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### ITEM 3 - LEGAL PROCEEDINGS

In April 2003, CBII's management and audit committee, in consultation with the board of directors, voluntarily disclosed to the U.S. Department of Justice that its banana producing subsidiary in Colombia, which was sold in June 2004, had been forced to make "protection" payments to certain groups in that country which have been designated under United States law as foreign terrorist organizations. CBII's sole reason for allowing its subsidiary to submit to these payment demands had been to protect its employees from the risks to their safety if the payments were not made. The voluntary disclosure to the Justice Department was made because management became aware that these groups had been designated as foreign terrorist organizations under a U.S. statute that makes it a crime to support such an organization. Chiquita requested the Justice Department's guidance. Following the voluntary disclosure, the Department undertook an investigation. Chiquita has cooperated with that investigation. In late March 2004, the Department of Justice advised that, as part of its criminal investigation, it will be evaluating the role and conduct of CBII and some of its officers in the matter. CBII intends to continue its cooperation with this investigation, but Chiquita cannot predict its outcome or any possible adverse effect on it, which could include the imposition of fines.

In early September 2004, the Company voluntarily disclosed to the SEC and the Department of Justice that in 2003 its Greek subsidiary made a payment of approximately €14,700 that may not comply with the U.S. Foreign Corrupt Practices Act. The payment, which was made in connection with the settlement of a local tax audit, was made in contravention of Company policies. These agencies have requested certain additional information and the Company has complied with that request and will cooperate with any further inquiry or investigation. While the Company has taken corrective and disciplinary action, it cannot predict the outcome of this matter, including whether these agencies would seek to impose fines and/or view this matter as involving a violation of the 2001 order discussed in the next sentence. Under a settlement reached with the SEC in 2001, the Company paid a \$100,000 fine and consented to a finding that, as a result of similar payments by its former Colombian subsidiary in 1996-97, the Company had violated the books and records and internal controls provisions of the Securities Exchange Act of 1934 ("Exchange Act"). The Company also consented to an order that it cease and desist from committing or causing any future violations of these provisions.

In October 2004, a lawsuit was filed in Superior Court of California, Los Angeles County against two manufacturers of an agricultural chemical called DBCP, as well as three banana producing companies, including the Company, that used DBCP. The plaintiffs claim to have been workers on banana farms in Costa Rica owned or managed by the defendant banana companies and allege sterility and other injuries as a result of exposure to DBCP. The suit does not identify how many of the approximately 2,600 named plaintiffs purport to have claims against the Company, as opposed to other banana company defendants. Nor have the plaintiffs' alleged damages yet been quantified. Although the Company has little information with which to evaluate this lawsuit, it believes it has meritorious defenses, including the fact that the Company used DBCP commercially only from 1973 to 1977 while it was registered for use by the U.S. Environmental Protection Agency. The EPA did not revoke DBCP's registration for use until 1979.

In 1998, the Company settled, for \$4.7 million, virtually all of the then pending DBCP cases against it, which had been brought in U.S. and foreign courts on behalf of approximately 4,000 claimants in Panama, the Philippines and Costa Rica. (A purported DBCP class action in Hawaii state court that had identified 11 claimants against the three banana producing companies and alleged an indeterminate number of other claimants was not settled and remains pending). At that time, the Company believed that these settlements covered the great preponderance of workers who could have had claims against the Company arising in these three countries. To the Company's knowledge, the Company did not use DBCP in other countries.