

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

April 27, 2014

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

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DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet

(in thousands, except share and per share data)

	April 27, 2014
Assets	
Cash	\$ 18,626
Trade accounts receivable, net of allowance	102,247
Inventories, net	676,539
Prepaid expenses and other current assets	70,483
Total current assets	867,895
Property, plant and equipment, net	399,860
Goodwill	199,374
Intangible assets, net	527,756
Deferred financing fees	37,538
Other assets	53,819
Total assets	<u>\$ 2,086,242</u>
Liabilities and Stockholder's Equity	
Accounts payable and accrued expenses	\$ 215,024
Short-term borrowings	110,400
Current portion of long-term debt	8,875
Total current liabilities	334,299
Long-term debt, net of discount	955,133
Other non-current liabilities	144,226
Total liabilities	<u>1,433,658</u>
Stockholder's equity:	
Common stock (\$1.00 par value per share, shares authorized: 50,000; issued and outstanding: 1)	-
Additional paid in capital	705,000
Accumulated deficit	(50,527)
Accumulated other comprehensive loss	(1,889)
Total stockholder's equity	<u>652,584</u>
Total liabilities and stockholder's equity	<u>\$ 2,086,242</u>

See accompanying Notes to the Consolidated Financial Statements.

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Operations

(in thousands)

		For the period from November 11, 2013 (date of incorporation) to April 27, 2014
Net sales	\$	292,868
Cost of products sold		<u>278,439</u>
Gross profit		14,429
Selling, general and administrative expense		51,598
Transaction costs		<u>33,413</u>
Operating loss		(70,582)
Interest expense		12,008
Other (income) expense, net		<u>206</u>
Loss before income taxes		(82,796)
Income tax benefit		<u>(32,269)</u>
Net loss	\$	<u><u>(50,527)</u></u>

See accompanying Notes to the Consolidated Financial Statements.

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Loss

(in thousands)

		For the period from November 11, 2013 (date of incorporation) to April 27, 2014
Net loss	\$	(50,527)
Other comprehensive income (loss):		
Pension liability adjustment, (net of applicable tax of \$456)		743
Interest rate swaps loss, (net of applicable tax benefit of \$1,660)		(2,708)
Foreign currency translation adjustment		76
Total other comprehensive loss		(1,889)
Comprehensive loss	\$	(52,416)

See accompanying Notes to the Consolidated Financial Statements.

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Stockholder's Equity

(in thousands, except share data)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	Stockholder's Equity
Balance at November 11, 2013	-	\$ -	\$ -	\$ -	\$ -	\$ -
Capital contribution	1	-	705,000	-	-	705,000
Foreign currency translation adjustment	-	-	-	-	76	76
Interest rate swaps loss, net of tax	-	-	-	-	(2,708)	(2,708)
Pension liability adjustment, net of tax	-	-	-	-	743	743
Net loss	-	-	-	(50,527)	-	(50,527)
Balance at April 27, 2014	1	\$ -	\$ 705,000	\$ (50,527)	\$ (1,889)	\$ 652,584

See accompanying Notes to the Consolidated Financial Statements.

DEL MONTE FOODS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(in thousands)

		For the period from November 11, 2013 (date of incorporation) to April 27, 2014
Operating activities:		
Net loss	\$	(50,527)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		10,239
Deferred taxes		(32,269)
Loss on asset disposals		103
Long term debt discount amortization		158
Changes in operating assets and liabilities:		-
Trade accounts receivable, net		(5,309)
Inventories		109,847
Prepaid expenses and other current assets		(15,820)
Other assets, net		3,854
Accounts payable and accrued expenses		59,383
Other noncurrent liabilities		(12,265)
Affiliate receivable/payable		4,870
Net cash provided by operating activities		<u>72,264</u>
Investing activities:		
Capital expenditures		(9,640)
Purchase of Consumer Products Business		<u>(1,783,497)</u>
Net cash used in investing activities		<u>(1,793,137)</u>
Financing activities:		
Paid in Capital from Parent		705,000
Proceeds from short-term borrowings		194,175
Payments on short-term borrowings		(85,175)
Proceeds from long-term debt		963,850
Payments of debt related costs		<u>(38,630)</u>
Net cash provided by financing activities		<u>1,739,220</u>
Effect of exchange rate changes on cash and cash equivalents		279
Net change in cash and cash equivalents	\$	18,626
Cash at beginning of period		<u>-</u>
Cash at end of period		<u><u>18,626</u></u>

See accompanying Notes to the Consolidated Financial Statements.

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(1) Organization and Basis of Presentation

On October 9, 2013, Del Monte Pacific Limited, a corporation established under the laws of the British Virgin Islands (“DMPL”) and Del Monte Foods Consumer Products, Inc. (now known as Del Monte Foods, Inc.), a Delaware corporation and wholly-owned subsidiary of DMPL (the “Acquiror”) entered into a Purchase Agreement (the “Purchase Agreement”) with Del Monte Corporation (“DMC” or the “Seller”). Pursuant to the terms of the Purchase Agreement, the Acquiror purchased from the Seller the issued and outstanding interests of certain subsidiaries related to the Consumer Products Business (the “Business”) and all assets primarily related to the Business (other than certain specified excluded assets) (the “Transferred Assets”) for a purchase price of \$1,675,000, subject to a post-closing working capital adjustment. The Acquiror also assumed all liabilities of the Seller arising from or relating to the Transferred Assets of the Business irrespective of whether such liabilities arose prior to, on or following this closing of the transaction (other than certain specified excluded liabilities). The transaction closed on February 18, 2014 at which time the Acquiror paid an incremental preliminary working capital adjustment of approximately \$110,981, subject to a true-up in accordance with the terms of the Purchase Agreement.

Del Monte Foods Holdings Limited (“DMFHL”) was incorporated on November 11, 2013 in the British Virgin Islands. DMFHL is a wholly-owned subsidiary of DMPL Foods Limited, a wholly-owned subsidiary of DMPL. In January 2014, DMPL contributed all the shares of Del Monte Foods, Inc. (“DMFI”) to DMPL Foods Limited who then contributed the shares to DMFHL. As a result, DMFI is a direct, wholly-owned subsidiary of DMFHL. DMFI and DMFI’s subsidiaries accounted for 100% of the consolidated revenues and net earnings of DMFHL. As of April 27, 2014, DMFHL’s assets relate solely to its investment in DMFI. DMFHL had no subsidiaries other than DMFI and DMFI’s subsidiaries, and had no direct liabilities. DMFI was formed in October 2013 and began operations on February 18, 2014. As a result, the results of operations for the period from November 11, 2013 (date of incorporation) to April 27, 2014 contains only ten weeks of operating activity.

DMFHL is separately liable under various full and unconditional guarantees of indebtedness of DMFI, including under full and unconditional guarantees of DMFI’s Term Loan Credit Agreements and ABL Credit Agreement. DMFI and DMFI’s subsidiaries are subject to limitations on their ability to make loans, advances, dividends and distributions to DMFHL under the indentures governing DMFI’s Term Loan Credit Agreements and ABL Credit Agreement. For a description of DMFI’s senior credit facility and senior subordinated notes, see Note 6.

The Company operates on a 52 or 53-week fiscal year ending on the Sunday closest to April 30. The accompanying consolidated financial statements for November 11, 2013 (date of incorporation) to April 27, 2014 have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and include the accounts of Del Monte Foods Holdings Limited and its wholly owned subsidiaries (together, “Del Monte” or the “Company”). All intercompany accounts and transactions between the companies have been eliminated. Transactions and balances between the Company and DMPL are reflected as related party transactions within these consolidated financial statements.

