

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-565

ALEXANDER & BALDWIN, INC.

(Exact name of registrant as specified in its charter)

Hawaii

99-0032630

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

P. O. Box 3440, Honolulu, Hawaii  
822 Bishop Street, Honolulu, Hawaii

96801

96813

(Address of principal executive offices) (Zip Code)

(808) 525-6611

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former  
fiscal year, if changed since last report)

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

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

Number of shares of common stock outstanding as of  
September 30, 2004: 42,662,182

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed financial statements and notes for the third quarter and first  
nine months of 2004 are presented below, with comparative figures from the 2003  
financial statements. These financial statements are unaudited.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Income  
(In millions, except per-share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenue:				
Operating revenue	\$ 384.2	\$ 316.3	\$ 1,105.0	\$ 903.5
Costs and Expenses:				
Costs of goods sold, services and rentals	310.1	253.4	872.2	729.6
Selling, general and administrative	31.3	26.6	93.3	86.5
Interest	3.1	3.1	9.5	8.1
Total costs and expenses	344.5	283.1	975.0	824.2
Income Before Taxes	39.7	33.2	130.0	79.3

Income taxes	15.1	11.7	49.4	28.6
	-----	-----	-----	-----
Income From Continuing Operations	24.6	21.5	80.6	50.7
Discontinued Operations (net of income taxes):				
Properties	0.2	0.2	1.4	11.8
	-----	-----	-----	-----
Net Income	\$ 24.8	\$ 21.7	\$ 82.0	\$ 62.5
	=====	=====	=====	=====
Basic Earnings Per Share:				
Continuing operations	\$ 0.58	\$ 0.52	\$ 1.90	\$ 1.22
Discontinued operations	--	--	0.03	0.29
	-----	-----	-----	-----
Net income	\$ 0.58	\$ 0.52	\$ 1.93	\$ 1.51
	=====	=====	=====	=====
Diluted Earnings Per Share:				
Continuing operations	\$ 0.58	\$ 0.52	\$ 1.88	\$ 1.22
Discontinued operations	--	--	0.03	0.28
	-----	-----	-----	-----
Net income	\$ 0.58	\$ 0.52	\$ 1.91	\$ 1.50
	=====	=====	=====	=====
Dividends Per Share	\$ 0.225	\$ 0.225	\$ 0.675	\$ 0.675
Average Number of Shares Outstanding	42.5	41.6	42.5	41.5

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Industry Segment Data, Net Income  
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004 ----	2003 ----	2004 ----	2003 ----
Revenue:				
Transportation:				
Ocean transportation	\$ 215.0	\$ 191.6	\$ 619.6	\$ 577.0
Logistics services	99.5	60.8	267.1	169.2
Property Development and Management:				
Leasing	20.9	20.3	62.1	60.0
Sales	11.6	10.4	80.0	53.5
Less amounts reported in discontinued operations	(0.4)	(0.4)	(2.3)	(39.8)
Food Products	38.3	33.6	80.6	83.6
Inter-segment Revenue	(0.7)	--	(2.1)	--
	-----	-----	-----	-----
Total revenue	\$ 384.2	\$ 316.3	\$ 1,105.0	\$ 903.5
	=====	=====	=====	=====
Operating Profit, Net Income:				
Transportation:				
Ocean transportation	\$ 33.0	\$ 25.1	\$ 83.0	\$ 60.4
Logistics services	2.2	1.4	5.8	3.3
Property Development and Management:				
Leasing	10.1	9.1	28.8	27.2
Sales	2.5	2.6	34.9	21.1
Less amounts reported in discontinued operations	(0.3)	(0.3)	(2.2)	(19.0)
Food Products	0.6	0.4	3.5	4.6
	-----	-----	-----	-----
Total operating profit	48.1	38.3	153.8	97.6
Interest Expense	(3.1)	(3.1)	(9.5)	(8.1)
General Corporate Expenses	(5.3)	(2.0)	(14.3)	(10.2)
	-----	-----	-----	-----
Income From Continuing Operations Before Income Taxes	39.7	33.2	130.0	79.3
Income Taxes	(15.1)	(11.7)	(49.4)	(28.6)
	-----	-----	-----	-----
Income From Continuing Operations	24.6	21.5	80.6	50.7
Discontinued Operations (net of income taxes):				
Properties	0.2	0.2	1.4	11.8
	-----	-----	-----	-----
Net Income	\$ 24.8	\$ 21.7	\$ 82.0	\$ 62.5
	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets  
(In millions)

	September 30, 2004 ----	December 31, 2003 ----
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 35	\$ 6
Accounts and notes receivable, net	180	160
Inventories	19	16
Real estate held for sale	21	30
Deferred income taxes	13	15
Prepaid expenses and other assets	20	20
Total current assets	288	247
Investments	100	68
Real Estate Developments	74	77
Property, at cost	2,000	1,888
Less accumulated depreciation and amortization	850	809
Property - net	1,150	1,079
Capital Construction Fund	25	165
Other Assets	123	124
Total	\$ 1,760	\$ 1,760
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$ 39	\$ 15
Accounts payable	97	95
Other	103	73
Total current liabilities	239	183
Long-term Liabilities:		
Long-term debt	230	330
Deferred income taxes	334	356
Post-retirement benefit obligations	45	44
Other	36	36
Total long-term liabilities	645	766
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	35	35
Additional capital	127	112
Accumulated other comprehensive loss and Deferred compensation	(9)	(8)
Retained earnings	734	684
Cost of treasury stock	(11)	(12)
Total shareholders' equity	876	811
Total	\$ 1,760	\$ 1,760

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(In millions)

	Nine Months Ended September 30,	
	2004	2003
	-----	-----
Cash Flows from Operating Activities	\$ 124	\$ 115
	-----	-----
Cash Flows from Investing Activities:		
Capital expenditures	(135)	(130)
Proceeds from disposal of property and other assets	21	6
Capital Construction Fund, net	140	38
Deposit in escrow for property purchase	--	(77)
Investments, net	(22)	(4)
	-----	-----
Net cash from (used in) investing activities	4	(167)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	56	226
Payments of long-term debt	(134)	(133)
Proceeds from issuances of capital stock, net	8	11
Dividends paid	(29)	(28)
	-----	-----
Net cash from (used in) financing activities	(99)	76
	-----	-----
Net Increase in Cash and Cash Equivalents	\$ 29	\$ 24
	=====	=====
Other Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ (11)	\$ (8)
Income taxes paid, net of refunds	(49)	(23)
Other Non-cash Information:		
Depreciation expense	(59)	(52)
Tax-deferred property sales	1	34
Tax-deferred property purchases	--	(30)
Debt assumed in real estate acquisition	--	15
Assets conveyed to joint venture	5	28

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

- (1) The Condensed Consolidated Financial Statements are unaudited. Because of the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year. In the opinion of management, all material adjustments necessary for the fair presentation of interim period results have been included in the interim financial statements.
- (2) The 2004 estimated effective income tax rate is substantially the same as the statutory rate. The 2003 estimated effective income tax rate differs from the statutory rate due primarily to tax credits and life insurance.
- (3) Commitments and Contingencies: Commitments, excluding operating lease commitments, that were in effect at September 30, 2004, included the following (in millions):

Guarantee of Hokua debt	(a)	\$	18
Guarantee of HS&TC debt	(b)	\$	15
Standby letters of credit	(c)	\$	18
Bonds	(d)	\$	13
Benefit plan withdrawal obligations	(e)	\$	64

These amounts are not recorded on the Company's balance sheet and, based on the Company's current knowledge and with the exception of item (a), it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments.

- (a) At September 30, 2004, A&B Properties, Inc. ("Properties") had guaranteed \$2.5 million of the \$12 million component of a \$130 million construction loan agreement that was entered into by Hokua Development Group LLC ("Hokua"), a limited liability company in which the Company is an investor. The \$12 million component was used by Hokua to acquire the land that is being developed. This guarantee terminates upon the initial funding of the balance of the construction loan. This funding is expected to begin in early 2005. Properties would be called upon to honor this guarantee in the event that the construction loan is not funded.
- Properties also has a limited guarantee equal to the lesser of \$15 million or 15.5 percent of the outstanding balance of the construction loan that could be triggered if the purchasers of condominium apartments become entitled to rescind their purchase obligations. This could occur if Hokua breaches covenants contained in its sales contracts or violates the Interstate Land Sales Practices Act, the Hawaii Condominium Act, the Securities Act of 1933 or the Securities Exchange Act of 1934.
- (b) The Company guarantees up to \$15 million of a \$30 million revolving credit line of Hawaiian Sugar & Transportation Cooperative ("HS&TC," a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar and of which the Company is a member). That credit line is used primarily to fund purchases of raw sugar from the Hawaii growers and is fully secured by the inventory, receivables and transportation assets of the cooperative. The amount that may be drawn by HS&TC under the facility is limited to 95 percent of its inventory value plus the lesser of 90 percent or \$16 million of HS&TC's receivables. The Company's guarantee is limited to the lesser of \$15 million or the actual amounts drawn. Although the amount drawn by HS&TC on its credit line varies, as of September 30, 2004, the amount drawn was \$22 million. The Company has not recorded a liability for its obligation under the guarantee because it believes that the likelihood of making any payment is not probable.
- (c) The Company has arranged for standby letters of credit totaling \$18 million. Letters of credit include approximately \$12 million that enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of \$3 million for workers' compensation claims incurred by employees of C&H Sugar Company, Inc. ("C&H," an unconsolidated entity in which the Company has a minority ownership equity interest), under a now-closed self-insurance plan, prior to December 24, 1998. The Company only would be called upon to honor this letter of credit in the event of C&H's insolvency. The agreement with C&H to provide this letter of credit expired on December 24, 2003. C&H has advised the Company that it is unable to provide a replacement security deposit. Until C&H meets this contractual

obligation, the Company will not be released from this letter of credit. The remaining letters of credit, totaling \$3 million, are for routine operating matters.

- (d) Of the \$13 million in bonds, \$6 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required either by the state or by county governments to ensure that certain infrastructure work, as part of real-estate development, is completed. The Company has the financial ability and intention to complete these improvements. Also included in the total are \$5 million of customs bonds.
- (e) The withdrawal liabilities for multi-employer pension plans, in which Matson is a participant, aggregated approximately \$64 million as of the most recent valuation dates. Management has no present intention of withdrawing from and does not anticipate the termination of any of the aforementioned plans.

Contingencies: As reported in Items 7 and 8 of the Company's 2003 Form 10-K, the State of Hawaii Department of Health ("DOH") has issued a notice of violation of state and federal air pollution control regulations and a \$2 million proposed penalty, following the Company's self reporting of this matter and taking corrective action to comply with the regulations. The Company has contested this matter, but there has been no change in the status since 2003 year-end. The Company believes that the resolution of this matter will not have a material effect on its financial statements and that appropriate accruals for this matter have been recorded.

As described in the Company's 2003 Form 10-K, a petition was filed in January 2004, by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar-growing operations. The Company objected to the petition.

The Company has also been working to make improvements to the water systems of the petitioner's four clients so as to improve the flow of water to their taro patches. The interim agreement that was entered into during the first quarter of 2004 between the parties to allow the improvements to be completed, expired without renewal by the petitioners. The Company is continuing to pursue its objections and has, again, requested an administrative hearing on the petition. The effect of this claim on the Company's sugar-growing operations cannot currently be estimated.

The Company and certain subsidiaries are parties to various legal actions and are contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which, in the opinion of management after consultation with legal counsel, will not have a material adverse effect on the Company's financial position or results of operations.

- (4) Accounting Method for Stock-Based Compensation and Diluted Earnings per Share: As allowed by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost is recognized in the Company's net income for options granted with exercise prices that are equal to the market values of the underlying common stock on the dates of grant.

Pro forma information regarding net income and earnings per share, using the fair value method and reported below, has been estimated using a Black-Scholes option-pricing model. This model was developed for use in estimating the fair value of traded options which do not have vesting requirements and which are fully transferable. The Company's options have characteristics significantly different from those of traded options. Had compensation cost for the stock options been based on the estimated fair values at grant dates, the Company's pro forma net income and net income per share for the three and nine months ended September 30, 2004 and 2003 would have been as follows (in millions, except per share amounts):

	Quarter Ended September 30, -----		Nine Months Ended September 30, -----	
	2004	2003	2004	2003
	----	----	----	----
Net Income:				
As reported	\$ 24.8	\$ 21.7	\$ 82.0	\$ 62.5
Stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(0.4)	(0.3)	(1.0)	(0.9)

Pro forma	\$ 24.4	\$ 21.4	\$ 81.0	\$ 61.6
	=====	=====	=====	=====
Net Income Per-share:				
Basic, as reported	\$ 0.58	\$ 0.52	\$ 1.93	\$ 1.51
Basic, pro forma	\$ 0.57	\$ 0.51	\$ 1.91	\$ 1.48
Diluted, as reported	\$ 0.58	\$ 0.52	\$ 1.91	\$ 1.50
Diluted, pro forma	\$ 0.57	\$ 0.51	\$ 1.89	\$ 1.48
Effect on average shares outstanding of assumed exercise of stock options (in millions of shares):				
Average number of shares outstanding	42.5	41.6	42.5	41.5
Effect of assumed exercise of outstanding stock options	0.5	0.3	0.5	0.2
	-----	-----	-----	-----
Average number of shares outstanding after assumed exercise of outstanding stock options	43.0	41.9	43.0	41.7
	=====	=====	=====	=====

The pro forma effects are not necessarily representative of the pro forma effects on future net income or earnings per share, because the number of future shares that may be issued is not known; shares vest over several years, and assumptions used to determine the fair value can vary significantly. Total shares considered antidilutive and that were not included in the computation of diluted earnings per share were 312,000 and 866,000 at September 30, 2004 and 2003. Additional information about stock-based compensation is included in Notes 1 and 12 of Item 8 in the Company's most recently filed Form 10-K.

