CtW Investment Group

July 18, 2013

Andrew J. Conrad, Ph.D.
Director, Chairman of the Special Committee
Dole Food Company, Inc.
One Dole Drive
Westlake Village, CA 91362

Dear Dr. Conrad:

We urge you and the other members of the Special Committee to reject the buyout proposed by Chairman and CEO David Murdock as it does not provide adequate consideration to Dole shareholders. We also call on you to explain the sudden departure of two directors just before this proposal was announced.

As we hope you and your fellow independent directors appreciate, management-led buyouts present unique risks and challenges to shareholders: Management has more information about the company and its future prospects than shareholders, and also enjoys significant control over the flow of information to the investing public. Managers can therefore time buyout offers to coincide with temporary declines in the share price, effectively buying the company at a discount to its fair value. Management-led buyouts should therefore be subject to particular scrutiny, and should provide a return that is unambiguously superior to any reasonable expectation of future share price appreciation. As we detail below, Mr. Murdock's proposal does not meet this standard:

- The price offered by Mr. Murdock provides an uncompetitive premium to the pre-announcement share price, and is at a discount to the current share price, and the target price of many analysts covering the company.
- The $12 price per share values the company below similar recent transactions in the food industry.
- Mr. Murdock appears to have timed his proposal to coincide with temporary factors which depressed the share price immediately prior to the announcement, including:
    - Declining banana prices in North America,
    - Adverse weather affecting Dole's strawberry fields in California, and
    - The company's decision to suspend a share buyback plan just weeks after announcing it, in favor of buying three new container ships.

Finally, we are concerned that two directors – independent director Dennis Weinberg and related director Justin Murdock – both resigned from the board one week prior to the May 23, 2013 annual meeting, and less than one month before Mr. Murdock announced his intention to buy the company.[1]

The CtW Investment Group works with pension funds sponsored by affiliates of Change to Win – a federation of unions representing over six million members – to enhance long-term shareholder value through active ownership. These funds have $250 billion in assets under management, and are substantial Dole Food shareholders.

---

[1] Dole Food Co., Inc. 8K filed with the SEC May 15, 2013.

Erratic Management, Not Investor Short-termism, At Issue

In his letter to the board of directors, Mr. Murdock asserts that "growing the Company for the long-term will require significant investment, some of which will not generate near-term returns," and that therefore taking the company private is the best option "given the public-market focus on short-term earnings and predictable quarterly results."[2] We do not believe that the evidence supports Mr. Murdock's contention that Dole shareholders have such short-term investment horizons that they are unwilling to support efforts to invest for the long-term. Nor do we agree that shareholders are unable to tolerate the inevitable revenue and earnings volatility generated by changes in the weather. Instead, we note that particularly since Mr. Murdock was reappointed CEO earlier this year, the company's erratic behavior has been a much greater source of concern to shareholders.

Moreover, Dole's experience as a private company between 2003 and 2009 does not suggest that Mr. Murdock will bring a particularly "long-term" focus to running the company. We note that after Mr. Murdock won support for buying the company at $33.50 a share (up from an initial offer of $29.50)[3], he quickly increased the company's debt, which peaked at over $2.4 billion in 2007, at which time debt comprised 87% of the company's capital structure.[4] This debt was not used primarily to boost investment: at no point during the 2003-2009 private ownership period did Dole's capital expenditure exceed the $233.7 figure for FY2002, Dole's last full year as a public company. Instead, Dole's average level of capital expenditure as a private company was only $101 million per year, vs. $141 million per year during its last seven years as a public company, or $126 million excluding FY2002.[5]

Prior to its October 2009 IPO, Dole's debt was still over $2.2 billion[6]: it has only been paid down since through the proceeds of the IPO, subsequent asset sales, and through the dedication of earnings to debt reduction – in other words, through the patient deferrals of public investors. We also note that in the 12 months to March 2013, Dole's capital expenditure increased by 50% over its average level across the previous four fiscal years, to $119 million from an average of $77 million, in a manner not dissimilar to the upward spike in capital expenditures during FY2002, just prior to Mr. Murdock's previous buyout proposal.[7]

Instead of blaming public shareholders for alleged short-termism, Mr. Murdock should acknowledge that Dole management has repeatedly bungled its communications to shareholders over the past year. For example, when the ITOCHU transaction was announced, analysts anticipated that the proceeds would be used largely to repay debt, but apparently unforeseen transaction related expenses proved larger than anticipated, resulting in analyst write-downs and a falling share price.[8] Dole management compounded the problem by announcing a $200 million share buyback plan on May 9, 2013, only to reverse course and cancel the program on May 28.[9] This announcement triggered a 16% drop in the share price over the

[2] Michael Nau, "Dole Management's Questionable Buyout Deal" Seeking Alpha June 12, 2013.
[3] Tiffany Hsu, "Déjà vu for Dole as CEO makes bid to take company private again" Los Angeles Times, June 11, 2013; "Dole Rises on Buyout Offer" The Street.com September 23, 2002.
[4] Data from Capital IQ, see Excel Spreadsheet Dole Transaction Analysis 6-20-13, tab Capital Structure.
[5] Data from Capital IQ, see Excel Spreadsheet Dole Transaction Analysis 6-20-13 tab Cap Ex.
[6] Data from Capital IQ, Excel Spreadsheet Dole Transaction Analysis 6-20-13, tab Capital Structure.
[7] Data from Capital IQ, Excel Spreadsheet Dole Transaction Analysis 6-20-13, tab Cash Flows.
[8] Ryan Oksenhendler, "Dole to sell Pack Food and Asia Fresh for $1.68bn" Bank of America Merrill Lynch, September 18, 2012; Ryan Oksenhendler, "Downgrade to Underperform; Lowering PO to $9" Bank of America Merrill Lynch, January 4, 2013.
[9] Tiffany Hsu, op. cit.

following week.[10] During this same tumultuous month, two directors – Justin Murdock and Dennis Weinberg – announced their resignations from the board only a week prior to the annual shareholders meeting, and without any public explanation for their sudden departure.[11] Just three weeks later, Mr. Murdock announced his proposal to buy out the public investors. We cannot help but to suspect that this confluence of events was not entirely coincidental.