The Company is one of the country’s largest producers, distributors and marketers of premium quality, branded food products for the U.S. retail market. The majority of its products are sold nationwide in all channels serving retail markets, mass merchandisers, the U.S. military, certain export markets, the foodservice industry and food processors.

The Company sells products under the *Del Monte*, *Contadina*, *College Inn*, *S&W* and other brand names, as well as private label products, to key customers. The Company is one of the largest marketers of

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(dollars in thousands)

processed fruit, vegetables and tomatoes in the United States, with the leading market share for branded products in both fruit and vegetable.

In order to support the continued and uninterrupted operation of the Business following the close date, a transition services agreement, dated as of February 18, 2014 was made by and between the Seller, DMFI, and DMPL. Beginning on the close date, the Seller provided transition services relating to warehousing, transportation, customer financial services, IT services/use of system and administration (accounting/finance). (See Note 11).

(2) Summary of Significant Accounting Policies

Trade Promotions: Accruals for trade promotions are recorded primarily at the time a product is sold to the customer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an off-invoice allowance at the time of sale or through an authorized process for deductions taken by a customer from amounts otherwise due to the Company. Deductions are offset against related trade promotion accruals. Evaluations of the trade promotion liability are performed monthly and adjustments are made where appropriate to reflect changes in the Company's estimates. Trade spending is recorded as a reduction to gross sales.

Goodwill and Intangible Assets with Indefinite Lives: The Company does not amortize goodwill and intangible assets with indefinite lives, but instead tests for impairment at least annually. Additional impairment tests may be performed between annual tests if circumstances indicate that a potential impairment exists. The Company plans to perform the annual impairment testing during its fourth fiscal quarter.

When conducting the annual impairment test for goodwill, the Company compares the estimated fair value of the reporting unit containing goodwill to its book value. The Company has one reporting unit. The estimated fair value is computed using two approaches: the income approach, which is the present value of expected cash flows, discounted at a risk-adjusted weighted average cost of capital; and the market approach, which is based on using market multiples of companies in similar lines of business. If the fair value of the reporting unit is determined to be more than its book value, no goodwill impairment is recognized.

If the fair value of the reporting unit is determined to be less than its book value, actual goodwill impairment, if any, is computed using a second step of the impairment test. The second step requires the fair value of the reporting unit to be allocated to all the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the fair value of assets less liabilities is the implied value of goodwill and is used to determine the amount of impairment.

For intangible assets with indefinite lives, estimated fair value is determined using the relief from royalty method, which is based upon the estimated rent or royalty that would be paid for the use of a brand name if the Company did not own it, discounted at a risk-adjusted weighted average cost of capital.

In estimating discounted future cash flows, management uses historical financial information as well as the Company's operating plans and projections, which include assumptions regarding sales trends and profitability, as well as macroeconomic factors. Considerable judgment is necessary in estimating future cash flows, market interest rates, discount rates, and other factors used in the valuation of goodwill and the relief from royalty method used to value intangible assets with indefinite lives. Different assumptions regarding future performance, discount rates or other factors could result in future impairment losses.

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Retirement Benefits: The Company sponsors a qualified defined benefit pension plan and several unfunded defined benefit postretirement plans providing certain medical, dental and life insurance benefits to eligible retired, salaried, nonunion hourly and union employees. Under the direction of the Company, third-party actuaries utilize statistical and other factors to anticipate future events in calculating an estimate of the expense and liabilities related to these plans. The actuarial reports are used by the Company in estimating the expenses and liabilities related to these plans. The factors utilized by the Company's actuaries include assumptions about the discount rate, expected return on plans assets, the health care cost trend rate, withdrawal and mortality rates and the rate of increase in compensation levels. These assumptions may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter mortality of participants. These differences may impact the amount of retirement benefit expense recorded by the Company in future periods. The funded status of the Company's pension and other postretirement plans is recorded as an asset or a liability, and all unrecognized gains or losses, net of tax, are recorded as a component of accumulated other comprehensive income (loss) ("AOCI") within stockholder's equity.

Cash and Cash Equivalents: Cash and cash equivalents consist primarily of highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are carried at cost which approximates market value. Cash balances may exceed federally insured limits from time to time.

Inventories: The cost of finished products inventories includes raw materials, direct labor, certain freight and warehousing costs and indirect production and overhead costs. The Company utilizes a standard cost system to account for inventory. Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis ("FIFO").

Property, Plant and Equipment and Depreciation: Property, plant and equipment are stated at cost and are depreciated over their estimated useful lives, using the straight-line method. Maintenance and repair costs are expensed as incurred. Significant expenditures that increase useful lives are capitalized. The principal estimated useful lives generally are: land improvements – 5 to 40 years; buildings and leasehold improvements – 10 to 50 years; machinery and equipment – 10 to 20 years; computers and software – 3 to 7 years.

Depreciation of plant and equipment and leasehold amortization was approximately \$7,903 from the date of incorporation to April 27, 2014.

The Company's capitalization of software development costs for internal use begins in the application development stage and ends when the asset is placed into service. The Company amortizes such costs using the straight-line method over estimated useful lives. The Company did not capitalize any software development costs from the date of incorporation to April 27, 2014.

Long-lived Assets: The Company reviews asset groups containing long-lived assets held and used (including intangible assets with finite lives) and assets held for sale for impairment whenever events or changes in circumstances indicate that the book value of an asset may not be recoverable. If an evaluation of recoverability were required, the estimated undiscounted future cash flows associated with the asset or asset group would be compared to the asset's book value to determine if a write-down would be required. If the undiscounted cash flows are less than the book value, an impairment loss is recorded to the extent that the book value exceeds the fair value. If management has committed to a plan to dispose of long-lived assets, the assets to be disposed of are reported at the lower of book value or fair value less estimated costs to sell.

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The Company's intangible assets with estimable lives generally have lives ranging between 10 to 20 years and are amortized on a straight-line basis.

Deferred Debt Issuance Costs: The Company capitalizes costs associated with the issuance of debt instruments and amortizes these costs as interest expense over the term of the debt agreements. Amortization expense for deferred debt issuance costs from the date of incorporation to April 27, 2014 was \$1,092.

Derivative Financial Instruments: The Company uses derivative financial instruments for the purpose of managing risks associated with interest rates. The Company does not trade or use instruments with the objective of earning financial gains on interest rate fluctuations alone, nor does it use instruments where there are not underlying exposures. All derivative instruments are recorded in the accompanying consolidated balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company designates the hedging instrument based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) ("OCI"). The ineffective portion of gains and losses on derivative instruments and gains and losses related to instruments not designated as cash flow hedges are recorded as a component of interest expense. Cash flows related to these derivative instruments are classified in the same category as the cash flows for the items being hedged.

As of April 27, 2014, the Company had term loans for \$970,000 with several financial institutions at variable interest rates. The Company had entered into interest rate swaps to hedge a portion of these term loans.

On March 18, 2014, the Company formally designated the interest rate swaps hedging variable rate debt as cash flow hedges. As such, effective March 18, 2014, the effective portion of the change in fair value of the derivative instrument is reported as a component of other comprehensive income (loss).