- (5) Accounting for and Classification of Discontinued Operations: As required by Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the sales of certain income-producing assets are classified as discontinued operations if (i) the operations and cash flows of the assets can be clearly distinguished from the remaining assets of the Company, (ii) the cash flows that are specific to the assets sold have been, or will be, eliminated from the ongoing operations of the Company, (iii) the Company will not have a significant continuing involvement in the operations of the assets sold, and (iv) the amount is considered material. Certain assets that are "held for sale," based on the likelihood and intention of selling the property within 12 months, are also treated as discontinued operations. Depreciation on these assets is discontinued upon reclassification. Sales of land, residential houses, and office condominium units are generally considered inventory and are not included in discontinued operations.

Discontinued operations were as follows (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	----	----	----	----
Discontinued Operations (net of tax)				
Sales of Assets	--	--	\$ 1.0	\$ 10.5
Leasing Operations	\$ 0.2	\$ 0.2	0.4	1.3
	-----	-----	-----	-----
Total	\$ 0.2	\$ 0.2	\$ 1.4	\$ 11.8
	=====	=====	=====	=====

- (6) Other Comprehensive Income for the three and nine months ended September 30, 2004 and 2003 was as follows, (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	----	----	----	----
Net Income	\$ 24.8	\$ 21.7	\$ 82.0	\$ 62.5
Other Comprehensive Income (Loss):				
Change in valuation of derivative	(0.6)	3.5	0.9	--
Company's share of investee's minimum pension liability adjustment	--	--	--	(7.2)
	-----	-----	-----	-----
Comprehensive Income	\$ 24.2	\$ 25.2	\$ 82.9	\$ 55.3
	=====	=====	=====	=====

The change in valuation of derivative amount reflects the funding of Matson's two vessel purchases and the settlement of the interest rate lock agreements.

C&H reported a \$20.1 million minimum pension liability adjustment at the end of 2002. The Company recorded its share of that adjustment during the first quarter of 2003.

(7)

Pension and Post-retirement Plans: The Company has defined benefit pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans. The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates for 2004 are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The components of Net Periodic Benefit Cost for the third quarters of 2004 and 2003 were as follows (in millions):

	Pension Benefits		Post-retirement Benefits	
	2004	2003	2004	2003
Service Cost	\$ 1.7	\$ 1.6	\$ 0.2	\$ 0.2
Interest Cost	4.0	4.8	0.8	0.7
Expected Return on Plan Assets	(5.7)	(5.5)	--	--
Amortization of Prior Service Cost	0.1	1.1	--	--
Amortization of Net (Gain) Loss	0.5	1.6	0.1	0.1
Net Periodic Benefit Cost	\$ 0.6	\$ 3.6	\$ 1.1	\$ 1.0

The components of Net Periodic Benefit Cost for the first nine months of 2004 and 2003 were as follows (in millions):

	Pension Benefits		Post-retirement Benefits	
	2004	2003	2004	2003
Service Cost	\$ 4.7	\$ 4.8	\$ 0.5	\$ 0.5
Interest Cost	11.9	14.4	2.2	2.2
Expected Return on Plan Assets	(17.1)	(16.5)	--	--
Amortization of Prior Service Cost	0.4	3.2	--	--
Amortization of Net (Gain) Loss	1.5	4.9	0.4	0.3
Net Periodic Benefit Cost	\$ 1.4	\$ 10.8	\$ 3.1	\$ 3.0

During the third quarter of 2004, the Company contributed approximately \$5 million to its pension plan. Total year 2004 pension expense is expected to be approximately \$2 million.

(8)

Subsequent Events: On October 1, 2004, the Company renewed its multi-bank revolving credit agreement. The agreement was extended for three years and the amount available under the line was increased from \$185 million to \$200 million. At September 30, 2004, the Company had no amounts drawn on this facility.

On October 1, 2004, Properties repaid a \$15 million term loan that had been assumed in connection with a 2003 real estate purchase. The loan had a maturity date of January 2005, but could be repaid without penalty as early as October 1, 2004. The \$15 million balance was classified as a current liability at September 30, 2004.

On October 19, 2004, the Company renewed and extended for one year its uncommitted overnight credit facility. The amount of the facility was also increased from \$70 million to \$78.5 million.

On October 19, 2004, two community-based organizations filed a Citizen Complaint and a Petition for a Declaratory Order with the Commission on Water Resource Management of the State of Hawaii ("Water Commission") against Hawaiian Commercial & Sugar Company and an unrelated company, to order the companies to leave all water of four streams on the west side of the Island of Maui that is not being put to "actual, reasonable and beneficial use" in the streams of origin. The complainants had earlier filed, on June 25, 2004, with the Water Commission a petition to increase the interim in-stream flow standards for those streams. The Company objects to the petitions. If the Company is not permitted to divert stream water for its use to the extent that is currently diverting, it may have an adverse effect on the Company's sugar

operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the condensed consolidated financial statements and related notes thereto.

FORWARD-LOOKING STATEMENTS

The Company, from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission ("SEC") filings, such as the Forms 10-K, 10-Q and 8-K, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. These forward-looking statements are not guarantees of future performance, and involve a number of risks and uncertainties that could cause actual results to differ materially from those projected in the statements, including, but not limited to the following factors:

- 1) economic conditions in Hawaii and elsewhere;
- 2) market demand;
- 3) competitive factors, such as the entrance of a new competitor in the Hawaii shipping trade, and pricing pressures, principally in the Company's transportation businesses;
- 4) renewal or replacement of significant agreements including, but not limited to, lease agreements and Matson's alliance and charter agreement with American President Lines, Ltd.;
- 5) significant fluctuations in fuel prices
- 6) legislative and regulatory environments at the federal, state and local levels, including, among others, government rate regulations, land use regulations, government administration of the U.S. sugar program, and modifications to or retention of cabotage laws;
- 7) availability of water for irrigation and to support real estate development;
- 8) performance of unconsolidated affiliates and ventures;
- 9) significant fluctuations in raw sugar prices and the ability to sell raw sugar to C&H Sugar Company, Inc. ("C&H");
- 10) vendor and labor relations in Hawaii, the U.S. Pacific Coast, Guam and other locations where the Company has operations;
- 11) risks associated with construction and development activities, including, among others, construction costs, construction defects, labor issues, ability to secure insurance, and land use regulations;
- 12) performance of pension assets;
- 13) acts of nature, including but not limited to, drought, greater than normal rainfall, hurricanes and typhoons;
- 14) resolution of tax issues with the IRS or state tax authorities;
- 15) acts of war and terrorism;
- 16) risks associated with current or future litigation; and
- 17) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

CONSOLIDATED REVENUE & NET INCOME

-----			
Quarter Ended September 30,			
-----			
(dollars in millions)	2004	2003	Change
-----			
Revenue	\$ 384.2	\$ 316.3	21%
Net income	\$ 24.8	\$ 21.7	14%

Consolidated revenue of \$384.2 million for the third quarter of 2004 increased \$67.9 million, or 21 percent, compared with the third quarter of 2003. This increase was due principally to \$38.7 million growth in Matson Integrated Logistics revenue, \$23.4 million higher revenue for ocean transportation revenue, \$4.7 million higher revenue in food products, and \$1.2 million higher revenue from real estate sales. The reasons for the revenue growth are described below in Analysis of Operating Revenue and Profit.

Costs of goods sold, services and rentals of \$310.1 million for the third quarter of 2004 increased \$56.7 million, or 22 percent, compared with the third quarter of 2003 due to higher purchased transportation services of approximately \$35.8 million at the Matson Integrated Logistics business, higher cargo handling costs at Matson associated with higher container volume and higher vessel costs at Matson associated with an additional vessel during much of the 2004 third quarter in the Long Beach to Hawaii trade due to a Southern California longshore





Revenue and operating profit growth for the third quarter and first nine months of 2004 for the integrated logistics services business was mainly the result of increased customer volume in all business lines (domestic, international and highway). The increase in highway volume was, in large part, due to an acquisition in late 2003. This acquisition is discussed in Items 7 and 8 of the Company's 2003 Form 10-K.

The revenue for integrated logistics services includes the total amount billed to customers for transportation services. The primary costs include purchased transportation services. As a result, the operating profit margins for this business are narrower than other A&B businesses. The primary operating profit and investment risk for this business is the quality of receivables, which is monitored closely.

Property Development and Management - Leasing

Quarter Ended September 30,			
(dollars in millions)	2004	2003	Change
Revenue	\$ 20.9	\$ 20.3	3%
Operating profit	\$ 10.1	\$ 9.1	11%
Occupancy Rates:			
Mainland	95%	96%	-1%
Hawaii	90%	90%	--

Property leasing revenue for the third quarter of 2004 was three percent higher than the amounts reported for the third quarter of 2003. The slightly lower occupancies for the mainland commercial leasing portfolio were due to a vacancy of one large warehouse space. Higher operating profit was mainly due to a large 2003 repair expense for a Hawaii property, new properties that were acquired in late 2003, and higher rents and royalties.

Nine Months Ended September 30,			
(dollars in millions)	2004	2003	Change
Revenue	\$ 62.1	\$ 60.0	4%
Operating profit	\$ 28.8	\$ 27.2	6%
Occupancy Rates:			
Mainland	94%	93%	1%
Hawaii	90%	90%	--

Property leasing revenue and operating profit growth for the first nine months of 2004 was the result of higher occupancies for the mainland commercial leasing portfolio, higher contributions from replacement properties, the previously noted 2003 repair expenditure, and higher rents and royalties.

Property Development and Management - Sales

Quarter Ended September 30,			
(dollars in millions)	2004	2003	Change
Revenue	\$ 11.6	\$ 10.4	12%
Operating profit	\$ 2.5	\$ 2.6	-4%

Sales during the third quarter of 2004 included principally seven office condominium units for \$7.6 million and three Maui and Oahu commercial properties for \$2.8 million.

By comparison, sales during the third quarter of 2003 were comprised principally of the sales of 15 residential properties for \$5.6 million and six Oahu properties for \$3 million.

In addition to property sales, operating profit also included the Company's share of earnings in real estate joint ventures.

Nine Months September 30,			
(dollars in millions)	2004	2003	Change

Revenue	\$ 80.0	\$ 53.5	50%
Operating profit	\$ 34.9	\$ 21.1	65%

Sales during the first nine months of 2004 included 33 Maui and Oahu commercial properties for \$24 million, three residential development parcels for \$13.8 million, 15 1/2 office condominium floors for \$17.4 million and 28 residential properties for \$23.2 million.

By comparison, sales during the first nine months of 2003 included a shopping center in Nevada for \$23.5 million, 16 commercial properties for \$18.3 million, and 23 residential properties for \$9.2 million.

The mix of property sales in any year or quarter can be diverse. Sales can include developed residential real estate, commercial properties, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawaii generally provides a greater contribution to earnings than does the sale of developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land. Consequently, property sales revenue trends, cash flows from the sales of real estate and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability trends for this segment. Additionally, the operating profit reported in each quarter does not necessarily follow a percentage of sales trend because the cost basis of property sold can differ significantly between transactions. The reporting of property sales is also affected by the classification of certain property sales as discontinued operations.

#### Property Development and Management - Discontinued Operations

(dollars in millions, before tax)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Sales revenue	--	--	\$ 1.1	\$ 36.9
Leasing revenue	\$ 0.4	\$ 0.4	\$ 1.2	\$ 2.9
Sales operating profit	--	--	\$ 1.5	\$ 17.0
Leasing operating profit	\$ 0.3	\$ 0.3	\$ 0.7	\$ 2.0

There were no sales of property during the third quarter of 2004 or 2003 that resulted in discontinued operations. Leasing revenue and operating profit for the two quarters included one commercial property in California that the Company intends to sell.

