Cross Currency Swap and Long-Term Japanese Yen Hedges** During 2006 (subsequently amended in 2009), Dole executed a cross currency swap to synthetically convert \$320 million of its corporate related debt into Japanese yen denominated debt in order to effectively lower the U.S. dollar fixed interest rate. The cross

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currency swap was scheduled to mature in June 2011. Since the cross currency swap is related to corporate debt, of which a portion has been allocated to Dole Asia, a proportionate share of the cross currency swap has been allocated to Dole Asia is included in the condensed combined financial statements based upon Dole Asia's proportionate share of Dole's corporate debt at the time Dole entered into the swap.

During the first quarter of 2011, Dole entered into a transaction to effectively unwind the cross currency swap by refinancing its obligation under the cross currency swap and entering into a series of long-term Japanese yen hedges (the long-term Japanese yen hedges) that mature through December 2014. The long-term Japanese yen hedges require Dole to buy U.S. Dollars and sell Japanese yen at an exchange rate of ¥101.3. At inception, these contracts were in a liability position and the total notional amount outstanding under the long-term Japanese yen hedges was \$596.3 million. The value of these contracts will fluctuate based on changes in the exchange rate over the life of the individual forward contracts.

Upon entering into the long-term Japanese yen hedges, Dole designated the long-term Japanese yen hedges as cash flow hedges of its forecasted Japanese yen revenue stream. Due to the fact that the long-term Japanese yen hedges have been designated as a cash flow hedge and hedge a revenue stream related to Dole Asia, these hedges and the related activity have been included in the condensed combined financial statements of Dole Asia. The liability at the inception of entering into the long-term Japanese yen hedges was \$159.3 million, which was adjusted through parent company's equity at inception and included in the financial statements of Dole Asia. Due to the fact that there is a significant financing element present at the inception of the long-term Japanese yen hedges, the cash inflows or outflows associated with settlement of these contracts are included within the financing activities in Dole's condensed combined statement of cash flows. While the long-term Japanese yen hedges were designated as cash flow hedges, a portion of the long-term Japanese yen hedges were deemed ineffective. With respect to this portion, changes in the fair value of the hedges are recorded in other income (expense), net in the accompanying condensed combined statements of operations, because the ineffectiveness was considered to be caused by the financing element of this instrument.

As a result of Dole executing a definitive agreement with ITOCHU on September 17, 2012, it is no longer considered to be probable that the forecasted Japanese yen revenue streams in 2013 and 2014 will occur. Accordingly, Dole de-designated these contracts as cash flow hedges on that date. Changes in the fair value of these hedges subsequent to September 17, 2012, are recorded to other income (expense), net in the condensed combined statement of operations. Since it is still considered to be reasonably possible that the forecasted transactions will occur in the future, the AOCI balance for these hedges will be reclassified into earnings upon settlement of the forecasted transactions. Once management has determined that it is no longer reasonably possible that the forecasted Japanese yen revenue streams will occur, the amounts remaining in AOCI for the long-term Japanese yen forward contracts will be recorded to other income (expense), net in the condensed combined statement of operations.

At October 6, 2012, the gross notional values of Dole Asia's foreign currency hedges were as follows:

	Average Strike Price	Notional Amount
	(In thousands, except average strike price)	
Derivatives designated as cash flow hedging instruments:		
U.S. dollar/Japanese yen	JPY 100.3	\$ 39,896
Thai baht/U.S. dollar	THB 31.1	48,137
Philippine peso/U.S. dollar	PHP 42.5	27,037
Derivatives not designated as cash flow hedging instruments:		
U.S. dollar/Japanese yen	JPY 101.3	387,393

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The following table presents the derivative assets (liabilities) at fair value for derivatives designated as cash flow hedging instruments:

	Balance Sheet Classification	October 6, 2012	December 31, 2011
(In thousands)			
<b>Assets:</b>			
Foreign currency exchange contracts	Receivables net	\$ 1,399	\$ 23
<b>Liabilities:</b>			
Foreign currency exchange contracts	Derivative liabilities	(11,019)	(69,761)
	Long-term derivative liabilities		(123,304)
		(11,019)	(193,065)
<b>Total derivatives designated as cash flow hedging instruments</b>		<b>\$ (9,620)</b>	<b>\$ (193,042)</b>

The following table presents the derivative assets (liabilities) at fair value for derivatives not designated as cash flow hedging instruments:

	Balance Sheet Classification	October 6, 2012	December 31, 2011
(In thousands)			
<b>Liabilities:</b>			
Foreign currency exchange contracts	Derivative liabilities	\$ (44,804)	\$
	Long-term derivative liabilities	(68,329)	
<b>Total derivatives not designated as cash flow hedging instruments</b>		<b>\$ (113,133)</b>	<b>\$</b>

Settlement of the foreign currency hedges will occur during the remainder of 2012, 2013 and 2014.