No hedge ineffectiveness for the interest rate swaps hedging variable rate debt was recognized in interest income or expense as there were no settlements from the date of incorporation to April 27, 2014. The Company does not expect to realize any of the amount recorded in OCI in the next twelve months as no transactions will be settled in fiscal 2015. (See Note 8)

Fair Value of Financial Instruments: The book value of the Company's floating rate debt instruments approximates fair value. The Company uses Level 2 inputs to estimate the fair value of such debt for disclosure purposes. See Note 7 for a discussion regarding the fair value hierarchy and the definition of Levels 1, 2 and 3 for the Company's financial instruments.

The fair values of the plan assets of the Company's defined benefit pension plan are disclosed in Note 9.

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(dollars in thousands)

Income Taxes: The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement book values of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. An uncertain tax position is recognized if it is determined that it is more likely than not to be sustained upon examination. The tax position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Foreign Currency Translation: Gains and losses from foreign currency transactions (transactions denominated in a currency other than the functional currency) are included in other (income) expense. Based upon the three-year cumulative inflation rate, the Company began treating Venezuela as a highly inflationary economy effective as of February 18, 2014, the date of the purchase transaction. Accordingly, the functional currency for the Company's Venezuelan subsidiary is the U.S. dollar.

Concentration of Credit Risk: A relatively limited number of customers account for a large percentage of the Company's total sales. One customer accounted for approximately 38% of list sales, which approximates gross sales, from date of incorporation to April 27, 2014. The customer accounted for approximately 20% of trade accounts receivable as of April 27, 2014. The Company's top ten customers accounted for approximately 75% of list sales. The Company closely monitors the credit risk associated with its customers.

Revenue Recognition: The Company recognizes revenue from sales of products, and related costs of products sold, where persuasive evidence of an arrangement exists, delivery has occurred, the seller's price is fixed or determinable and collectability is reasonably assured. This generally occurs when the customer receives the product or at the time title passes to the customer. Customers generally do not have the right to return product unless damaged or defective. Net sales is comprised of gross sales reduced by customer returns, consumer promotion costs relating to coupon redemption, trade promotions, performance allowances, customer pick-up allowances and discounts.

Coupon Redemption: The Company accrues coupon redemption costs in the period in which the coupons are offered based on estimates of redemption rates that are developed by management. Management's estimates are based on recommendations from independent coupon redemption clearing-houses as well as historical information. Should actual redemption rates vary from amounts estimated, adjustments to liabilities may be required. Coupon redemption costs are recorded as a reduction to gross sales.

Cost of Products Sold: Cost of products sold represents expenses incurred that are directly connected with bringing the products to a salable condition. These costs include raw materials, packaging, direct labor, certain transportation and warehousing costs, as well as overhead expenses.

Research and Development: Research and development costs are expensed as incurred and totaled \$2,378 from incorporation to April 27, 2014. These costs are included as a component of selling, general, and administrative expense in the accompanying consolidated statement of operations.

Comprehensive Income (Loss): Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss) (OCI). OCI is comprised of pension and other postretirement employee

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benefit adjustments, net of tax; net unrealized gains or losses on cash flow hedging instruments, net of tax and foreign currency translation adjustments.

Environmental Remediation Liabilities: The Company accrues for losses associated with environmental remediation obligations when such losses are probable and the amounts of such losses are reasonably estimable. Accruals for estimated losses for environmental remediation obligations are recognized no later than the completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change.

Asset Retirement Obligations: Certain of the Company's production facilities may contain asbestos that would have to be removed if such facilities were to be demolished or undergo a major renovation and certain of the Company's production facilities utilize wastewater ponds that would require closure activities should the ponds' use be discontinued. The Company cannot reasonably estimate the fair value of the liability for asbestos removal or wastewater pond closure at its production facilities, and because the timing of the settlement of any such liability is not currently determinable, has not recorded an asset retirement obligation for these matters.

Retained Insurance Liability: The Company accrues for retained-insurance risks associated with the deductible portion of any potential liabilities that might arise out of claims of employees, customers or other third parties for personal injury or property damage occurring in the course of the Company's operations. A third-party actuary is engaged to assist the Company in estimating the ultimate cost of certain retained insurance risks (primarily worker's compensation). Additionally, the Company's estimate of retained-insurance liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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(dollars in thousands)

(3) Supplemental Financial Statement Information

	April 27, 2014 (in thousands)
Trade accounts receivable, net of allowance:	
Trade	\$ 102,441
Allowance for doubtful accounts	(194)
Total	<u>\$ 102,247</u>
Inventories, net:	
Finished products	\$ 563,131
Raw materials and in-process materials	27,145
Packaging materials and other	86,263
Total	<u>\$ 676,539</u>
Prepaid expenses and other current assets:	
Prepaid parts and supplies	\$ 20,654
Other prepaid expense	21,797
Plant receivables	6,516
Other receivables	15,379
Deferred tax asset, net	6,137
Total	<u>\$ 70,483</u>
Property, plant and equipment, net:	
Land and land improvements	\$ 39,420
Buildings and leasehold improvements	147,773
Machinery and equipment	202,369
Computers and software	3,208
Construction in progress	15,091
	407,861
Accumulated depreciation	(8,001)
Total	<u>\$ 399,860</u>
Other assets	
Deferred tax assets, net	\$ 35,053
Other assets	18,766
Total	<u>53,819</u>
Accounts payable and accrued expenses:	
Accounts payable-trade	\$ 85,931
Marketing, advertising and trade promotion	28,135
Accrued benefits, payroll and related costs	30,719
Other current liabilities	70,239
Total	<u>\$ 215,024</u>
Other non-current liabilities:	
Accrued postretirement benefits	\$ 84,055
Pension liability	6,190
Other non-current liabilities	53,981
Total	<u>\$ 144,226</u>
Accumulated other comprehensive loss:	
Foreign currency translation adjustments	\$ 76
Pension and other postretirement benefits adjustments, net of tax	743
Loss on cash flow hedging instruments, net of tax	(2,708)
Total accumulated other comprehensive loss	<u>\$ (1,889)</u>

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(4) Acquisition

On October 9, 2013, DMPL and Del Monte Foods Consumer Products, Inc., a subsidiary of DMPL entered into a Purchase Agreement with the Seller. Pursuant to the terms of the Purchase Agreement, the Acquiror purchased from the Seller the issued and outstanding interests of certain subsidiaries related to the Consumer Products Business and all assets primarily related to the Business (other than certain specified excluded assets) for a purchase price of \$1,675,000, subject to a post-closing working capital adjustment. The Acquiror also assumed all liabilities of the Seller arising from or relating to the Transferred Assets of the Business irrespective of whether such liabilities arose prior to, on or following this closing of the transaction (other than certain specified excluded liabilities). The transaction closed on February 18, 2014.

The transaction was accounted for as a business acquisition under the purchase method of accounting. The net purchase price was determined as follows:

Cash	\$	1,675,000
Working capital		<u>110,981</u>
Purchase consideration	\$	<u><u>1,785,981</u></u>

The following table summarizes the allocation of the purchase price to the fair values of assets acquired and liabilities assumed at the date of the transaction:

Cash	\$	2,484
Trade accounts receivable		96,938
Inventories		786,386
Other current assets		48,771
Property, plant and equipment		396,422
Other non-current assets		30,010
Intangible assets		529,000
Goodwill		<u>199,374</u>
Total assets acquired		<u>2,089,385</u>
Accounts payable and accrued liabilities		148,899
Long-term pension and OPEB		103,577
Other long-term liabilities		<u>50,928</u>
Fair value of total liabilities		<u>303,404</u>
Fair value of net assets acquired, including intangible assets	\$	<u><u>1,785,981</u></u>

Of the \$529,000 of acquired intangible assets, \$111,000 was assigned to customer relationships and \$418,000 was assigned to trademarks and trade names. Customer relationships and amortizable trademarks will be amortized over 10-20 years. Goodwill is deductible for tax purposes.