Discontinued operations for the first nine months of 2004 included the sale, for \$1 million, of a Maui property and the leasing income from the above mentioned commercial property in California. Sales in 2003 included the sales of a Nevada property and five commercial properties on Maui.

Because the Company regularly sells commercial properties, the amounts reported as continuing and discontinued operations in prior quarters are restated each time a property is designated as discontinued.

#### Food Products

(dollars in millions)	Quarter Ended September 30,		
	2004	2003	Change
Revenue	\$ 38.3	\$ 33.6	14%
Operating profit	\$ 0.6	\$ 0.4	50%
Tons sugar produced	77,500	68,600	13%

  

(dollars in millions)	Nine Months Ended September 30,		
	2004	2003	Change
Revenue	\$ 80.6	\$ 83.6	-4%
Operating profit	\$ 3.5	\$ 4.6	-24%
Tons sugar produced	142,400	156,200	-9%

Food products revenue increased for the third quarter of 2004 compared with 2003 due mainly to higher sugar production and power sales partially offset by lower sugar prices. Revenue for the first nine months of 2004 declined compared with 2003 due to lower sugar production and continuing low raw-sugar sales prices. Sugar prices were approximately seven percent lower than 2003. Sugar production

for 2004 was affected adversely earlier in the year by wet field conditions and poorly burnt cane. Production in the third quarter improved 13 percent over the comparable quarter last year. Power sales of \$4.1 million and \$10.7 million for the 2004 quarter and nine months, respectively, were approximately 95 percent and 56 percent higher than the comparable periods of 2003.

Compared with the 2003 third quarter, sugar margins were \$3.5 million lower. This was more than offset by power margins that were \$2 million higher than 2003 and improved margins on Maui Brand Sugar sales, Kauai Coffee sales and the Company's two trucking operations and the non-recurrence of a 2003 accrual for an emissions fine that, combined, comprised the remaining \$1.7 million quarter over quarter improvement.

Compared with the first nine months of 2003, sugar and molasses margins were \$7.6 million lower. This was partially offset by power margins that were \$3.8 million higher than 2003 and improved margins on Maui Brand Sugar sales, Kauai Coffee sales, and for the Company's two trucking operations and the non-recurrence of the 2003 emissions fine that, combined, comprised the remaining \$2.7 million year-over-year variance.

HS&TC, the raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar and of which the Company is a member, may receive a federal sugar transportation assistance payment during the fourth quarter of 2004 or the first quarter of 2005. If this assistance is received, HC&S operating profit may benefit by \$5 to \$6 million.

Quarterly fluctuations in sales and operating profit are normal for this business due to commodity sugar prices, weather, production and other seasonality factors. The Company's sugar business uses a standard cost system for determining cost of sales. As total-year production and cost estimates change, the standard cost per ton is adjusted to reflect those changes. During each quarter the cost of crop is adjusted to reflect total-year production estimates.

#### FINANCIAL CONDITION, LIQUIDITY, FINANCING ARRANGEMENTS AND CASH FLOWS

Liquid Resources: The Company's principal liquid resources, comprising cash and cash equivalents, receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund ("CCF"), totaled \$623 million at September 30, 2004, an increase of \$78 million from December 31, 2003. The increase was due primarily to \$29 million of higher cash balances, \$26 million of higher balances available under variable rate debt facilities, \$20 million of higher receivable balances, and \$3 million of higher sugar and coffee inventory balances. Inventory balances were the result of normal business seasonality. Cash balances were higher than 2003 year-end due to receivable collections, business growth, timing of capital expenditures, and lower short-term debt balances that could be paid down prior to quarter-end.

Balance Sheet: Working capital was \$49 million at September 30, 2004, a decrease of \$15 million from the balance carried at the end of 2003. The lower working capital was due primarily to higher taxes payable, an increase in current portion of notes payable, and lower balances in real estate held for sale, partially offset by higher cash and accounts receivable balances. Real Estate Held for Sale declined during the first nine months due mainly to the sales of office condominium units.

Long-term Debt, including current portion of long-term debt, totaled \$269 million at September 30, 2004 compared with a balance of \$345 million at December 31, 2003. This \$76 million decrease was due principally to the retirement of the Company's commercial paper program in August 2004 and normal debt repayments partially offset by additional borrowing in connection with the purchase and delivery of a new ship in the third quarter of 2004. The weighted average interest rate for the Company's outstanding borrowings at September 30, 2004 was approximately 5.8%.

During the third quarter, Matson took delivery of a new vessel, the MV Maunawili. The total project cost of the vessel was financed with \$55 million of U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds, \$46 million from the Company's Capital Construction Fund, and \$4 million of operating funds.

During the third quarter of 2004, Matson repaid and retired its \$100 million commercial paper program. The repayment was accomplished by a withdrawal of \$100 million from the Capital Construction Fund. Matson also terminated a \$25 million short-term revolving credit facility that served as a liquidity back-up line for the commercial paper notes.

Cash Flows and Capital Expenditures: Cash Flows from Operating Activities were \$124 million for the first nine months of 2004, compared with Cash Flows from Operating Activities of \$115 million for the first nine months of 2003. The higher cash flow was due to better operating results, increased depreciation, the sales of real estate classified as Real Estate Held for Sale, higher income taxes payable, higher trade payables, and fluctuations in other working capital balances. During the first nine months of 2004, the Company invested approximately \$23 million into the Hokua joint venture, in which the Company has a 50 percent voting interest.

For the first nine months of 2004, capital expenditures totaled \$135 million compared with \$130 million for the first nine months of 2003. These expenditures were primarily for the purchase of a new ship, shipping containers, a 2.7-acre parcel in Honolulu on which the Company intends to develop a high-rise residential condominium building, ongoing real estate development, information systems, and normal capital replacements. These amounts do not include the re-investment of proceeds from tax-deferred sales into new income-producing property since tax-deferred transactions are not included on the Statement of

## Consolidated Cash Flows.

Tax-Deferred Real Estate Exchanges: Sales - During the first nine months of 2004, the Company recorded, on a tax-deferred basis, the sales of two properties for \$1 million. During the first nine months of 2003, the Company recorded, on a tax-deferred basis, \$34 million of sales. The proceeds from tax-deferred sales are held in escrow, but are available for reinvestment in replacement property.

Purchases - No property was purchased during the first nine months of 2004. During the first nine months of 2003, the Company utilized \$30 million of tax-deferred funds to acquire new income-producing property.

Commitments, Contingencies and Environmental Matters: A description of commitments and contingencies in effect at the end of the third quarter is described in Note (3) to the financial statements of Item 1.

## OTHER MATTERS

Charter Agreement: Matson and American President Lines, Ltd. ("APL") are parties to a Successor Alliance Slot Hire and Time Charter Agreement ("APL Agreement") that expires in February 2006. The APL Agreement provides the structure of an alliance through which Matson provides a weekly service to Guam. Pursuant to the APL Agreement, Matson time charters three C-9 class vessels to APL and APL reserves a designated number of container slots on each C-9 vessel as well as two additional APL vessels for Matson's exclusive use. Matson's annual time charter revenues arising from the APL Agreement are approximately \$35 million, and Matson generates substantial additional revenues from its Guam trade. Taken together, such revenues contribute a significant portion of the Ocean Transportation segment's total operating profit. Based on discussions with APL in late June 2004, Matson currently believes that the APL Agreement will not be renewed in its present form after February 2006, and any new or revised agreement with APL, if a new or revised agreement is entered into with APL, would be on terms substantially less favorable to Matson. Regardless of whether an agreement is entered into with APL, Matson will continue serving the Guam market after February 2006, and Matson intends to pursue operating changes in that market and its Hawaii service in order to optimize service and profitability. For example, regardless of whether there is an agreement with APL after February 2006, it is Matson's present intention to redeploy the three C-9 vessels in its Hawaii service, replacing smaller, less cost-efficient vessels.

Although it is too early to estimate with certainty the financial implications of alternative service arrangements being explored by Matson, any such alternative is not expected to substitute fully for the operating profit contribution of the current APL alliance arrangement. Due substantially to the termination of the charter arrangement with APL described above, Matson currently estimates that an annual operating profit reduction of \$10 to \$20 million, and possibly higher during the transition period following the agreement's expiration, can be expected. With over a year remaining before the APL Agreement's expiration, Matson is focused on developing an optimal successor service to the current APL Guam arrangement.

Unrelated to the Guam service, Matson intends to further moderate the estimated reduction in operating profit in the Guam service described above through a combination of cost reductions, organic growth, acquisitions, and yield management initiatives.

Investments: The Company's joint ventures are described in Item 2 of the Company's two most recently filed Form 10-Q's and in Item 8 of its most recently filed Form 10-K.

In August 2004, the Company exercised an option to increase its equity investment in the Kukui'ula resort property. The additional investment is expected to range from \$50 million to \$75 million and occur over the next three to four years. Additionally, the 1,000 acre master-planned residential resort community was successfully re-entitled in July. The total project cost for the resort is projected to be approximately \$725 million, which does not include the vertical construction costs for homes. With its additional equity investment, the Company will likely receive between fifty and sixty percent of the venture's returns.

In August 2004, A&B Properties, Inc. and Intertex General Contractors, Inc. formed Crossroads Plaza Development Partners LLC ("Crossroads Plaza"). Crossroads Plaza intends to develop a Class "A" 62,000 square-foot retail and office center on a 6.5-acre parcel in Valencia California, which the venture purchased during the third quarter. Construction of the complex, for an estimated \$11 million, is expected to begin in early 2005.

In August 2004, Matson sold its investment in Sea Star for approximately \$7 million and recognized a gain of approximately \$1.2 million. Concurrent with the sale, Matson's \$11 million guarantee obligation of Sea Star's debt was discontinued.

The Company has evaluated investments in unconsolidated affiliates, including reconsideration events for such investments, relative to Financial Interpretation ("FIN") Number 46 "Consolidation of Variable Interest Entities," as revised, and has determined that the investments in these affiliates are either not subject to or do not meet the consolidation requirements of FIN No. 46. Accordingly, the Company accounts for these investments using the equity method of accounting and the consolidation provisions of Accounting Research Bulletin No. 51 "Consolidated Financial Statements," as amended.

Significant Accounting Policies: The Company's significant accounting policies are described in Note 1 of the consolidated financial statements included in Item 8 of the Company's Form 10-K for the year ended December 31, 2003 and in the Financial Notes included in Item 1 of this Form 10-Q.

Critical Accounting Policies Estimates: The Company's accounting policies are described in Note 1 of the Consolidated Financial Statements included in Item 8 of the Company's most recently filed Form 10-K. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those estimates. These differences could be material. The most significant accounting estimates inherent in the preparation of A&B's financial statements were described in Item 7 of the Company's 2003 Form 10-K.

New and Proposed Accounting Standards: On October 13, 2004, the Financial Accounting Standards Board ("FASB") deferred the application date of the proposed standard on Share-Based Payment to June 14, 2005. The proposed standard now requires that the cost of awards that are granted, modified or settled in interim or annual periods beginning after June 15, 2005 should be charged to the income statement. This standard, as proposed, would not affect A&B until the third quarter of 2005. The effect of this standard cannot be estimated prior to the effective date.

Additional information about the impacts of newly issued accounting standards are discussed in Item 2 of the Company's Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004 and in Item 8 of the Company's Form 10-K for the year ended December 31, 2003.

Economic Conditions: With support from external economies, especially the U.S. Mainland and Japan, Hawaii's expansion continues. As the growth cycle has matured, its sources of strength have broadened. Job growth continues and the unemployment rate remains the lowest among all of the states. Visitor strength from a variety of U.S. markets has been joined by improving levels of visitors from Japan. Sustained construction activity is highly likely in spite of hikes in short interest rates because of unfulfilled housing demand, which continues strong in spite of interest rate increases. Adding to that are several programs to renovate or replace the majority of military housing on Oahu, which also represents rate-insensitive construction activity.

With higher energy and housing prices, understandably, the local inflation rate has increased. Forecasts anticipate that inflation will be about 3.5 percent for the next few years. In addition, some concerns are arising about the availability materials and cost of skilled labor in the construction trades.

Overall, however, this cyclical growth appears to be sustained, barring external events, because of the breadth of its sources and its moderate pace.

Management Changes: Effective September 1, 2004, Ruthann S. Yamanaka joined A&B as vice president, human resources.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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Information concerning market risk is incorporated herein by reference to Item 7A of the Company's Form 10-K for the fiscal year ended December 31, 2003. There has been no material change in the quantitative and qualitative disclosure about market risk since December 31, 2003.

### ITEM 4. CONTROLS AND PROCEDURES

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- (a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.
- (b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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- (a) Exhibits

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4.b.(iii) Second Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of October 1, 2004,

among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent.

10.a.(xix) Thirteenth Amendment dated October 19, 2004 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993.

10.a.(xxvi) Security Agreement between Matson Navigation Company, Inc. and the United States of America, with respect to \$55 million of Title XI ship financing bonds, dated July 29, 2004.