Low Premium and Multiples Relative to Comparable Transactions

Nevertheless, if management's buyout proposal provided superior value to the expected return to holding shares in Dole as a public company, we would be willing to support it. Unfortunately, this is not the case. Table 1 compares the proposed management buyout to food industry transactions in the Capital IQ database since the beginning of 2012:

Table 1: Food Industry Transactions 2012-2013[12]

Announced Date	Target/Issuer	Total Transaction Value ($US M)	Premium 1 day	Premium 1 wk	Premium 1 mo	LTM Revenue ($US M)	Rev Mult.
05/29/2013	Smithfield Foods, Inc. (NYSE:SFD)	$7,134.04	30.92	33.23	32.35	$13,221.10	0.54
02/14/2013	H. J. Heinz Company	$28,748.86	19.87	18.85	22.45	$11,691.49	2.46
01/03/2013	Unilever United States, Inc., Skippy Peanut Butter Business	$700.00	-	-	-	$370.00	1.89
11/27/2012	Ralcorp Holdings Inc.	$7,086.19	28.15	26.62	24.17	$4,322.20	1.64
12/03/2012	Morningstar Foods, LLC	$1,450.00	-	-	-	$1,626.26	0.89
02/15/2012	The Wimble Company	$2,695.00	-	-	-	$1,455.70	1.85
05/22/2012	Lactalis American Group, Inc.	$774.00	-	-	-	$979.30	0.79
6/11/2013	Dole Foods	$2,318.05	17.70	29.50	6.70	$4,214.10	0.55
	Average Comparable Transactions	$6,941.16	26.31	26.23	26.32	$4,809.44	1.44

Mr. Murdock's $12 a share proposal values Dole at a substantially smaller multiple to revenue than all but one of the seven food industry transactions since the beginning of 2012. Additionally, the premium over the closing share price from the day before announcement is significantly lower than that for the three transactions involving publicly traded companies. We also note that the premium provided by the Murdock proposal over the one-month-prior price is dramatically smaller than those provided in comparable transactions, which reinforces our view that managerial bungling in May 2013 resulted in an

[10] Idem.
[11] Dole Food Co., Inc. 8K filed with the SEC May 15, 2013.
[12] Data from Capital IQ, see Excel Spreadsheet Dole Transaction Analysis 6-20-13, tab Table.

artificially low pre-announcement price. Finally, since Mr. Murdock's proposal was made public, Dole's share price has traded well over $12, clearly indicating that market participants consider the proposed price too low.[13]

Moreover, many analysts covering Dole have published target prices over the past year well above $12. For instance, Mark Boyer of Boyer Research values Dole at $19 a share, while Brett Hundley of BBT Capital values the company at $15 a share.[14] Ryan Oksenhendler of B of A Merrill Lynch had a placed a $15 target on Dole before management revealed that the ITOCHU transaction would not lower debt levels as much as anticipated.[15] Among other points, these analysts argue that Dole's disappointing recent earnings stem from temporary factors including declining prices for bananas in North America, and bad weather for strawberry growing in California.[16]

Additionally, analysts recognize that Dole owns assets – particularly its large portfolio of non-core real estate in Hawaii – that are carried on the balance sheet at a substantial discount to market value. Boyer has estimated that Dole's non-core real estate is worth $300 million, or $3.35 per share.[17] We note that over the past year, Dole has sold 230 acres in Hawaii for $1.8 million, recording a gain of $1 million. It also sold land in Honduras, Costa Rica, and Colombia for a total of $16.3 million, realizing a gain of $13.4 million.[18] These sales strongly suggest that Boyer is correct in believing that the company stands to realize considerable value as it moves to sell additional non-core real estate, which should be incorporated into any estimate of the company's value.

Not the Right Transaction for Dole Shareholders

Management-led buyouts are subject to increasing scrutiny by shareholders and the courts, which we believe is appropriate given management's asymmetric access to company information. For a management buyout to be appropriate it must, at the very least, provide superior value to reasonable expectations of future returns if the company remains in the hands of public investors. Given that Dole's low price prior to the announcement of the Murdock proposal was in part due to a series of missteps by management, the Murdock proposal clearly fails this test.

As independent directors charged with protecting the investments of public shareholders, we urge you and your fellow members of the Special Committee to reject the proposal, and to provide shareholders with a clearer explanation for the sudden reversals in corporate strategy and unanticipated changes in board composition over the past few months.

Sincerely,

Richard W. Clayton III

Richard W. Clayton III
Research Director, CtW Investment Group

[13] Google Finance, see Excel Spreadsheet Dole Transaction Analysis 6-20-13, tab DOLE hist prices.
[14] David Englander, "Wait for the Shares to Ripen" Barron's, June 29, 2013.
[15] Oksenhendler, op.cit., September 18, 2012.
[16] Oksenhendler, op.cit., January 4, 2013.
[17] David Englander, " A Sweet Opportunity" Barron's, January 26, 2013.
[18] Dole Food Co.,, Inc. 10K, filed with the SEC March 12, 2013, pg. 86-87.