The Company is in the process of finalizing the purchase price allocation of the acquisition. This may result in additional adjustments to the final purchase price allocation.

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(dollars in thousands)

(5) Goodwill and Intangible Assets

The following table presents the Company's goodwill and intangible assets:

	<u>April 27, 2014</u>
Goodwill	\$ <u>199,374</u>
Non-amortizable intangible assets:	
Trademarks	\$ <u>394,000</u>
Amortizable intangible assets:	
Trademarks	24,000
Customer relationships	<u>111,000</u>
	135,000
Accumulated amortization	<u>(1,244)</u>
Amortizable intangible assets, net	<u>133,756</u>
Total intangible assets, net	\$ <u>527,756</u>

Amortization expense from the date of incorporation to April 27, 2014 was \$1,244.

The following table presents expected amortization of intangible assets as of April 27, 2014, for each of the five succeeding fiscal years and thereafter:

2015	\$ 6,850
2016	6,850
2017	6,850
2018	6,850
2019	6,850
Thereafter	99,506

As of April 27, 2014, the weighted average life of the Company's amortizable intangible assets was 19.9 years.

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(6) Short-Term Borrowings and Long-Term Debt

Debt in the accompanying consolidated balance sheet consists of the following, as of the date indicated:

	April 27, 2014
Short-term borrowings:	
Foreign	\$ 1,400
Domestic	109,000
Total short-term borrowings	<u>\$ 110,400</u>
Long-term debt:	
First Lien Term Loan	\$ 710,000
Second Lien Term Loan	260,000
	970,000
Less unamortized discount	5,992
Less current portion	8,875
Total long-term debt	<u>\$ 955,133</u>

Secured Term Loan Credit Agreements

The Company is a party to a First Lien term loan credit agreement and a Second Lien term loan credit agreement (the "Term Loan Credit Agreements") with the lenders party thereto, Citibank, N.A., as administrative agent and collateral agent, and the other agents named therein, that provided for a \$710,000 First Lien Term Loan and a \$260,000 Second Lien Term Loan with terms of seven years and seven years plus six months, respectively.

Interest Rates. Loans under the First and Second Lien Term Loans bear interest at a rate equal to an applicable margin, plus, at the Company's option, either (i) a LIBOR rate (with a floor of 1.00%) or (ii) a base rate (with a floor of 2.00%) equal to the highest of (a) the federal funds rate plus 0.50%, (b) CitiBank, N.A.'s "prime commercial rate" and (c) the one-month LIBOR Quoted Rate plus 1.00%. As of April 27, 2014, the interest rate for First Lien Term Loans is 4.25% and the interest rate for Second Tier Term Loans is 8.25%.

Principal Payments. The First Lien Term Loan generally requires quarterly scheduled principal payments of 0.25% of the outstanding principal per quarter from April 30, 2014 to January 31, 2021. The balance is due in full on the maturity date of February 18, 2021. Scheduled principal payments with respect to the First Lien Term Loan are subject to reduction following any mandatory or voluntary prepayments on terms and conditions set forth in the First Lien Term Loan Credit Agreement.

The Second Lien Term Loan is due in full at its maturity date of August 18, 2021.

The Term Loan Credit Agreements also require the Company to prepay outstanding loans under the First Lien Term Loan and the Second Lien Term Loan, subject to certain exceptions, with, among other things:

- 50% (which percentage will be reduced to 25% if the leverage ratio is 4.0x or less and to 0% if the leverage ratio is 3.0x or less) of the annual excess cash flow, as defined in the First Lien Term Loan Credit Agreement;

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- 100% of the net cash proceeds of certain casualty events and nonordinary course asset sales or other dispositions of property for a purchase price above \$2 million, in each case, subject to the Company's right to reinvest the proceeds; and
- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the First Lien Term Loan Credit Agreement.

Ability to Incur Additional Indebtedness. The Company has the right to request an additional \$100,000 plus an additional amount of secured indebtedness under the First Lien Term Loan and the Second Lien Term Loan. Lenders under this facility are under no obligation to provide any such additional loans, and any such borrowings will be subject to customary conditions precedent, including satisfaction of a prescribed leverage ratio, subject to the identification of willing lenders and other customary conditions precedent.

ABL Credit Agreement

The Company is a party to a credit agreement (the "ABL Credit Agreement") with Citibank, N.A., as administrative agent, and the other lenders and agents parties thereto, that provides for senior secured financing of up to \$350,000 (with all related loan documents, and as amended from time to time, the ABL Facility) with a term of five years. On August 18, 2014, the Company amended the ABL Facility, which now provides for senior secured financing of up to \$400,000.

Interest Rates. Borrowings under the ABL Credit Agreement bear interest at an initial interest rate equal to an applicable margin, plus, at the Company's option, either (i) a LIBOR rate, or (ii) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Citibank, N.A.'s "prime commercial rate" and (c) the one-month LIBOR rate plus 1.00%. The applicable margin with respect to LIBOR borrowings is currently 2.0% (and may increase to 2.25% depending on average excess availability) and with respect to base rate borrowings is currently 1.00% (and may increase to 1.25% depending on average excess availability).

Commitment Fees. In addition to paying interest on outstanding principal under the ABL Credit Agreement, the Company is required to pay a commitment fee that was initially 0.375% per annum in respect of the unutilized commitments thereunder. The commitment fee rate from time to time is 0.375% or 0.25% depending on the amount of unused commitments under the ABL Credit Agreement for the prior fiscal quarter. The Company must also pay customary letter of credit fees and fronting fees for each letter of credit issued.

Availability under the ABL Credit Agreement. Availability under the ABL Credit Agreement is subject to a borrowing base. The borrowing base, determined at the time of calculation, is an amount equal to: (a) 85% of eligible accounts receivable and (b) the lesser of (1) 75% of the net book value of eligible inventory and (2) 85% of the net orderly liquidation value of eligible inventory, of the Company at such time, less customary reserves. The ABL Credit Agreement will mature, and the commitments thereunder will terminate, on February 18, 2019. As of April 27, 2014, there were \$109,000 of loans outstanding under the ABL Credit Agreement, the amount of letters of credit issued under the ABL Credit Agreement was \$3,500 and the Company's net availability under the ABL Credit Agreement was \$232,953. The interest rate on the ABL Credit Agreement was approximately 2.16% on April 27, 2014.

The ABL Credit Agreement includes a sub-limit for letters of credit and for borrowings on same-day notice, referred to as "swingline loans."

Ability to Incur Additional Indebtedness. The commitments under the ABL Facility may be increased, subject only to the consent of the new or existing lenders providing such increases, such that the aggregate

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principal amount of commitments does not exceed \$450,000 . The lenders under this facility are under no obligation to provide any such additional commitments, and any increase in commitments will be subject to customary conditions precedent. Notwithstanding any such increase in the facility size, the Company's ability to borrow under the facility will remain limited at all times by the borrowing base (to the extent the borrowing base is less than the commitments).