10.b.1.(xiii) Forms of Non-Qualified Stock Option Agreement and Restricted Stock Issuance Agreement pursuant to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan.

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

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A&B filed a Current Report on Form 8-K dated August 31, 2004 pursuant to Item 1.02 relating to the terminations by Matson Navigation Company, Inc. of its commercial paper program and a \$25 million revolving credit facility.

A&B furnished a Current Report on Form 8-K dated October 28, 2004 pursuant to Item 2.02 that attached a press release announcing A&B's financial results for the quarter ended September 30, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALEXANDER & BALDWIN, INC.

-----  
(Registrant)

Date: November 1, 2004

/s/ Christopher J. Benjamin

-----  
Christopher J. Benjamin  
Vice President and Chief Financial Officer

Date: November 1, 2004

/s/ Thomas A. Wellman

-----  
Thomas A. Wellman  
Vice President, Controller and Treasurer

EXHIBIT INDEX

4.b.(iii) Second Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of October 1, 2004, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent.

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32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SECURITY AGREEMENT  
SPECIAL PROVISIONS  
-----

THIS SECURITY AGREEMENT, Contract No. MA-13897, dated July 29, 2004 (this "Security Agreement"), is made and entered into by MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of the State of Hawaii (the "Shipowner"), and the UNITED STATES OF AMERICA (the "United States"), represented by the SECRETARY OF TRANSPORTATION, acting by and through the MARITIME ADMINISTRATOR (the "Secretary"), pursuant to Title XI of the Act.

RECITALS:  
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A. The Shipowner has entered into the Construction Contract, dated May 29, 2002 (the "Construction Contract"), with Kvaerner Philadelphia Shipyard Inc., a Pennsylvania corporation (the "Shipyard"), with respect to the Construction of the vessel MAUNAWILI, Official Number 1153166 (the "Vessel").

B. Kvaerner ASA, a Norwegian company (the "Guarantor"), entered into that certain Guaranty with the Shipowner, dated May 29, 2002 (the "Guaranty"), guaranteeing performance by the Shipyard under the Construction Contract, including, but not limited to, post-delivery warranty obligations.

D. On the date hereof, the Secretary entered into, and the Shipowner accepted a Commitment to Guarantee Obligations, Contract No. MA-13895, whereby the United States has committed itself to guarantee the payment in full of all the unpaid interest on, and the unpaid principal balance of, Obligations (as defined herein) in the aggregate principal amount not to exceed eighty-seven and one-half percent (87-1/2%) of the Actual Cost of the Vessel, which amounts are set out in Table A.  
-----

E. The Shipowner has entered into the Bond Purchase Agreement providing for the sale and delivery, on the Closing Date, of obligations in the aggregate principal amount of \$55,000,000, to be designated "United States Government Guaranteed Ship Financing Bonds, Maunawili Series" (the "Obligations"), having the maturity dates and interest rates set forth in the Bond Purchase Agreement, the Indenture and the Obligations.

F. On the date hereof, the Shipowner and Wells Fargo Bank, N.A., a national banking association, as Indenture Trustee, executed and delivered the Trust Indenture (the "Indenture") pursuant to which the Shipowner will issue the Obligations.

G. On the date hereof, the Secretary and the Indenture Trustee executed the Authorization Agreement, Contract No. MA-13896, which authorizes the Indenture Trustee to endorse, execute and authenticate the Secretary's Guarantee on each of the Obligations.

H. As security for the due and timely payment of the Secretary's Note, issued this date by the Shipowner, and for the Secretary's issuance of the Guarantees, the Shipowner has executed and delivered the Security Agreement, Contract No. MA-13897, and Amendment No. 1 to Title XI Reserve Fund and Financial Agreement, Contract No. MA-13855, granting the Secretary a security interest in, among other things, the Construction Contract, and certain other property, tangible and intangible, which the Shipowner now has or hereafter will acquire, and all of the proceeds thereof, and on the Delivery Date the Shipowner will execute and deliver the Mortgage, Contract No. MA-13898, granting the Secretary a security interest in the Vessel.

I. As further security to the Secretary and in consideration of the Secretary agreeing to issue the Guarantees, the Shipyard has executed and delivered the Consent of Shipyard to the assignment of the Construction Contract to the Secretary hereunder.

J. As further security to the Secretary and in consideration of the Secretary agreeing to issue the Guarantees, the Guarantor has executed and delivered the Consent of Guarantor to the assignment by Shipowner to the Secretary hereunder of the Guaranty.

K. In order to implement certain aspects of the transactions contemplated by the Security Agreement and the Financial Agreement, the Secretary and the Shipowner have entered into the Depository Agreement, Contract No. MA-13899, on the date hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in order to provide security to the Secretary for the Secretary's Note provided for herein, the parties hereto hereby agree as follows:

1. Concerning These Special and General Provisions. This Security  
-----

Agreement shall consist of two parts: the Special Provisions and the General Provisions attached hereto as Exhibit 1 of the Security Agreement and incorporated herein by reference. In the event of any conflict, or inconsistency between the Special Provisions of this Security Agreement and Exhibit 1 hereto, the Special Provisions shall control.

2. No Construction Period Financing. The parties acknowledge that  
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pursuant to the Construction Contract, the Shipowner has no responsibility for, or risk in the Vessel under construction, and that its only obligation is to pay the entire Purchase Price for the Vessel upon acceptance of delivery upon completion of the Vessel in accordance with that Construction Contract, and that any and all such responsibility for, or risk in the Vessel shall arise only upon such delivery and payment. The parties further acknowledge that all proceeds of the Obligations sold prior to the Delivery Date shall be deposited in the Escrow Fund, and no withdrawal from the Escrow Fund will be made until such delivery giving rise to the obligation of payment for the Vessel. In result, neither the Shipowner nor the Secretary bear any pre-delivery risk of loss or damage to, or performance by, the Shipyard, and all provisions in the General Provision of this Agreement regarding Shipowner obligations for pre-delivery insurance, loss proceeds, performance bonds and security interest against the Shipyard shall not apply.

3. Additions, Deletions and Amendments to Exhibit 1. The following

additions, deletions and amendments are hereby made to the Security Agreement:

(a) Concerning Section 1.01. The following is added after the period at the end of Section 1.01:

"Whenever there is a reference to a Vessel, any vessel or Vessels signifying more than one Vessel, the reference shall be read as applying to the "Vessel" in the singular, except as otherwise required by the Financial Agreement or the Depository Agreement."

(b) Concerning Section 1.03.

(1) Granting Clause (3) is amended by adding the words ", all charters of the Vessel" before the words "any charter hire".

(2) Granting Clause (8) is renumbered as Granting Clause (9) and a new Granting Clause (8) is added as follows:

"(8) the Guaranty."

The reference to "paragraphs (1) through (7)" in newly renumbered Granting Clause (9) is changed to "paragraphs (1) through (8); and Granting Clause (9) is renumbered as Granting Clause (10), and the words "date hereof" are deleted from newly renumbered Clause (10) and the words "Delivery Date" are inserted in lieu thereof.

(c) Concerning Section 2.01. The following words are added prior to the semicolon at the end of Section 2.01(a)(3): ", except that the above representations and warranties regarding the Mortgage shall be true effective as of the Delivery Date".

(d) Concerning Section 2.02. The following changes are made to Section 2.02:

(1) In Section 2.02(a), the words "On the date of this Security Agreement" are deleted and the words "Effective as of the Delivery Date" are inserted in lieu thereof.

(2) In Section 2.02(b)(1), the word "The" in the first line is deleted and the following words are inserted in lieu thereof: "Except as otherwise permitted in the Financial Agreement, the".

(3) Section 2.03(a) and (b) are deleted in their entirety and the following inserted in lieu thereof:

"On and after the Delivery Date, the Construction Contract shall be maintained in full force and effect insofar as it relates to post-delivery performance by the Shipowner and the Shipyard, and the Shipowner shall not, without the Secretary's prior written consent, amend, modify, assign or terminate the Construction Contract or consent to any change therein which releases the Shipyard from its post-delivery obligations under the Construction Contract or any applicable laws, conventions, rules and regulations."

(e) Concerning Section 2.05. The following changes are made to Section 2.05:

(1) In connection with Section 2.05(b)(3), and the last paragraph of Section 2.05(e) relating to liability insurance, and cargo insurance, the maximum amount of self-insurance permitted to the Shipowner in each case is \$2,500,000 per occurrence.

(2) In connection with subparagraph (ii) of the initial paragraph of Section 2.05(c), the Secretary shall permit payment of losses up to an amount of \$2,500,000 to be made directly to the Shipowner.

(3) In connection with Section 2.05(1), as evidence of insurance maintained under Section 2.05, the Shipowner may submit a broker's cover note or comparable certificate of insurance setting forth the terms of the policies; provided, however, that the Secretary reserves the right at any time to require the delivery to him of all original policies or copies of policies



E-Mail: korourke@matson.com

If to the Indenture Trustee: Wells Fargo Bank, N.A.  
Corporate Trust Services  
555 Montgomery Street, 10th Floor  
San Francisco, CA 94111  
Telephone: 415-396-6774  
Facsimile: 415-395-9064  
Attention: Karen T. Mitani  
Vice President-Manager  
E-Mail: karen.t.mitani@wellsfargo.com

4. Governing Law. This Security Agreement and the rights and

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obligations of the parties hereto shall be governed and construed in accordance with the United States maritime laws, to the extent applicable, and otherwise in accordance with the laws of the State of California.

5. Execution of Counterparts. This Security Agreement may be executed

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in any number of counterparts. All such counterparts shall be deemed to be originals, and shall constitute but one and the same document.

6. Inconsistencies. Notwithstanding any provisions herein, in the event

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here are inconsistencies between the original of this document held by the Secretary and the original of this document held by any other party hereto, the provisions of the original of this document held by the Secretary shall prevail.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, this Security Agreement Special Provisions has been executed by the parties hereto as of the day and year first above written.

SHIPOWNER

-----

MATSON NAVIGATION COMPANY, INC.

By: /s/ Matthew J. Cox

-----  
Name: Matthew J. Cox  
Title: Senior Vice President &  
Chief Financial Officer

Attest:

-----

By: /s/ Kevin C. O'Rourke

-----  
Name: Kevin C. O'Rourke  
Title: Senior Vice President &  
General Counsel

UNITED STATES

-----

UNITED STATES OF AMERICA,  
SECRETARY OF TRANSPORTATION

BY: MARITIME ADMINISTRATOR

By: /s/ Joel C. Richard

-----  
Secretary  
Maritime Administration

Attest:

-----

By: /s/ Sarah J. Washington

-----  
Assistant Secretary  
Maritime Administration

EXHIBITS/SCHEDULES  
TO THE  
SECURITY AGREEMENT SPECIAL PROVISIONS  
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- Schedule X - Schedule of Definitions to Security Agreement
- Exhibit 1 - General Provisions Incorporated into the Security Agreement by Reference
- Exhibit 2 - Form of Secretary's Note
- Exhibit 3 - Form of First Preferred Ship Mortgage
- Exhibit 4 - Amendment No. 1 to Financial Agreement
- Exhibit 5 - Construction Contract
- Exhibit 6 - Form of Consent of Shipyard
- Exhibit 7 - Guaranty
- Exhibit 8 - Form of Consent of Guarantor
- Exhibit 9 - Depository Agreement

TABLE A  
TO THE  
SECURITY AGREEMENT SPECIAL PROVISIONS  
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The aggregate Actual Cost of the Vessel as of the date hereof as determined by the Secretary, namely, (i) the amounts paid by or for the account of the Shipowner as of the date hereof for the Construction of the Vessel, plus (ii) the amount which the Shipowner was on said date obligated under the Construction Contract to pay for the Construction of the Vessel as of the date determined by the Secretary, plus (iii) other amounts estimated to be paid by the Shipowner, is \$102,925,340, less foreign items of \$22,079,819\*, for a net Actual Cost of \$80,845,521.

ITEM	AMOUNT PAID (\$)	AMOUNT OBLIGATED TO BE PAID (\$)	TOTAL (\$)
Contract Price	91,625,000	2,375,000	94,000,000
Changes & Extras	2,388,404		2,388,404
Spare Parts			
Owner-Furnished Items**	18,814	2,455,186	2,474,000
Design, Engineering & Inspection**	975,724	599,276	1,575,000
Estimated Guarantee Fee	2,487,936		2,487,936
Total Actual Cost	97,495,878	5,429,462	102,925,340*

\* Less \$22,079,819 of foreign costs shipped on or after November 21, 2002, yielding a total Actual Cost of \$80,845,521.

\*\* "Amount Paid" is through June, 2004. "Amount Obligated to be Paid" is estimated.

## SCHEDULE OF DEFINITIONS

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"Act" means the Merchant Marine Act, 1936, as amended and in effect on the Closing Date.