The effect of the interest rate swap and foreign currency hedges designated as cash flow hedging instruments on AOCI and on the condensed combined statements of operations for the three quarters ended October 6, 2012 and October 8, 2011, were as follows:

Gains (Losses) Recognized in AOCI During Three Quarters Ended	Gains (Losses) Reclassified into Income During Three Quarters Ended	Gains (Losses) Recognized in Income due to Hedge Ineffectiveness or Amounts Excluded from Effectiveness or Amounts Excluded from Effectiveness Testing
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	October 6, 2012	October 8, 2011	Income Statement Classification	October 6, 2012	October 8, 2011	During Three Quarters Ended	
						October 6, 2012	October 8, 2011
	(In thousands)						
Interest rate swap	\$	\$	Interest expense	\$	\$ (1,056)	\$	\$
Foreign currency hedges	23,038	(49,149)	Cost of products sold	(8,077)	(14,819)	3,082	(4,092)
			Other income				
			(expenses), net			271	6,556

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Unrealized gains and losses on the interest rate swap were recorded through AOCI through the de-designation date. Amounts included in AOCI as of the de-designation date were being amortized into interest expense as the quarterly payments were made through maturity of the interest rate swap that occurred during June 2011. Unrecognized losses of \$7 million related to the foreign currency hedges are expected to be realized into earnings in the next twelve months.

Net gains (losses) on derivatives not designated as hedging instruments or prior to being designated as hedging instruments for the three quarters ended October 6, 2012, and October 8, 2011, were as follows:

	Income Statement Classification	Three Quarters Ended	
		October 6, 2012	October 8, 2011
(In thousands)			
Long-term Japanese yen hedges(1)(2)	Other income (expense), net	\$ 62	\$ (4,249)
Cross currency swap	Other income (expense), net		(302)
Interest rate swap	Interest expense		(3)
		\$ 62	\$ (4,554)

(1) In connection with the refinancing of the cross currency swap that occurred during 2011, Dole recorded \$26.7 million of expense. Approximately \$4.2 million of this expense has been allocated to Dole Asia.

**13. FAIR VALUE MEASUREMENTS**

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

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority are described below:

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

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

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

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

	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	
	October 6, 2012	December 31, 2011
	(In thousands)	
<b>Assets:</b>		
Foreign currency exchange contracts	\$ 1,399	\$ 23
<b>Liabilities:</b>		
Foreign currency exchange contracts	(124,152)	(193,065)
	\$ (122,753)	\$ (193,042)

The assets and liabilities that are required to be recorded at fair value on a recurring basis are the derivative instruments. The fair values of Dole Asia'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 were estimated using internal discounted cash flow calculations based upon forward foreign currency exchange rates or interest-rate yield curves or quotes obtained from brokers for contracts with similar terms less any credit valuation adjustments. Dole Asia has recorded a credit valuation adjustment against its derivatives as of October 6, 2012 and December 31, 2011, which has resulted in a net reduction in the derivative liability balances of \$0.7 million and \$10.6 million, respectively.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, Dole Asia is required to record assets and liabilities at fair value on a nonrecurring basis. Nonfinancial assets such as goodwill, indefinite-lived intangible assets, and long-lived assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized.

The goodwill and indefinite-lived intangible asset impairment analysis were performed by Dole during the second quarter 2012 using a combination of discounted cash flow models and market multiples. The discounted cash flow models used estimates and assumptions, including pricing and volume data, anticipated growth rates, profitability levels, tax rates, and discount rates. The fair value of the goodwill and indefinite-lived intangible asset are highly sensitive to differences between estimates and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets.

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

**14. CONTINGENCIES**

Dole is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to Dole's operations. At October 6, 2012, Dole had guarantees of \$10.7 million that consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply Dole Asia with product. In addition, Dole Asia had no restricted cash on deposit at October 6, 2012 and \$5.5 million at December 31, 2011. The restricted cash held by Dole Asia secured the indebtedness of several fruit suppliers. Dole Asia has not historically experienced any significant losses associated with these guarantees.

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Dole issues letters of credit and bank guarantees through its ABL revolver and, in addition, separately through major banking institutions. Dole also provides bonds issued by insurance companies. These letters of

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

credit, bank guarantees, and insurance company bonds are required by certain regulatory authorities, suppliers, and other operating agreements. As of October 6, 2012, total letters of credit, bank guarantees, and bonds outstanding under these arrangements for Dole Asia obligations were \$8 million.