Guarantee of Obligations under the Term Loan Credit Agreements and the ABL Credit Agreement

All obligations of the Company under the *Term Loan Credit Agreements and the ABL Credit Agreement* are unconditionally guaranteed by DMFHL and by substantially all existing and future, direct and indirect, wholly owned material restricted domestic subsidiaries of the Company, subject to certain exceptions.

Security Interests

Indebtedness under the First Lien Term Loan is generally secured by (i) a first priority pledge of all of the equity interests of the Company, (ii) a second priority lien on all ABL Priority Collateral of the Company and (iii) a first priority lien on substantially all other properties and assets of the Company. The Second Lien Term Loan is generally secured by (i) a second priority pledge of all of the equity interests of the Company, (ii) a third priority lien on all ABL Priority Collateral of the Company and (iii) a second priority lien on substantially all other properties and assets of the Company. The ABL Credit Agreement is generally secured by a first priority lien on the Company's inventories and accounts receivable and by a third priority lien on substantially all other assets.

Maturities

As of April 27, 2014, the mandatory payments of long-term debt representing debt under the Term Loans are as follows ¹:

2015	\$	8,875
2016		7,100
2017		7,100
2018		5,325
2019		7,100
Thereafter		934,500

¹ Does not reflect any excess cash flow or other principal prepayments beyond fiscal 2014 that may be required under the terms of the Term Loan Credit Agreements, as described above.

Restrictive and Financial Covenants

The Term Loan Credit Agreements and the ABL Credit Agreement contain restrictive covenants that limit the Company's ability and the ability of its subsidiaries to take certain actions.

Term Loan Credit Agreement and ABL Credit Agreement Restrictive Covenants. The restrictive covenants in the Term Loan Credit Agreement and the ABL Credit Agreement include covenants limiting the Company's ability, and the ability of the Company's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase the Company's capital stock, make investments, loans or advances, prepay

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certain indebtedness, engage in certain transactions with affiliates, amend agreements governing certain subordinated indebtedness adverse to the lenders, and change the Company's lines of business.

Financial Maintenance Covenants. The Term Loan Credit Agreements and ABL Credit Agreement generally do not require that the Company comply with financial maintenance covenants. The ABL Credit Agreement, however, contains a financial covenant that applies if availability under the ABL Credit Agreement (\$232,953 at April 27, 2014) falls below a certain level (\$35,000 at April 27, 2014). As of April 27, 2014, the financial covenant was not applicable.

Effect of Restrictive and Financial Covenants. The restrictive and financial covenants in the Term Loan Credit Agreements and the ABL Credit Agreement may adversely affect the Company's ability to finance its future operations or capital needs or engage in other business activities that may be in its interest, such as acquisitions.

Supplemental Disclosure of Cash Flow Information

The Company's cash interest payments were \$619 from incorporation to April 27, 2014.

(7) Fair Value Measurements

A three-tier fair value hierarchy is utilized to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

- Level 1 Inputs – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs – quoted prices for similar assets and liabilities in active markets, quoted market prices for identical assets or liabilities in inactive markets, or inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and
- Level 3 Inputs – unobservable inputs reflecting the Company's own assumptions in measuring the asset or liability at fair value.

The Company uses interest rate swaps to hedge market risks relating to possible adverse changes in interest rates. The Company's determination of the fair value of its interest rate swaps was measured as Level 2 inputs and calculated using a discounted cash flow analysis based on the terms of the swap contracts and the observable interest rate curve and is disclosed in Note 8.

The fair values of the retirement plan investments are disclosed in Note 9.

The fair values of the Company's long-term debt are measured as Level 2 inputs. As of April 27, 2014, the fair value of the First Lien Term Loan was \$703,823 and the fair value of the Second Lien Term Loan was \$255,788.

The carrying amounts of the following items, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments: cash and cash equivalents, trade accounts receivable, other assets (nonderivatives), trade accounts payable, intercompany payable and receivable, and accrued expenses (nonderivatives).

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(8) Derivative Financial Instruments

The Company uses interest rate swaps to hedge market risks relating to possible adverse changes in interest rates. As of April 27, 2014, the Company designated each of its derivative contracts as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge").

The Company's debt consists primarily of floating rate term loans. Interest expense on the floating rate debt is typically calculated based on a fixed spread over a reference rate, such as LIBOR (also known as the Eurodollar rate). Therefore, fluctuations in market interest rates will cause interest expense increases or decreases on a given amount of floating rate debt.

As of April 27, 2014, the following cash flow hedge swaps were outstanding for the Company:

Contract date	Notional amount (in millions)	Fixed LIBOR rate	Effective date	Maturity date
March 19, 2014	\$ 99,000	2.020%	February 18, 2016	February 18, 2017
March 19, 2014	113,000	2.439%	February 18, 2016	February 18, 2018
March 19, 2014	130,000	2.793%	February 18, 2016	February 18, 2019
March 19, 2014	284,000	3.304%	February 18, 2016	February 18, 2021

The fair value of derivative instruments recorded in the accompanying consolidated balance sheet as of April 27, 2014 was as follows:

Derivatives designated as hedging relationships	Balance sheet classification	Fair value
Interest rate contracts	Other non-current liabilities	\$ 4,368

(9) Retirement Benefits***Defined Benefit Plans***

The Company sponsors a qualified defined benefit pension plan and several unfunded defined benefit post-retirement plans providing certain medical, dental, and life insurance benefits to eligible retired, salaried, nonunion hourly and union employees.

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The details of these plans related to the Company and recognized in the consolidated financial statements are as follows:

	<u>Pension benefits</u>	<u>Other benefits</u>
	<u>November 11, 2013</u>	<u>November 11, 2013</u>
	<u>(date of incorporation</u>	<u>(date of incorporation</u>
	<u>to April 27, 2014)</u>	<u>to April 27, 2014)</u>
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 341,421	\$ 93,706
Service cost	1,287	165
Interest cost	3,110	932
Actuarial (gain) loss	4,900	(5,832)
Benefits paid	(2,763)	(465)
Benefit obligation at end of period	<u>\$ 347,955</u>	<u>\$ 88,506</u>
Accumulated benefit obligation	<u>\$ 337,873</u>	
Change in plan assets:		
Fair value of plan assets at beginning of period	\$ 356,163	\$ -
Actual gain (loss) on plan assets	5,228	-
Employer contributions	-	465
Benefits paid	(2,763)	(465)
Fair value of plan assets at end of period	<u>\$ 358,628</u>	<u>\$ -</u>
Funded status at end of period	<u>\$ 10,673</u>	<u>\$ (88,506)</u>
Amounts recognized in the Consolidated Balance Sheet consists of:		
Other non-current assets	\$ 10,673	\$ -
Accounts payable and accrued expenses	-	(4,451)
Other non-current liabilities	-	(84,055)
Total	<u>\$ 10,673</u>	<u>\$ (88,506)</u>
Amounts recognized in accumulated other comprehensive income/(loss) consist of:		
Actuarial net gain (loss)	\$ (4,611)	\$ 5,832
Total	<u>\$ (4,611)</u>	<u>\$ 5,832</u>

The components of net periodic pension costs for the qualified defined benefit pension plan and other benefit plans related to the Company for the periods indicated are as follows:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
	<u>November 11, 2013</u>	<u>November 11, 2013</u>
	<u>(date of incorporation</u>	<u>(date of incorporation</u>
	<u>to April 27, 2014)</u>	<u>to April 27, 2014)</u>
Components of net periodic benefit cost:		
Service cost for benefits earned during the period	\$ 1,287	\$ 165
Interest cost on projected benefit obligation	3,110	932
Expected return on plan assets	(4,939)	-
Net periodic benefit cost	<u>\$ (542)</u>	<u>\$ 1,097</u>