"Actual Cost" means the actual cost of a Vessel, as set forth in Table A of the Security Agreement or as subsequently redetermined by the Secretary pursuant to the Security Agreement and the Act.

"Audited Financial Statements" means the annual audit of the Shipowner's accounts in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, who may be the Shipowner's regular auditors.

"Authorization Agreement" means the Authorization Agreement, Contract No. MA-13896, dated as of the Closing Date, between the Secretary and the Indenture Trustee, whereby the Secretary authorizes the Guarantee of the United States to be endorsed on the Obligations, as the same is originally executed, or as modified, amended or supplemented therein.

"Authorized Newspapers" means The Wall Street Journal or if it ceases to exist, then in such other newspapers as the Secretary may designate.

"Bond" means each, and "Bonds" means every sinking fund bond in the aggregate principal amount of \$55,000,000, designated "United States Government Guaranteed Ship Financing Bonds, Maunawili Series," issued by the Shipowner and bearing a Guarantee that is authenticated and delivered under the Authorization Agreement and the Indenture having the Stated Maturity and interest rate set forth in the Bond Purchase Agreement and the Indenture.

"Bond Purchase Agreement" means the agreement for the purchase of the Bonds, executed by the Shipowner and the Purchaser named therein, as originally executed, modified or supplemented.

"Business Day" means a day which is not a Saturday, Sunday or a bank holiday under the laws of the United States or the States of California, New York and the District of Columbia.

"Chapter 313" means the provisions of 46 United States Code Chapter 313, as amended.

"Classification Society" means the American Bureau of Shipping or, as specified in the Special Provisions of the Security Agreement, either a member of the International Association of Classification Societies ("IACS") that has been ISO 9000 series registered or an IACS member that meets the requirements of the International Maritime Organization, is qualified under a Quality Systems Certificate Scheme and recognized by the United States Coast Guard and the Secretary as meeting acceptable standards.

"Closing Date" or "Closing" means the date when the Security Agreement is executed and delivered by the Shipowner.

"Commitment to Guarantee Obligations" has the same meaning as the term Guarantee Commitment.

"Company" means the entity designated as such under the Financial Agreement.

"Consent of Shipyard" means the document evidencing the Shipyard's consent to assignment of the Construction Contract to the Secretary under the Security Agreement as originally executed, modified, amended or supplemented.

"Consent of Guarantor" means the document evidencing the Guarantor's consent to the assignment of the Guaranty relating to the Construction of the Vessel to the Secretary under the Security Agreement as originally executed, modified, amended or supplemented.

"Construction" means construction of the Vessel, including designing, inspecting, outfitting and equipping thereof and post-delivery obligations relating thereto, pursuant to the terms of the Construction Contract.

"Construction Contract" means the Construction Contract between the Shipowner and the Shipyard, dated May 29, 2002, relating to the Construction of the Vessel as originally executed, or as modified or supplemented pursuant to the applicable provisions thereof.

"Default" when used in the Security Agreement has the meaning attributed to it in Article VI thereof.

"Delivery Date" means the date on which the Vessel is delivered to and accepted by the Shipowner pursuant to the Construction Contract.

"Deposit Fund" means the account held pursuant to Section 1109 of the Act and in accordance with the terms of the Depository Agreement.

"Depository Agreement" means the Depository Agreement, Contract No. MA-13899, dated as of the Closing Date, between the Shipowner and the Secretary, as originally executed, or as modified or supplemented in accordance with the applicable provisions thereof.

"Eligible Investment" has the meaning given by Section 5 of the Financial Agreement.

"Escrow Fund" means the account held by the Secretary, established under Section 1108 of the Act and administered pursuant to Article V of the Security Agreement.

"Financial Agreement" means the Title XI Reserve Fund and Financial Agreement, Contract No. MA-13855, executed by the Shipowner and the Secretary, as originally executed, or as modified, amended or supplemented.

"Financial Asset" has the meaning given by Article 8-102(a)(9) of the UCC.

"Government Use" means the use of a Vessel or requisition of its title required by a government or governmental body of the United States of America.

"Guarantee" means each, and the "Guarantees" means every, guarantee of an Obligation by the United States pursuant to Title XI of the Act, as provided in the Authorization Agreement.

"Guarantee Commitment" means the Commitment to Guarantee Obligations, Contract No. MA-13895, dated as of the Closing Date, executed by the Secretary and accepted by the Shipowner relating to the Guarantees, as originally executed or as modified, amended or supplemented.

"Guarantor" has the meaning ascribed thereto in Recital B of the Security Agreement.

"Guaranty" means the Guaranty dated May 29, 2002, between the Guarantor and the Shipowner.

"Increased Security" means the Secretary's Note, the Security Agreement, the Vessel, the Security, the Escrow Fund, the Title XI Reserve Fund, the Guaranty, the Policies of Insurance, and the proceeds of the foregoing.

"Indenture" means the Trust Indenture, between the Shipowner and the Indenture Trustee, as originally executed, or as modified, amended or supplemented.

"Indenture Default" has the meaning specified in Article VI of the Indenture.

"Indenture Trustee" means Wells Fargo Bank, N.A., a national banking association, and any successor trustee under the Indenture.

"Interest Payment Date" means with respect to any Obligation, the date when any installment of interest on such Obligation is due and payable.

"Long-Term Debt" means, as of any date, the total notes, bonds, debentures, equipment obligations and other evidence of indebtedness that would be included in long term debt in accordance with generally accepted accounting principles; provided, such term shall not include any non-recourse liability of -----  
any unconsolidated entity for which the Company has no legal liability. There shall also be included any guarantee or other liability for the debt of any other Person, not otherwise included on the balance sheet.

"Maturity" when used with respect to any Obligation, means the date on which the principal of such Obligation becomes due and payable as therein provided, whether at the Stated Maturity or by redemption, declaration of acceleration or otherwise.

"Monies Due with Respect to Construction of the Vessels" has the meaning specified in Section 1.03 of the Security Agreement.

"Mortgage" means the first preferred ship mortgage on the Vessel, Contract No. MA-13898, dated as of the Delivery Date, by the Shipowner to the Secretary, as originally executed, modified, amended or supplemented.

"Mortgagee" means the Secretary, as Mortgagee under the Mortgage.

"Mortgagor" means the Shipowner, as Mortgagor under the Mortgage.

"Net Worth" means, as of any date, the total of paid-in capital stock, paid-in surplus, earned surplus and appropriated surplus, and all other amounts that would be included in net worth in accordance with generally accepted accounting principles, but exclusive of (1) any receivables from any stockholder, director, Officer or employee of the Company or from any Related Party (other than current receivables arising out of the ordinary course of business and not outstanding for more than sixty (60) days), and (2) any increment resulting from the reappraisal of assets.

"Obligation" means each, and "Obligations" means every Bond.

"Obligee" means each, and "Obligees" means every, holder of an Obligation.

"Offering Circular" means the Offering Circular relating to the issuance and sale of each Obligation.

"Officer's Certificate" means a certificate conforming to Section 1.02 of the Security Agreement or the Indenture as the context may require.

"Outstanding" when used with reference to the Obligations, shall mean all Obligations theretofore issued under the Indenture, except: (1) Obligations Retired or Paid; and (2) Obligations in lieu of which other Obligations have been issued under the Indenture.

"Paying Agent" means any bank or trust company meeting the qualifications in Section 7.02(a) of the Indenture and appointed by the Shipowner under Section 4.02 of the Indenture to pay the principal of (and premium, if any) or interest on the Obligations on behalf of the Shipowner.

"Payment Default" has the meaning specified in Section 6.01 of the Security Agreement.

"Person" or "Persons" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization, government, or any agency or political subdivision thereof.

"Policies of Insurance" and "policies" means all cover notes, binders, policies of insurance and certificates of entry in a protection and indemnity association, club or syndicate with respect to the Vessel (including all endorsements and riders thereto), including, but not limited, to all insurance required under Section 2.05 of the Security Agreement.

"Redemption Date" means a date fixed for the redemption of an Obligation by the Indenture.

"Related Party" means one that can exercise control or significant influence over the management and/or operating policies of another Person, to the extent that one of the Persons may be prevented from fully pursuing its own separate interests. Related Parties consist of all affiliates of an enterprise, including (1) its management and their immediate families, (2) its principal owners and their immediate families, (3) its investments accounted for by the equity method, (4) beneficial employee trusts that are managed by the management of the enterprise, and (5) any Person that may, or does, deal with the enterprise and has ownership of, control over, or can significantly influence the management or operating policies of another Person to the extent that an arm's-length transaction may not be achieved.

"Request" means a written request to a Person for the action therein specified, signed by a Responsible Officer of the Person making such request.

"Responsible Officer" means (1) in the case of any business entity, the chairman of the board of directors, the president, any executive or senior vice president, the secretary, the treasurer, member or partner, (2) in the case of any commercial bank, the chairman or vice-chairman of the executive committee of the board of directors or trustees, the president, any executive or senior vice president, the secretary, the treasurer, any trust officer, and (3) with respect to the signing or authentication of Obligations and Guarantees by the Indenture Trustee, any person specifically authorized by the Indenture Trustee to sign or authenticate Obligations.

"Retired or Paid" as applied to Obligations and the indebtedness evidenced thereby means that such Obligations shall be deemed to have been so retired or paid and shall no longer be entitled to any rights or benefits provided in the Indenture if: (1) such Obligations shall have been paid in full; (2) such Obligations shall have been canceled by the Indenture Trustee; or (3) such Obligations shall have become due and payable at Maturity and funds sufficient for the payment of such Obligations (including interest to the date of Maturity, or in the case of a payment after Maturity, to the date of payment, together with any premium thereon) and available for such payment and are held by the Indenture Trustee or any Paying Agent with irrevocable directions, to pay such Obligations; provided that, the foregoing definition is subject to Section -----  
6.08 of the Indenture.

"Rights Under the Construction Contracts and Related Contracts" shall have the meaning specified in Section 1.03 of the Security Agreement.

"Secretary" means the Secretary of Transportation or any officials duly authorized to perform the functions of the Secretary of Transportation under Title XI of the Act.

"Secretary's Note" means a promissory note issued and delivered by the Shipowner to the Secretary substantially in the form of Exhibit 2 of the Security Agreement, including any promissory note issued in substitution for, or any endorsement or supplement thereof.

"Secretary's Notice" means a notice from the Secretary to the Indenture Trustee that a Security Default, within the meaning of Section 6.01(b) of the Security Agreement, has occurred.

"Security" has the meaning specified in Section 1.03 of the Security Agreement.

"Security Agreement" means the Security Agreement, Contract No. MA-13897, dated as of the Closing Date, consisting of the Special Provisions, the General Provisions and this Schedule X, executed by the Shipowner as security for the Secretary, as originally executed, or as modified, amended or supplemented.

"Security Default" has the meaning specified in Section 6.01 of the Security Agreement.

"Shipowner" means Matson Navigation Company, Inc., a Hawaii corporation, and shall include its successors and assigns.

"Shipyard" means Kvaerner Philadelphia Shipyard Inc., a Pennsylvania corporation, as party to the Construction Contract.

"Stated Maturity" means the date determinable as set forth in any Obligation as the final date on which the principal of such Obligation is due and payable.

"Successor" means a Person formed by or surviving a consolidation or merger with the Shipowner or to which the Vessels have been sold.

"Title XI" means Title XI of the Act.

"Title XI Reserve Fund" has the meaning specified in the Financial Agreement.

"Title XI Reserve Fund and Financial Agreement" means the Financial Agreement.

"UCC" means the Uniform Commercial Code as enacted in the States of California and Hawaii, as applicable.

"Vessel" means the MAUNAWILI, Official Number 1153166, financed with the Obligations.

"Working Capital" shall mean the excess of current assets over current liabilities, both determined in accordance with generally accepted accounting principles and adjusted as follows:

(1) In determining current assets, there shall also be deducted: (A) Any securities, obligations or evidence of indebtedness of a Related Party or of any stockholder, director, officer or employee (or any member of his family) of the Company or of such Related Party, except advances to agents required for the normal current operation of the Company's vessels and current receivables arising out of the ordinary course of business and not outstanding for more than sixty (60) days; and (B) an amount equal to any excess of untermiated voyage revenue over untermiated voyage expenses; and there will be added to current assets all accounts receivable that have been deposited in the Company's Capital Construction Fund (the "CCF") for which deposits the Company has received the Secretary's approval; provided, such deposits shall not be subject to a pledge

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for any purpose and shall be at the after-tax value assuming such receivables are withdrawn from the CCF in a non-qualified CCF withdrawal.

(2) In determining current liabilities, there shall be deducted any excess of untermiated voyage expenses over untermiated voyage revenue; and

(3) In determining current liabilities, there shall be added one half of all annual charter hire and other lease obligations (having a term of more than six (6) months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included and reported as a current liability on the Company's balance sheet.