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, which would impact certain Dole Asia employees.

Dole Asia is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Dole Asia has established what management currently believes to be adequate reserves for pending legal matters. These reserves are established by Dole Asia as part of an ongoing worldwide assessment by Dole and Dole Asia 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 of Dole and Dole Asia, after consultation with outside counsel, the claims or actions to which Dole Asia is a party or that are related to Dole Asia's operations are not expected to have a material adverse effect, individually or in the aggregate, on the Company's financial position or results of operations.

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

Currently there are ten lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP. Nine lawsuits are pending in the Philippines—five are awaiting rulings on dispositive motions, one is pending in trial courts but is inactive, one has been dismissed and is being appealed, and two have been dismissed without prejudice and have not been appealed. One lawsuit that was pending in the United States has been dismissed with prejudice based on the statute of limitations.

Claimed damages in these DBCP cases total approximately \$5 billion. In each of these cases, Dole is a joint defendant with other growers and the major DBCP manufacturers.

As to all the DBCP matters, Dole has denied liability and asserted substantial defenses. Although no assurance can be given concerning the outcome of the DBCP cases, in the opinion of management of Dole and Dole Asia, 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 position or results of operations.

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**DOLE ASIA**

**(A Wholly-Owned Business of Dole Food Company, Inc.)**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**15. RELATED PARTY TRANSACTIONS**

Dole Asia buys and sells inventory from other entities that are consolidated by Dole. During the three quarters ended October 6, 2012 and October 8, 2011, Dole Asia recorded revenues of \$1.2 million and \$2.6 million for sales to entities consolidated by Dole. During the three quarters ended October 6, 2012 and October 8, 2011, Dole Asia acquired \$44.5 million and \$32.9 million of product and product related costs from entities consolidated by Dole.

**16. NEW ACCOUNTING PRONOUNCEMENTS**

During July 2012, the Financial Accounting Standards Board issued a standard which amended how entities test for impairment of indefinite-lived intangible assets. The new guidance permits a company to assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the annual impairment test. This guidance is effective for fiscal years beginning after September 12, 2012, and is effective for Dole Asia beginning the first quarter of 2013. The adoption of the standard is not expected to have an impact on Dole's Asia's results of operations or financial position.

\* \* \* \* \*

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Shareowner Services  
P.O. Box 64945  
St. Paul, MN 55164-0945

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE** - [www.eproxy.com/dole](http://www.eproxy.com/dole)

Use the Internet to vote your proxy until

11:59 p.m. (CT) on December 5, 2012.

**PHONE - 1-800-560-1965**

Use a touch-tone telephone to vote your proxy until 11:59 p.m. (CT) on December 5, 2012.

**MAIL** - Mark, sign and date your proxy

card and return it in the postage-paid

envelope provided.

**If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.**

***TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,***

***SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.***

ò *Please detach here* ò

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1. *Sale Proposal:* To approve the sale of Dole's worldwide packaged foods business and Asia fresh business as contemplated by the acquisition agreement by and between Dole and ITOCHU Corporation, dated as of September 17, 2012 and described in the proxy statement.       For       Against       Abstain

2. *Transaction-Related Compensation Arrangements Proposal:* To approve, on a non-binding advisory basis, the payment of certain compensation to our named executive officers in connection with the sale transaction.       For       Against       Abstain

3. *Proposal to Adjourn or Postpone the Special Meeting:* To approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the Sale Proposal.       For       Against       Abstain

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL.**

Address Change? Mark box, sign, and indicate changes below:

Date

Signature(s) in Box

Please sign exactly as your name(s) appears on the Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

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**PRELIMINARY COPY**

**DOLE FOOD COMPANY, INC.**  
**SPECIAL MEETING OF STOCKHOLDERS**  
**Thursday, December 6, 2012**  
**1:00 P.M., Pacific Time**  
**Dole Food Company, Inc. World Headquarters**  
**One Dole Drive**  
**Westlake Village, California 91362**

**Dole Food Company, Inc.**  
**One Dole Drive**  
**Westlake Village, California 91362**

**Proxy**

**This Proxy is solicited by the Board of Directors for use at the Special Meeting on December 6, 2012.**

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, 2 and 3.**

By signing the Proxy, you revoke all prior proxies and appoint David H. Murdock, David A. DeLorenzo and C. Michael Carter, and each of them with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Special Meeting and all adjournments.

*See reverse for voting instructions.*