Since the defined benefit plans and other benefits liabilities are measured on a discounted basis, the discount rate is a significant assumption. The discount rate was determined based on an analysis of interest rates for high-quality, long-term corporate debt at each measurement date. In order to appropriately match

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the bond maturities with expected future cash payments, the Company utilized differing bond portfolios to estimate the discount rates for the defined benefits pension plans and for the postretirement benefits. The discount rate used to determine the defined benefit plans and for the postretirement benefits projected benefit obligation as of the balance sheet date is the rate in effect at the measurement date. The same rate is also used to determine the defined benefit pension plans and postretirement benefits for the following fiscal year. The long-term rate of return for defined benefits pension plans' assets is based on the Company's historical experience; the defined benefits pension plans' investment guidelines and the Company's expectations for long-term rates of return. The defined benefits pension plans' investment guidelines are established based upon an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

The following table states the weighted-average assumptions used to determine the projected benefit obligation:

	<u>Pension benefits</u>	<u>Other benefits</u>
	<u>April 27, 2014</u>	
Discount rate	4.60%	4.75%
Rate of increase in compensation levels	3.75%	NA

The following table states the weighted-average assumptions used to determine the net periodic benefit cost:

	<u>Pension benefits</u>	<u>Other benefits</u>
	<u>April 27, 2014</u>	
Discount rate	4.45%	5.00%
Rate of increase in compensation levels	3.75%	NA
Long-term rate of return on plan assets	7.00%	NA

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits was assumed as indicated below:

<u>Plan</u>	<u>November 11, 2013 (date of incorporation to April 27, 2014)</u>
Preferred provider organization and associated indemnity plans	7.80%
Health maintenance organization plans	8.30%
Dental and vision plans	5.00%

The rate of increase is assumed to decline gradually to 4.0% for the preferred provider organization and associated indemnity plans as well as for the health maintenance organization plans.

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The health care cost trend rate assumption has a significant effect on the amounts reported. The following table presents the impact of a 1% increase or decrease of the health care cost trend rate on the Company's postretirement benefit obligation and the aggregate of the service and interest cost components of net periodic pension benefit cost as of April 27, 2014 and for the period then ended, respectively:

	<u>1% Increase</u>	<u>1% Decrease</u>
Projected benefit obligation at April 27, 2014 increase (decrease)	\$ 10,359	\$ (8,560)
Aggregate of service and interest rate cost components of net periodic benefit cost for fiscal 2014 increase (decrease)	149	(122)

No amounts will be amortized from AOCI into net periodic benefit cost over the next fiscal year for both the qualified defined benefit pension plan and other benefit plans.

The Company made no contributions to its defined benefit pension plan from incorporation to April 27, 2014. The Company currently meets and plans to continue to meet the minimum funding levels required under the Pension Protection Act of 2006 (the "Act"). The Act imposes certain consequences on the Company's defined benefit plan if it does not meet the minimum funding levels. The Company has made contributions in excess of its required minimum amounts for the period ending April 27, 2014. Due to uncertainties of future funding levels as well as plan financial returns, the Company cannot predict whether it will continue to achieve specified plan funding thresholds. The Company currently expects to make contributions of approximately \$8,000 to \$10,000 in fiscal 2015.

The projected future benefit payments for the Company are as follows:

	<u>Pension benefits</u>	<u>Other benefits</u>
2015	\$ 35,494	\$ 4,451
2016	34,305	4,847
2017	33,450	5,146
2018	32,172	5,388
2019	30,816	5,575
Years 2020-2024	136,562	29,085

The weighted-average asset allocation of Company's the pension plan assets and weighted-average target allocation as of the measurement date from date of incorporation to April 27, 2014 are as follows:

	<u>April 27, 2014</u>	<u>Target Allocation Range</u>
Equity securities	45%	31-51%
Debt securities	50%	42-64%
Other	5%	2-9%
Total	<u>100%</u>	

Plan assets

The Company has adopted the fair value provisions (as described in Note 7) for the plan assets of its defined benefit pension plan. The Company categorizes plan assets within a three level fair value hierarchy.

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The following is a description of the valuation methodologies used for assets measured at fair value:

Investments stated at fair value as determined by quoted market prices (Level 1) include:

Interest bearing cash: valued based on cost, which approximates fair value;

Mutual funds: valued at quoted market prices on the last business day of the fiscal year;

Corporate stock: valued at the last reported sales price on the last business day of the fiscal year; and

Government securities: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year.

Investments stated at estimated fair value using significant observable inputs (Level 2) include:

Common collective trust funds: valued based on the net asset value of the fund and is redeemable daily;

Corporate debt securities: valued based on yields currently available on comparable securities of issuers with similar credit ratings;

Government securities: securities traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the fiscal year are valued at the average of the last reported bid and ask price; and

Limited partnership interests: valued based on the net asset value of the fund and is redeemable monthly.

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The following table sets forth by level within the fair value hierarchy, the Company's plan assets at fair value as of April 27, 2014 (in thousands):

	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Plan investments in Master Trust:				
Interest bearing cash	\$ 2,000	-	-	2,000
Common collective trust funds:				
Interest bearing cash	-	2,939	-	2,939
Fixed income	-	13,471	-	13,471
Equity fund	-	114,738	-	114,738
Mutual funds:				
Equity fund	17,234	-	-	17,234
Corporate debt securities	-	46,914	-	46,914
Corporate stock	48,533	481	-	49,014
Fixed income securities	-	9,030	-	9,030
Government securities	42,618	3,001	-	45,619
Limited partnership interests	-	441	-	441
Other	-	16,774	-	16,774
Total Investments	\$ 110,385	\$ 207,789	\$ -	\$ 318,174

There were no transfers of plan assets between Level 1 and Level 2 or into or out of Level 3 from incorporation to April 27, 2014.

In accordance with the Purchase Agreement, an initial transfer representing the fair value of plan assets related to the Consumer Products Business was completed in connection with the closing date of February 18, 2014. A true-up adjustment is due within 270 days after the transaction closing date. The total fair value of plan assets in the table above excludes the estimated residual fair value of plan assets to be transferred, and is reconciled to plan assets reflected in the consolidated balance sheet as follows:

Investments at fair value as of April 27, 2014	\$ 318,174
Add: Residual fair value of plan assets to be transferred	40,454
Net investments at fair value	<u>\$ 358,628</u>

The Company's investment objectives are to ensure that the assets of its qualified defined benefit plan are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plan's benefit obligations as they become due. The Company believes that a well-diversified investment portfolio, including both equity and fixed income components, will result in the highest attainable investment return with an acceptable level of overall risk. The Company's investment policies and procedures are designed to ensure that the plan's investments are in compliance with ERISA.

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Defined Contribution Plans

The Company participates in two defined contribution plans. Company contributions to these defined contribution plans are based on employee contributions and compensation. The Company contribution under these plans from incorporation to April 27, 2014 was \$245.

Multi-Employer Plans

The Company participates in several multi-employer pension plans, which provide defined benefits to certain union employees. The Company made no contributions to the multi-employer plans from the date of incorporation to April 27, 2014.