## CERTIFICATIONS

I, Allen Doane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alexander & Baldwin, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Allen Doane

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Allen Doane, President and  
Chief Executive Officer

Date: November 1, 2004

## CERTIFICATIONS

I, Christopher J. Benjamin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alexander & Baldwin, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Christopher J. Benjamin

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Christopher J. Benjamin, Vice President  
and Chief Financial Officer

Date: November 1, 2004

NON-QUALIFIED STOCK OPTION AGREEMENT

Discretionary Option Grant Program

AGREEMENT made as of \_\_\_\_\_, by and between  
ALEXANDER & BALDWIN, INC., a Hawaii corporation (the "Company"), and  
\_\_\_\_\_ (the "Optionee").

W I T N E S S E T H :  
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RECITALS  
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A. The Company has, with the approval of the shareholders, adopted the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (the "Plan") for the purpose of providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company as an incentive for them to join and/or remain in the service of the Company or its subsidiaries.

B. Optionee is an individual who is to render valuable services to the Company or its subsidiaries, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of a stock option to Optionee.

C. The granted option is intended to be a non-qualified stock option which does not satisfy the requirements of Section 422 of the Internal Revenue Code.

D. For purposes of this Agreement, the following definitions shall be in effect:

Common Stock: Common Stock shall mean the shares of the  
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Company's common stock, without par value.

Employee: Optionee shall be considered to be an Employee for so  
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long as such individual remains in the employ of the Company or one or more of its Subsidiaries.

Parent: A corporation shall be deemed to be a Parent of the Company  
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if it is a corporation (other than the Company) in an unbroken chain of corporations ending with the Company, provided each corporation in the unbroken chain (other than the Company) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 16(b) Insider: Optionee shall be considered to be a  
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Section 16(b) Insider on any relevant date under this Agreement if Optionee is at the time an officer or director of the Company subject to the short-swing profit restrictions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Service: Optionee shall be deemed to be in the Service of the  
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Company for so long as Optionee renders services on a periodic basis to the Company (or any Subsidiary or Parent) as an Employee.

Subsidiary: A corporation shall be deemed to be a Subsidiary  
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of the Company if it is a member of an unbroken chain of corporations beginning with the Company, provided each corporation in such chain (other than the last corporation) owns, at the time of determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. The term "Subsidiary" shall also include any partnership, joint venture or other business entity of which the Company owns, directly or indirectly through another subsidiary corporation, more than a fifty percent (50%) interest in voting power, capital or profits.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. Subject to and upon the terms and  
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conditions set forth in this Agreement, the Company hereby grants to Optionee, as of the date of this Agreement (the "Grant Date"), a stock option to purchase up to \_\_\_\_\_ shares of Common Stock (the "Optioned Shares") at the price of the Fair Market Value on the date of this Agreement per share (the "Option Price"). In addition, Optionee shall be eligible to receive a new option (a "reload option"), subject to the terms and conditions set forth in the Addendum attached hereto and incorporated herein by reference, on each occasion Optionee exercises this option for one or more Optioned Shares by delivering previously-acquired shares of Common Stock in payment of the Option Price and satisfying certain other conditions set forth in such Addendum.

2. Option Term. This option shall have a maximum term of ten  
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years measured from the Grant Date and shall accordingly expire at the close of business on \_\_\_\_\_ (the "Expiration Date"), unless sooner terminated in accordance with Paragraph 5 or 7 of this Agreement.

3. Limited Transferability. During the Optionee's lifetime,  
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this option shall be exercisable only by Optionee and shall not be transferable or assignable by Optionee except for a transfer of this option by will or by the laws of descent and distribution following Optionee's death.

4. Exercisability. The option shall become exercisable for the  
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Optioned Shares in a series of three (3) successive equal annual installments, as set forth in the Exercise Schedule below, with the first such installment to become exercisable on the first anniversary of the Grant Date. As the option becomes exercisable for one or more installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the expiration or sooner termination of the option term. Except as otherwise expressly provided in subparagraph 5(iv) below, the option shall not become exercisable for any additional Optioned Shares following Optionee's cessation of Service.

Exercise Schedule  
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Number of Optioned Shares -----	Exercise Date -----
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5. Cessation of Service; Termination of Options. The option  
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term specified in Paragraph 2 shall terminate (and this option shall cease to be exercisable) prior to the Expiration Date should one of the following provisions become applicable:

(i) Except as otherwise provided in subparagraphs (ii) through (vi) below, should Optionee cease to remain in the Service of the Company at any time during the option term, then the period for exercising this option shall be reduced to a three-month period commencing with the date of such cessation of Service. During such three-month period, this option may not be exercised for more than that number of Optioned Shares (if any) for which this option is exercisable at the time of Optionee's cessation of Service. In no event, however, shall this option be exercisable at any time after the Expiration Date.

(ii) If Optionee is a Section 16(b) Insider at the time of cessation of Service, then Optionee shall have a period of six months following such cessation of Service in which to exercise this option for any or all of the Optioned Shares for which this option is exercisable at the time of Optionee's cessation of Service. In no event, however, shall this option be exercised at any time after the specified Expiration Date.

(iii) Should Optionee die while this option is outstanding, then (A) this option, to the extent it is not otherwise at the time fully exercisable, shall automatically accelerate so that such option shall become fully exercisable with respect to the total number of Optioned Shares at the time subject to this option, and (B) the personal representative of Optionee's estate (or the person or persons to whom the option is transferred pursuant to Optionee's will or in accordance with the laws of descent and distribution) shall have the right to exercise this option for any or all of the Optioned Shares. Such right shall lapse, and this option shall cease to be exercisable, upon the earlier of (A) the expiration of the twelve-month period measured from the date of Optionee's death or (B) the Expiration Date.

(iv) Should Optionee retire on or after attaining age fifty-five (55) in accordance with the terms of the Company's retirement plan, or become disabled and cease by reason thereof to remain in the Service of the Company, at any time while this option is outstanding, then Optionee shall have a period of three years (commencing with the date of such retirement or cessation of Service) to exercise this option for (i) any or all of the Optioned Shares for which this option is exercisable at the time of Optionee's retirement or cessation of Service and (ii) any additional Optioned Shares for which the option becomes exercisable during the subsequent three-year period. In no event, however, shall this option be exercised at any time after the Expiration Date. For purposes of this Agreement, Optionee shall be deemed to be disabled if Optionee is, by reason of any medically-determinable physical or mental impairment (A) which is expected to result in death or (B) which is expected to be, or is, of continuous duration of twelve consecutive months or more, unable to perform his/her usual duties for the Company (or any Subsidiary or Parent) employing his/her services.

(v) Should Optionee's Service be terminated for Misconduct, or should Optionee (a) engage in any post-Service activity, whether as an Employee, consultant, advisor, or otherwise, competitive with the business operations of the Company (or any Subsidiary or Parent), or (b) engage in any other conduct, while in Service or following cessation of Service, materially detrimental to the business or affairs of the Company (or any Subsidiary or Parent), as determined in the sole discretion of the Plan Administrator, then this option shall terminate immediately and cease to be outstanding. Misconduct shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by

such person of confidential information or trade secrets of the Company (or any Subsidiary or Parent), or any other intentional misconduct by such person adversely affecting the business or affairs of the Company (or any Subsidiary or Parent) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or any Subsidiary or Parent) may consider as grounds for the dismissal or discharge of any Optionee or other person in the Service of the Company (or any Subsidiary or Parent).

(vi) Except as otherwise expressly provided in subparagraph 5(iv) above, upon Optionee's cessation of Service, this option shall, to the extent it is not otherwise exercisable at the time, for one or more Optioned Shares, immediately terminate and cease to be outstanding with respect to those shares.

6. Adjustment in Optioned Shares.  
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a. In the event any change is made to the Common Stock by reason of any stock dividend, stock split, combination of shares or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration, the number and/or class of shares purchasable under this option and the Option Price payable per share shall be adjusted appropriately to prevent the dilution or enlargement of Optionee's benefits hereunder.

b. If this option remains outstanding following any merger or other business combination involving the Company, then this option shall be adjusted appropriately to apply and pertain to the number and class of securities which would have been issuable, in the consummation of such merger or business combination, to an actual holder of Common Stock for the same number of shares as are subject to this option immediately prior to such merger or business combination. Appropriate adjustments also shall be made to the Option Price payable per share; provided, however, that the aggregate Option Price shall remain the same.

7. Acceleration and Cancellation of Options. In the event  
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there should occur a Change in Control (defined below), then this option, to the extent outstanding at the time, but not otherwise fully exercisable, shall automatically accelerate so that such option shall, immediately prior to the specified effective date of the Change in Control, become fully exercisable for the total number of Optioned Shares at the time subject to this option and may be exercised for all or any portion of such Optioned Shares. Immediately following the consummation of the Change in Control, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

"Change in Control" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the 1934 Act, whether or not the Company in fact is required to comply with Regulation 14A thereunder; provided that, without limitation, such a change in control shall be deemed to have occurred if:

(i) any "person" (defined as such term is used in Sections 13(d) and 14(d) of the 1934 Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities;

(ii) at least a majority of the Company's Board of Directors (the "Board") ceases to consist of (a) individuals who have served continuously on the Board since January 1, 2001 and (b) new directors (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then still in office who shall at that time have served continuously on the Board since January 1, 2001 or whose election or nomination was previously so approved;

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other entity, other than (a) a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or consolidation or any parent thereof or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity at least a majority of the board of directors of which or of any parent thereof is comprised of individuals who comprised the Board immediately prior to such sale or disposition.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

8. Shareholder Rights. The holder of this option shall have

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none of the rights of a shareholder with respect to the Optioned Shares until such individual shall have exercised the option, paid the Option Price and been issued one or more stock certificates for the purchased shares.

9. Manner of Exercising Option.

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a. In order to exercise this option for one or more of the Optioned Shares, Optionee (or in the case of exercise after Optionee's death, Optionee's legal representative, executor, administrator, heir or legatee, as the case may be) must take the following actions:

(i) Deliver to the Secretary of the Company, or his/her designee, a written notice of exercise (the "Exercise Notice") in which there is specified the number of Optioned Shares for which the Option is being exercised.

(ii) Pay the aggregate Option Price for the purchased shares in one of the following alternative forms:

full payment in cash or cash equivalents, such as a certified check, bank draft, personal check or postal or express money order made payable to the Company's order; or

full payment in shares of Common Stock held by the Optionee for the requisite period necessary to avoid a charge to the Company's reported earnings and valued at Fair Market Value on the Exercise Date; or

full payment in a combination of the foregoing.

(iii) Furnish to the Company appropriate documentation that the person or persons exercising the option, if other than Optionee, have the right to exercise this option.

b. For purposes of this Agreement, the following definitions shall be in effect:

Exercise Date: The Exercise Date shall be the first date on  
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which there shall have been delivered to the Company both (I) the Exercise Notice and (II) the payment of the Option Price for the purchased shares.

Fair Market Value: The Fair Market Value of a share of Common  
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Stock on any relevant date shall be the mean between the highest and lowest selling prices per share of Common Stock on the date in question, as quoted on the NASDAQ National Market (or any successor system). Should the Common Stock become traded on a national securities exchange, then the Fair Market Value per share shall be the mean between the highest and lowest selling prices on such exchange on the date in question. If there is no reported sale of Common Stock on the NASDAQ National Market (or national securities exchange) on the date in question, then the Fair Market Value shall be the mean between the highest and lowest selling prices on the NASDAQ National Market (or such securities exchange) on the last preceding date for which such quotations exist.

c. As soon as practicable after the Exercise Date, the Company shall issue to Optionee (or to the other person or persons exercising this option) a certificate or certificates representing the purchased shares.

d. In no event may this option be exercised for any fractional shares.

10. Compliance with Laws and Regulations.

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a. The exercise of this option and the issuance of Optioned Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which shares of the Common Stock may be listed at the time of such exercise and issuance.

b. In connection with the exercise of this option, Optionee shall execute and deliver to the Company such representations in writing as may be requested by the Company in order for it to comply with the applicable requirements of federal and state securities laws.

11. Successors and Assigns. Except to the extent otherwise

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provided in Paragraph 3 or 7, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Optionee and the successors and assigns of the Company.

12. Non-Liability of Company.  
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a. If the Optioned Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall be void with respect to such excess shares unless stockholder approval of an amendment to the Plan sufficiently increasing the number of shares of Common Stock issuable thereunder is obtained.

b. The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Company of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. However, the Company shall use reasonable efforts to obtain all such approvals.

13. No Impairment of Company's Rights. This Agreement shall  
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not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

14. No Employment or Service Contract. Nothing in this  
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Agreement or in the Plan shall confer upon Optionee any right to continue in the Service of the Company (or any Subsidiary or Parent employing or retaining Optionee) for any period of time or otherwise interfere with or restrict in any way the rights of the Company (or such Subsidiary or Parent) or Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason whatsoever, with or without cause.

15. Notices. Any notice required to be given or delivered to  
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the Company under the terms of this Agreement shall be in writing and addressed to the Company in care of the Corporate Secretary or his/her designee at the principal corporate offices at 822 Bishop Street, Honolulu, HI 96813. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on this Agreement. All notices shall be deemed to have been given or delivered upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

16. Construction. This Agreement and the option evidenced  
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hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the express terms and provisions of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

17. Tax Withholding.  
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a. The Company's obligation to deliver shares of Common Stock upon the exercise of this option shall be subject to the satisfaction of all applicable Federal, State and local income and employment tax withholding requirements.

b. Optionee may elect to have the Company withhold, at the time this option is exercised, a portion of the shares purchased under the option with an aggregate Fair Market Value equal to the designated percentage (any multiple of 5% up to 100% as specified by Optionee) of the applicable Federal and State income tax withholding liability incurred by Optionee in connection with the option exercise (the "Withholding Taxes").

Any such exercise of the election must be effected in accordance with the following terms and conditions:

(i) The election must be made on or before the date the amount of the Withholding Taxes incurred by Optionee in connection with the exercise of the option is determined (the "Tax Determination Date").

(ii) The election shall be irrevocable.

(iii) The election shall be subject to the approval of the Plan Administrator, either at the time the election is made or at any earlier time, and none of the shares purchased under the option actually shall be withheld in satisfaction of the Withholding Taxes incurred in connection with the exercise of the option, except to the extent the election is so approved by the Plan Administrator.

(iv) The shares withheld pursuant to the election shall be valued at Fair Market Value on the Tax Determination Date in accordance with the valuation provisions of paragraph 9.b of this Agreement.

(v) In no event may the number of shares of Common Stock requested to be withheld exceed in Fair Market Value the dollar amount of the Withholding Taxes incurred by Optionee in connection with the exercise of the option.

c. Optionee may elect to deliver to the Company, at the time the option is exercised, shares of Common Stock previously acquired by such individual (other than in connection with such option exercise) with an aggregate Fair Market Value equal to the designated percentage (any multiple of 5% up to 100% as specified by Optionee) of the Withholding Taxes incurred by Optionee in connection with the option exercise.

Any such exercise of the election must be effected in accordance with the following terms and conditions:

(i) The election must be made on or before the Tax Determination Date.

(ii) The election shall be irrevocable.

(iii) The election shall be subject to the approval of the Plan Administrator, either at the time the election is made or at any earlier time, and none of the delivered shares shall be accepted in satisfaction of the Withholding Taxes, except to the extent the election is so approved by the Plan Administrator.

(iv) The delivered shares shall be valued at Fair Market Value on the Tax Determination Date in accordance with the valuation provisions of paragraph 9.b of this Agreement.

(v) In no event may the number of delivered shares exceed in Fair Market Value the dollar amount of the Withholding Taxes incurred by the Optionee in connection with the exercise of the option.

18. Governing Law. The interpretation, performance, and

enforcement of this Agreement shall be governed by the laws of the State of Hawaii.

19. Counterparts. This Agreement may be executed in

counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate on its behalf by its duly authorized officer, and Optionee also has executed this Agreement in duplicate, all as of the day and year indicated above.

ALEXANDER & BALDWIN, INC.

By \_\_\_\_\_  
Its Vice President

\_\_\_\_\_  
Optionee

Address:  
\_\_\_\_\_  
\_\_\_\_\_

ADDENDUM  
TO  
NON-QUALIFIED STOCK OPTION AGREEMENT

The provisions of this Addendum hereby are incorporated into, and made a part of, that certain Non-Qualified Stock Option Agreement dated \_\_\_\_\_ (the "Option Agreement"), by and between the Company and Optionee, evidencing the option grant (the "Original Option") made on such date to Optionee under the terms of the Company's 1998 Stock Option/Stock Incentive Plan (the "Plan"). All capitalized terms in this Addendum shall have the meanings assigned to them in the Option Agreement.

RELOAD OPTION GRANT

1. Automatic Reload Grant. Optionee hereby is made eligible to

receive one or more automatic option grants under the Plan to the extent Optionee subsequently exercises the Original Option on one or more separate occasions, in accordance with the following requirements:

(i) The Original Option is exercised prior to the expiration

of the five (5)- year period measured from its Grant Date.

(ii) The Option Price is, in connection with such exercise, paid in shares of Common Stock held by the Optionee for a period of at least six (6) months.

(iii) The Original Option is exercised by Optionee, and not by the legal representative, heirs or legatees of the Optionee's estate.

On each occasion on which the Original Option is so exercised by Optionee, Optionee automatically shall be granted at that time (the "Reload Grant Date") a new option (the "Reload Option") to purchase the same number of shares of Common Stock as is delivered in payment of the Option Price. No reload option will be granted for shares of Common Stock delivered or withheld in satisfaction of the withholding tax liability arising from such exercise.

2. Reload Option Terms. The terms and provisions of each

Reload Option granted pursuant to this Addendum shall be exactly the same as the terms and provisions of the Original Option as set forth in the Option Agreement to which this Addendum is attached, except to the extent otherwise indicated below:

A. Option Price. The option price per share of the Common

Stock purchasable under the Reload Option (the "Reload Option Price") shall be equal to the greater of (i) the mean between the highest and lowest selling prices per share of Common Stock as quoted on the NASDAQ National Market or any successor system on the Reload Grant Date or (ii) one hundred fifty percent (150%) of the Option Price per share in effect under the Original Option.

B. Payment. The Reload Option Price shall become immediately

due upon exercise of the Reload Option and shall be payable in any of the forms authorized under the Option Agreement for payment of the Option Price.

C. Exercisability. The Reload Option shall not become

exercisable until all the Option Shares purchased under the Original Option on the Reload Grant Date have been held by Optionee (or the legal representatives or heirs or legatees of Optionee's estate) for a period of at least two (2) years measured from the Reload Grant Date. In the event any of such Option Shares are sold or otherwise cease to be held by Optionee before the end of such two (2)- year period, the Reload Option immediately shall expire in its entirety. Upon the satisfaction of such holding period requirement, the Reload Option shall become exercisable for any or all of the shares of Common Stock at the time subject to such option and shall remain so exercisable until the expiration or sooner termination of the option term of the Reload Option. The exercisability of the Reload Option shall, however, be subject to acceleration in accordance with Paragraph 5 of this Addendum.

D. Option Term. The Reload Option shall have the same maximum

option term and Expiration Date as the Original Option, subject to earlier termination, pursuant to the provisions of the Option Agreement, in connection with the Optionee's cessation of Service.

E. Limited Transferability. During Optionee's lifetime, the

Reload Option shall be exercisable only by the Optionee and shall not be assignable or transferable by Optionee other than by will or by the laws of descent and distribution following Optionee's death.

3. No Additional Reload Option. No additional Reload Option

shall be granted in connection with the exercise of any Reload Option granted pursuant to this Addendum, whether or not shares of Common Stock are delivered in payment of the Reload Option Price in effect under that Reload Option.

4. Stockholder Rights. The holder of the Reload Option shall

have none of the rights of a stockholder with respect to any shares covered by the Reload Option until such individual shall have exercised the Reload Option, paid the Reload Option Price and satisfied all other conditions precedent to the issuance of certificates for the purchased shares.

5. Change in Control. The following provisions shall govern

the treatment of each Reload Option granted pursuant to this Addendum in the event a Change in Control (as such term is defined in the Option Agreement) should occur while that Reload Option is outstanding:

A. Should such Change in Control occur while the reload option is outstanding, then the reload option will, immediately prior to the specified effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to that option, and may be exercised for any or all of those shares.

B. Upon the consummation of the Change in Control, the Reload

Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation or its parent company or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

C. If the Company is the surviving entity in any merger or other business combination which does not result in the termination of the Reload Option, then the Reload Option shall be adjusted appropriately to apply and pertain to the number and class of securities which would be issuable, in consummation of such merger or business combination, to an actual holder of the same number of shares of Common Stock as is subject to such Reload Option immediately prior to such merger or business combination. Appropriate adjustments shall be made to the Reload Option Price per share payable under the Reload Option, provided the aggregate Reload Option Price shall remain the same.

D. The grant of any Reload Option pursuant to this Addendum shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. Miscellaneous Provisions. Each Reload Option granted

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pursuant to this Addendum shall be subject to the following additional terms and provisions.

A. The Company's obligation to deliver shares of Common Stock upon the exercise of each Reload Option shall be subject to the satisfaction of all applicable Federal, State and local income and employment tax withholding requirements.

B. To the extent the Optionee has the right to have a portion of the shares purchased under the Original Option withheld by the Company in satisfaction of the applicable withholding taxes incurred in connection with the exercise of that Option (or otherwise to deliver existing shares of Common Stock in satisfaction of such tax liability), the Optionee shall have the similar right with respect to the withholding tax liability incurred in connection with the exercise of the Reload Option.

ALEXANDER & BALDWIN, INC.

RESTRICTED STOCK ISSUANCE AGREEMENT  
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AGREEMENT made as of \_\_\_\_\_, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation (the "Corporation"), and \_\_\_\_\_ (the "Participant").

All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Corporation's 1998 Stock Option/Stock Incentive Plan, as amended (the "Plan").

A. ISSUANCE OF SHARES  
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1. Issuance. In consideration for Services and as an incentive to  
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remain in the Service of the Corporation (or any Parent or Subsidiary), the Participant shall be issued \_\_\_\_\_ shares (the "Issued Shares") of common stock of the Corporation (the "Common Stock") pursuant to the provisions of the Stock Issuance Program of the Plan. The Issued Shares shall have an issue price per share equal to the mean between the highest and lowest selling prices per share of Common Stock as quoted on the NASDAQ National Market or any successor system on the date of this Agreement. The Issued Shares shall be unvested and shall be subject to cancellation under the terms described in Paragraph C.2 hereof.

2. Stockholder Rights. Until such time as the Issued Shares vest  
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pursuant to the provisions of Paragraph C.1 hereof, the Participant shall have all the rights of a stockholder (including voting, dividend and liquidation rights) with respect to the Issued Shares, subject, however, to the restrictions and conditions of this Agreement.

3. Escrow. The Corporation shall hold the Issued Shares in escrow  
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until those shares have vested in accordance with the vesting schedule described in Paragraph C.1 hereof. The Issued Shares which so vest shall be released from escrow upon the Participant's payment to the Corporation of the federal and state income and employment withholding taxes to which the Participant becomes subject by reason of the Participant's vesting in the Issued Shares.

4. Compliance with Law. Under no circumstances shall shares of  
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Common Stock be issued or delivered to the Participant pursuant to the provisions of this Agreement unless there shall have been compliance with all applicable requirements of Federal and state securities laws, all applicable listing requirements of the Nasdaq National Market or any successor system and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery.

B. TRANSFER RESTRICTIONS  
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1. Restriction on Transfer. The Participant shall not transfer,  
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assign, encumber or otherwise dispose of any of the Issued Shares which are subject to the cancellation provisions of Paragraph C.2 hereof.

2. Restrictive Legend. The stock certificate(s) for unvested Issued  
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Shares shall be endorsed with the following restrictive legend:

"THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY HAVE BEEN ISSUED PURSUANT TO THE PROVISIONS OF THE STOCK ISSUANCE PROGRAM OF THE ALEXANDER & BALDWIN, INC. 1998 STOCK OPTION/STOCK INCENTIVE PLAN, AS AMENDED ("PLAN") AND ARE SUBJECT TO CANCELLATION BY THE CORPORATION, UPON THE TERMS AND CONDITIONS SPECIFIED IN A WRITTEN AGREEMENT DATED AS OF \_\_\_\_\_ BETWEEN THE CORPORATION AND THE REGISTERED HOLDER OF THE SHARES. A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE CORPORATION'S PRINCIPAL CORPORATE OFFICES. WHILE SUCH CANCELLATION RIGHT IS IN EFFECT, THE CERTIFICATE AND THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR PLEDGED."

C. VESTING/CANCELLATION OF THE ISSUED SHARES  
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1. Vesting. The Issued Shares shall initially be unvested and  
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subject to cancellation in accordance with the provisions of Paragraph C.2 hereof. The following vesting schedule shall be in effect for the Issued Shares:

Twenty percent (20%) of the Issued Shares shall vest in five (5) successive equal annual installments upon Participant's completion of each year of Service over a five-year period measured from the date of this Agreement; provided, however, that any unvested shares shall automatically vest upon the occurrence of:

(i) the Participant's normal retirement (age 65) or approved early retirement (age 55 plus 5 years Service), or

- (ii) the Participant's termination of Service by reason of death or Permanent Disability.

Upon vesting, the Participant shall acquire a fully-vested interest in, and the transfer restrictions of Paragraph B hereof and the cancellation provisions of Paragraph C.2 hereof shall terminate with respect to, the vested Issued Shares.