The risks of participating in the multi-employer pension plans are as follows:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be borne by the remaining participating employers; and
- If the Company stops participating in some of its multi-employer pension plans, the Company may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The following table presents the mostly recently available information regarding the multi-employer plan that is significant to the Company

Pension Fund Name	EIN/ Pension Plan Number	Pension Protection Act Zone Status ¹ 2013	FIP/RP Status Pending/ Implemented ²	Contributions of the Seller for the 12 months ended December 31, 2013	Surcharge Imposed ³	Expiration Date of Collective Bargaining Agreement
Western Conference of Teamsters Pension Plan ⁴	91-6145047	as of 1/1/14 91.50% GREEN	N/A	\$ 1.9	No	6/30/2015

¹ The Pension Protection Act of 2006 ranks the funded status of multiemployer pension plans depending upon a plan's current and projected funding. A plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The zone status is based on the plan's year end, not the Company's year-end. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary.

² Funding Improvement Plan or Rehabilitation Plan as defined in the Employment Retirement Security Act of 1974 has been implemented or is pending.

³ Whether the Company paid a surcharge to the Plan in the most current year due to funding shortfalls and the amount of the surcharge.

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- ⁴ The Company was not listed in the Plans' Forms 5500 as providing more than 5% of the total contributions for the plan year ending December 31, 2012, the most recent year available.

Other Plans

The Company has various other nonqualified retirement plans and supplemental retirement plans for executives, designed to provide benefits in excess of those otherwise permitted under the Company's qualified retirement plans. These plans are unfunded and comply with IRS rules for nonqualified plans.

(10) Income Taxes

The provision for income taxes consists of the following:

	November 11, 2013 (date of incorporation) to April 27, 2014
Income (loss) before income taxes:	
Domestic	\$ (84,115)
Foreign	1,319
	<u>\$ (82,796)</u>
Income tax benefit:	
Deferred:	
U.S federal	\$ (29,411)
State and foreign	(2,858)
Total deferred	<u>(32,269)</u>
Benefit for income taxes	<u>\$ (32,269)</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

	April 27, 2014
Deferred tax assets:	
Pension liability	6,943
Net operating loss and tax credit carry forwards	42,620
Fair value derivatives	1,660
Other	4,541
Gross deferred tax assets	<u>55,764</u>
Valuation allowance	<u>(2,028)</u>
Net deferred tax assets	<u>53,736</u>
Deferred tax liabilities:	
Depreciation and amortization	8,949
Intangible assets	4,393
Post employment benefits	\$ 1,976
Gross deferred tax liabilities	<u>15,318</u>
Net deferred tax asset	<u>\$ 38,418</u>

At April 27, 2014, the Company has a valuation allowance of \$2,028 against foreign net operating loss carryforwards which the Company does not believe are more likely than not to be realized. There was no

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net change in the valuation allowance from incorporation to April 27, 2014. In evaluating the Company's ability to realize its deferred tax assets, the Company considers all available positive and negative evidence and recognizes a benefit for those deferred tax assets that it believes will more likely than not be realized in the future.

The differences between the expected income tax benefit and the actual income tax benefit computed at the statutory U.S. federal income tax rate is explained as follows:

	November 11, 2013 (date of incorporation) to April 27, 2014
Expected income tax benefit computed at the statutory U.S. federal income tax rate	\$ (28,978)
State taxes, net of federal impact	(2,739)
Other	(552)
Actual benefit for income taxes	<u>\$ (32,269)</u>

As of April 27, 2014, the Company has a federal net operating loss carryforwards of \$103,746, which expire in fiscal 2034, state net operating loss carryforwards of \$61,586, which expire between fiscal 2019 and fiscal 2034, and foreign net operating loss carryforwards of \$4,716, which expire in fiscal 2015 and fiscal 2018.

The Company has not recorded any withholding taxes on cumulative undistributed earnings of foreign subsidiaries. It is not practical to assess the tax amount on the cumulative undistributed earnings because the computation would depend on a number of factors that are not known until a decision to repatriate the earnings is made. The Company intends to reinvest such earnings indefinitely.

As of April 27, 2014, the Company does not have any gross unrecognized tax benefits and has not accrued any interest or penalties. The Company's practice is to recognize interest on uncertain tax positions in income tax expense and penalties in selling, general and administrative expense.

The Company files income tax returns in the U.S. and in many foreign and state jurisdictions. The Company's primary open tax year is for period from incorporation to April 27, 2014 with various significant taxing jurisdictions including the United States and Mexico. This open period contains matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses as determined by the various taxing jurisdictions.

Supplemental Disclosure of Cash Flow Information

The Company made no cash payments for income taxes during the period from November 11, 2013 (date of incorporation) to April 27, 2014.

(11) Related Party Transactions

The Company is party to a transition service agreement as discussed in Note 1. Total related expenses from incorporation to April 27, 2014 were \$6,877 and are recorded in selling, general and administrative expense in the accompanying statement of operations.

The Company has an agreement to source the majority of its pineapple requirements from a subsidiary of DMPL. Purchases under this agreement were approximately \$5,865 from incorporation to April 27, 2014.

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Under the terms of the agreement which terminates in November 2014, the Company is guaranteed a minimum profit margin on items purchased under the contract.

In connection with the purchase of the Business, the Company paid approximately \$33,413 in transaction costs primarily as a reimbursement to DMPL or directly on DMPL's behalf. The Company also accrued approximately \$42 in management fees payable to DMPL from incorporation to April 27, 2014.

As of April 27, 2014, the Company had a payable to DMPL and subsidiaries of \$14,111 and a receivable from a subsidiary of DMPL of \$5,759.

(12) Commitments and Contingencies

As part of its ongoing operations, the Company enters into arrangements that obligate it to make future payments to various parties. Some of these contractual and other cash obligations are not reflected on the Consolidated Balance Sheet due to their nature. Such obligations include operating leases and other purchase commitments.

Lease Commitments

The Company leases certain property, equipment and office and warehouse facilities. At April 27, 2014, the aggregate minimum rental payments required under non-cancelable operating leases were as follows:

2015	\$	38,354
2016		34,499
2017		25,442
2018		19,277
2019		11,353
Thereafter		23,411

Rent expense related to operating leases for the period from November 11, 2013 (date of incorporation) to April 27, 2014 was comprised of the following:

Minimum rentals	\$	6,139
Contingent rentals		991
	\$	<u>7,130</u>

Grower Commitments

The Company has entered into non-cancelable agreements with growers, with terms generally ranging from one year to ten years, to purchase certain quantities of raw products, including fruit, vegetables and tomatoes. Total purchases under these agreements were \$1,895 from incorporation to April 27, 2014.

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At April 27, 2014, aggregate purchase commitments under non-cancelable agreements with growers (priced at April 27, 2014 estimated costs) are estimated as follows:

2015	\$ 158,058
2016	56,825
2017	54,650
2018	50,437
2019	23,504
Thereafter	77,033

Other Purchase Commitments

Co-pack, Packaging and Service Commitments. The Company has entered into non-cancelable agreements with co-packers, packaging suppliers and other service providers with commitments generally ranging from one year to five years. In addition, the Company has commitments under purchase orders with co-packers. As discussed in Note 1, the Company is a party to a transition services agreement which runs through February 17, 2015. Pricing under a metal can supplier agreement is adjusted up to twice a year to reflect changes in metal costs and annually to reflect changes in the costs of manufacturing. Total purchases under these agreements and purchase orders for the period from November 11, 2013 (date of incorporation) to April 27, 2014 were \$70,972.

At April 27, 2014, aggregate purchase commitments under non-cancelable agreements with co-packers, packaging suppliers and other service providers are estimated as follows:

2015	\$ 211,196
2016	675

Ingredients and other. The Company has purchase commitments with vendors for various ingredients and other items. Total commitments under these agreements with payments due in fiscal 2015 were approximately \$18,351 and with payments due in fiscal 2016 were approximately \$13,600.

Union Contracts

As of April 27, 2014, the Company has nine collective bargaining agreements related to the Company with eight union locals covering approximately 75% of the hourly full-time and seasonal employees of the Company. Of these employees, approximately 26% are covered under collective bargaining agreements scheduled to expire in fiscal 2015 and approximately 68% are covered under collective bargaining agreements scheduled to expire in fiscal 2016. These agreements are subject to negotiation and renewal.

Legal Proceedings

Matters Assumed in Connection with the Acquisition of the Consumer Products Business

As described in Note 1 and Note 4, the Company acquired the Consumer Products Business from Seller in February 2014. In connection with the acquisition of the Consumer Products Business, the Company assumed the legal matters described below from the Seller.

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Wage and Hours Class Action

On April 19, 2013, Plaintiff (Montgomery) filed a complaint on behalf of himself and all other similarly situated employees in California in the Superior Court of California, Alameda County, alleging, *inter alia*, failure to provide meal and rest periods and pay wages properly in violation of various California wage & hour statutes. The Court granted the parties' Application to Transfer the matter to Kings County Superior Court on June 14, 2013.

On January 31, 2014, Plaintiff (Gamez) filed a complaint on behalf of herself and all other similarly situated former and current employees in the Superior Court of California, San Francisco County, alleging, *inter alia*, failure to provide meal and rest periods and pay wages properly in violation of various California wage & hour statutes, and the California Business and Professions Code.

The parties have reached a tentative settlement to resolve the Montgomery and Gamez cases, which is subject to Court approval. The Company has accrued an estimated amount to resolve this matter.

Kosta Misbranding Class Action

On April 5, 2012, Plaintiff (Kosta) filed a complaint against Seller in the U.S. District Court for the Northern District of California alleging false and misleading advertising under California's consumer protection laws. Plaintiff alleges that Seller made a variety of false and misleading labeling and advertising claims including, but not limited to lycopene and antioxidant claims for tomato products and claims that Seller misled consumers with respect to its refrigerated fruit products. The complaint seeks certification as a class action. The Company cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

Fresh Del Monte v. Seller

On December 19, 2013, Fresh Del Monte ("FDP") filed a complaint against Seller in the U.S. District Court for the Southern District of New York for breach of a 1989 License Agreement ("License"). FDP asserts that Seller committed a breach by denying FDP's requests for additional rights under the License. DMFI denies these claims and counterclaimed for breach of contract, trademark infringement, and unfair competition on March 31, 2014. Among other things, DMFI asserts that FDP committed a breach and trademark infringement by marketing under the Del Monte trademark processed avocado and guacamole products that are misleadingly labeled as fresh. Both parties seek declaratory, monetary, and injunctive relief from the other. Discovery is proceeding in the cases, and no trial date has been set. The Company cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

Fresh Del Monte Injunction

An injunction was issued against Seller in an earlier case. A dispute has arisen over the scope and meaning of that injunction and DMFI moved as a non-party to clarify or modify the injunction. The briefing has been completed. Oral argument has been requested but not yet scheduled. The Company cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

California Proposition 65 Claims

On September 8, 2011, Plaintiff (Environmental Law Foundation) filed a complaint alleging violations of Proposition 65 against Seller and other defendants in Alameda County Superior Court. Specifically, the complaint alleges that Seller and other defendants violated Proposition 65 by distributing certain fruit

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products without providing warnings required by Proposition 65. Plaintiff seeks injunctive relief and damages in an unspecified amount and attorneys' fees.

The trial court found that the Defendants proved their case under the Proposition 65 safe harbor defense and therefore do not have to provide Proposition 65 warning labels on the applicable food products. Plaintiff filed a Notice of Appeal on September 24, 2013. The Company cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

Del Monte International v. DMFI

On August 13, 2013, Del Monte International ("DMI") sued Seller in U.S. District Court for the Central District of California, Western Division based on the July 29, 2013 ruling by the World Intellectual Property Organization (WIPO) granting Seller's objection to DMI's attempt to register the <.delmonte> gTLD. In its July 29 decision, WIPO granted Seller's objection. In its declaratory relief action DMI asked the court to (i) declare that DMI has bona fide rights in the DEL MONTE trademark, (ii) that it is not in violation of the Anti-cybersquatting Consumer Protection Act by seeking to register the <.delmonte> gTLD, (iii) that the registration of the gTLD <.delmonte> will not create an impermissible likelihood of confusion and (iv) an order compelling Del Monte to withdraw its Legal Rights Objection to DMI's application to register the <.delmonte> gTLD.

Seller filed a Motion to Dismiss on October 15, 2013. The Court granted Seller's Motion to Dismiss on February 5, 2014. DMI filed a Motion to Reconsider the Court's order to dismiss the case on March 4, 2014. DMFI filed an Opposition to DMI's motion on April 16, 2014. The Court denied DMI's Motion to Reconsider on June 2, 2014. On June 4, 2014 DMI filed a Notice of Appeal in the Ninth Circuit. DMI must file its opening appeal brief by November 17, 2014. DMFI's answer must be filed by December 17, 2014. The Company cannot at this time reasonably estimate a range of exposure, if any, of the potential liability.

Other Matters

Dispute with Big Heart Pet Brands

On February 18, 2014, DMFI consummated the acquisition of the consumer products business of Big Heart Pet Brands ("BHPB") (formerly Del Monte Corporation). The purchase price to be paid by DMFI at closing was adjusted upward in the amount of \$110,981 (the "Closing Adjustment Amount") based on the difference between the target working capital agreed by the parties in the Purchase Agreement and BHPB's good faith estimate of working capital on the day immediately preceding the closing date. Based on BHPB's calculation of closing working capital, BHPB seeks an additional upward adjustment to the purchase price in the amount of \$16,342, together with interest accrued from the closing date through the date of payment.

On June 18, 2014, DMFI served its Notice of Disagreement asserting that BHPB's statement setting forth its calculation of closing working capital is in breach of several provisions of the Purchase Agreement and that BHPB is not entitled to any adjustment of the purchase price on account of working capital, including the \$16,342 it now seeks, and the Closing Adjustment Amount must be returned.

DMFI has now asked that the dispute be submitted to an independent certified public accounting firm mutually acceptable to BHPB and DMFI for resolution pursuant to the Purchase Agreement.

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Other

The Company is the subject of, or a party to, other various suits and pending or threatened litigation. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of these legal proceedings will have a material adverse effect on its financial position.

(13) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through August 25, 2014, the date at which the consolidated financial statements were available to be issued.

System Implementation

The Company plans to migrate multiple legacy systems and users to a common SAP enterprise resource planning system. SAP is expected to enable the Company to integrate and manage its business and reporting processes more efficiently. In connection with this planned implementation, the Company has entered or plans to enter into various agreements for license fees, hardware purchases and third-party services to assist in the implementation. Total capital costs for this project are expected to be in excess of \$50,000 for fiscal 2015. In connection with this implementation, the Company plans to outsource certain IT and accounting/finance functions under a seven-year service agreement.