2. Cancellation of Issued Shares. Should the Participant cease

Service for any reason prior to the completion of the vesting schedule described in Paragraph C.1 hereof, then all of the unvested Issued Shares shall be immediately cancelled, and the stock certificates for those Issued Shares shall be immediately cancelled, without any cash or other payment due from the Corporation with respect to the cancelled Issued Shares, and the Participant shall no longer be entitled to any rights as a stockholder with respect to those shares or to any other entitlement or interest with respect to such shares.

3. Recapitalization. Any new, substituted or additional securities

or other property (including cash paid other than as a regular cash dividend) which the Participant might have the right to receive with respect to unvested Issued Shares by reason of any stock dividend, stock split, recapitalization, combination of shares, exchanges of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, shall be issued subject to the cancellation provisions and the escrow requirements hereunder.

4. Change in Control. In the event of a Change in Control during the

Participant's period of Service, then the cancellation provisions of Paragraph C.2 hereof shall lapse in their entirety, and the Issued Shares shall vest in full.

D. GENERAL PROVISIONS

1. At Will Employment. Nothing in this Agreement or in the Plan

shall confer upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Subsidiary employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's Service at any time for any reason, with or without cause.

2. Notices. Any notice required to be given under this Agreement

shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days advance written notice under this paragraph to all other parties to this Agreement.

3. No Waiver. No waiver of any breach or condition of this

Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

4. Cancellation of Shares. Should the cancellation provision

contained in Paragraph C.2 hereof become applicable in connection with the Participant's termination of Service, then from and after that time, the person from whom such shares are to be cancelled shall no longer have any rights as a holder of such shares. Such shares shall be deemed cancelled in accordance with the applicable provisions hereof, and the Corporation shall be deemed the owner and holder of such shares, whether or not the certificates therefor have been delivered to the Corporation.

5. Participant Undertaking. The Participant hereby agrees to take

whatever additional action and execute whatever additional documents the Corporation may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Issued Shares pursuant to the provisions of this Agreement.

6. Agreement and Plan Constitute Entire Contract. This Agreement and

the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan.

7. Governing Law. This Agreement shall be governed by, and construed

in accordance with, the laws of the State of Hawaii without resort to that State's choice of law rules.

8. Counterparts. This Agreement may be executed in counterparts,

each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9. Successors and Assigns. The provisions of this Agreement shall

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inure to the benefit of, and be binding upon, the Corporation and its successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

ALEXANDER & BALDWIN, INC.

By -----

Its

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Participant

Address:

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SECOND AMENDMENT TO  
THIRD AMENDED AND RESTATED  
REVOLVING CREDIT AND TERM LOAN AGREEMENT  
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THIS SECOND AMENDMENT TO THIRD AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Amendment"), effective as of October 1, 2004 (the "Effective Date"), at Honolulu, Hawaii, is by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation (the "Borrower"), the undersigned Banks (herein called, individually, a "Bank" and, collectively, the "Banks"), and FIRST HAWAIIAN BANK, as agent for the Banks (the "Agent").

PRELIMINARY STATEMENTS  
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A. The Borrower, certain of the Banks and other institutions were parties to that certain Revolving Credit and Term Loan Agreement dated as of December 1, 1982. Such Revolving Credit and Term Loan Agreement has been amended and restated on numerous occasions, the last of which occurring pursuant to that certain Third Amended and Restated Revolving Credit and Term Loan Agreement effective as of November 30, 2001, by and between the Borrower, the Banks and the Agent (the "Credit Agreement").

B. The Credit Agreement was amended by that certain First Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement effective as of February 4, 2004, to amend the definition of "Consolidated Net Income" to account for the adoption by the Borrower of certain accounting standards.

C. The Borrower has requested the Banks to extend the Termination Date of each Bank's Commitment from November 30, 2004, to January 1, 2008, to amend the Credit Agreement to increase the Total Commitment from \$185,000,000.00, to \$200,000,000.00, and to amend certain other terms and conditions of the Credit Agreement.

D. The Banks are willing to amend the Credit Agreement in accordance with the terms and conditions of this Amendment.

E. All capitalized terms used herein, unless otherwise defined, are as defined in the Credit Agreement.

AGREEMENT  
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In consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Extension of Termination Date. The Termination Date shall be January 1, 2008, or the Date to which such date is extended from time to time as provided in Section 1.1 B. of the Credit Agreement, or the Date, following the occurrence of an Event of Default, on which the Agent, on behalf of the Banks, exercises the remedies under Section 8.1(1) or 8.1(2).

2. Increase in Total Commitment. The Total Commitment is hereby increased from \$185,000,000.00, to TWO HUNDRED MILLION AND NO/100 DOLLARS (\$200,000,000.00). Each Bank's Commitment is hereby amended to the amounts designated in Schedule 1 attached hereto and made a part hereof.

3. Schedule I. Schedule I to the Credit Agreement is hereby deleted and replaced with Schedule I attached hereto and made a part hereof. In accordance with the increase in the Total Commitment from \$185,000,000.00 to \$200,000,000.00, the individual Commitments of each Bank are as shown in this revised Schedule I.

4. Execution of Revolving Credit Notes. On the date hereof, and as a condition to the effectiveness of this Amendment, (i) Borrower shall execute and deliver to each Bank a Revolving Credit Note, dated the date hereof, in the forms attached as Exhibit A hereto, as follows: (a) in the principal amount of Fifty-three Million Five Hundred Thousand Dollars (\$53,500,000.00) to First Hawaiian Bank; (b) in the principal amount of Forty-eight Million Five Hundred Thousand Dollars (\$48,500,000.00) to Bank of America, N.A.; (c) in the principal amount of Thirty Million Dollars (\$30,000,000.00) to Wells Fargo Bank, National Association; (d) in the principal amount of Thirty Million Dollars (\$30,000,000.00) to Bank of Hawaii; (e) in the principal amount of Twenty Million Dollars (\$20,000,000.00) to The Bank of New York; (f) in the principal amount of Eighteen Million Dollars (\$18,000,000.00) to American Savings Bank, F.S.B. Upon such execution and delivery, the existing Revolving Credit Notes, evidencing the Borrower's obligation to pay each Bank's Commitment prior to this Amendment, shall be replaced and cancelled.

5. Amendment to Interest Rates. The Interest Rates for certain Loans are hereby amended as follows:

(a) Section 1.7 C.(ii) of the Credit Agreement is amended such that the Interest Rate in respect of each Eurodollar Loan during its related Eurodollar Interest Period shall be the Eurodollar Rate for such Eurodollar Interest Period plus forty-seven and one-half one-hundredths of one percent (0.475%); and

(b) Section 1.7 D.(ii) of the Credit Agreement is amended such that the Interest Rate in respect of each Term Loan that is a Eurodollar Loan during its related Eurodollar Interest Period shall be the Eurodollar Rate for such Eurodollar Interest Period plus six-tenths of one percent (0.60%).

6. Amendment to Principal Payments Due Dates on Term Notes. Section 1.6

of the Credit Agreement is hereby amended such that the quarterly principal payments due under all Term Notes is hereby amended to be due on the first Business Day of the immediately subsequent months of April, July, October and January, provided, however, that the fourth such installment shall be in an amount sufficient to repay in full the unpaid principal amount thereof. The maturity date of any such Term Note shall be the date one (1) year subsequent to the Termination Date. Except as amended hereby, all other terms and conditions of Section 1.6 of the Credit Agreement shall remain in full force and effect.

Consistent with this Amendment, Exhibit B of the Agreement, the form Term Note, shall be replaced in its entirety by the form Term Note attached hereto as Exhibit B.

7. Minimum Amount of Each Letter of Credit. The first sentence of

Section 1.14 E. of the Credit Agreement is hereby amended so that each Letter of Credit shall be for an amount which is at least Two Million Five Hundred Thousand Dollars (\$2,500,000.00). Except as amended hereby, all other terms and conditions of Section 1.14(E) of the Credit Agreement shall remain in full force and effect.

8. Letter of Credit Fee. Section 1.14 H. of the Credit Agreement is

hereby amended such that each reference to "55 basis points (0.55%)" is replaced with the term "47.5 basis points (0.475%)." Except as amended hereby, all other terms and conditions of Section 1.14 H. of the Credit Agreement shall remain in full force and effect.

9. Interest Rates Upon Interest Payment Default. Section 1.7 of the

Credit Agreement is amended to add the following subsection G. to read as follows:

G. Interest Rates Upon Interest Payment Default. If the

Borrower defaults in the payment when due of any interest amount due under any Loan, the Interest Rate on the principal amount of such Loan shall be amended, from the date such interest amount was due to the date of actual payment, for each day from and including the date such amount is payable to but excluding the date such amount is paid, at a rate equal to the Prime Rate from time to time in effect, plus two percent (2%). Imposition of this rate of interest shall be in addition to any other remedies available to the Banks under Article VIII hereunder. So long as the principal amount of any such Loan is not accelerated by the Agent, upon payment of the interest payment(s) then in default, the Interest Rate on such Loan shall revert back to the applicable Interest Rate on such Loan to be charged on such Loan in the absence of such interest payment default.

10. Audited Financial Statements. Section 6.1 A.(iii) of the Credit

Agreement is hereby amended as follows: (a) the requirement that the Borrower submit an audited consolidating balance sheet of the Borrower and its Subsidiaries is hereby deleted, and (b) all opinions of the accountants preparing such audited financial statements, whether by Deloitte & Touche, LLP or other independent public accountants as may be approved by the Banks, shall be "unqualified" as to any of the matters stated therein. Except as amended hereby, all other terms and conditions of Section 6.1 A.(iii) of the Credit Agreement shall continue in full force and effect.

11. Dividends; Redemptions. Section 7.8 B. of the Credit Agreement is

hereby amended to delete the second paragraph of such section (which begins with "On or after the date, ...") in its entirety.

12. Definitions. The following definitions in Article IX of the Credit

Agreement shall be amended as follows:

(a) The definition for "Contingent Liabilities" is hereby

amended in its entirety as follows:

"Contingent Liabilities": shall mean, (i) Indebtedness of any Person (other than the Borrower or any of its Subsidiaries), (1) that the Borrower or any of its Subsidiaries are contingently or directly liable under any partnership or joint venture agreement, or (2) that is assumed, endorsed, guaranteed or co-signed, directly or indirectly, by the Borrower or any of its Subsidiaries; and (ii) any contingent liability of the Borrower or any of its Subsidiaries arising from any litigation that, pursuant to FASB Statement No. 5 (or any successor thereto), is required to be reported in the notes to the Borrower's consolidated financial statements referred to in Section 6.1A(iii) hereof.

(b) The definition for "Excluded Liabilities" is hereby

deleted in its entirety.

13. Reallocation of Existing Loans.

(a) If on the date hereof there shall be any outstanding Prime Loans, on the date hereof with respect to each such Loan, as conditions to the effectiveness of this Agreement:

(i) Not later than 8:00 a.m., Hawaii Standard Time, the Agent shall advise each Bank of such Bank's Proportional Share of such outstanding Loans determined in accordance with the Commitments set forth on Schedule I attached hereto (the "Revised Proportional Share") and the amount by which such Bank's Revised Proportional Share exceeds or is less than such Bank's Proportional Share determined in accordance with the Commitments set forth on Schedule I attached to the Credit Agreement (the "Former Proportional Share").

(ii) To the extent that any Bank's Revised Proportional Share exceeds such Bank's Former Proportional Share, such Bank shall, not later than 10:00 a.m., Hawaii Standard Time, provide to the Agent at its office specified in the Credit Agreement, immediately available funds in Dollars in such amount in accordance with the Credit Agreement.

(iii) To the extent that any Bank's Former Proportional Share exceeds such Bank's Revised Proportional Share, the Agent shall, not later than 12:00 noon, Hawaii Standard Time, provide to such Bank immediately available funds in Dollars in such amount in accordance with the Credit Agreement.

(b) If on the date hereof there shall be any outstanding Eurodollar Loans, each such outstanding Eurodollar Loan shall remain in effect until the expiration date(s) of the current related Eurodollar Interest Period(s). If the Borrower has elected, pursuant to Section 1.7 B. of the Credit Agreement, to extend such Loan(s), such outstanding Loan(s) shall be reallocated and repaid in the manner specified in Subsections (i) through (iii) below. Any such Loan(s) converted to a Prime Loan pursuant to said Section 1.7 B. shall be reallocated and repaid in the manner specified in Subsections (i) through (iii) of Section 13(a) above, on the last day of the relevant Eurodollar Interest Period.

(i) Not later than 8:00 a.m., Hawaii Standard Time, on the second Domestic Business Day or Eurodollar Business Day, as applicable, prior to the last day of the relevant Eurodollar Interest Period, the Agent shall advise each Bank of such Bank's Revised Proportional Share of such outstanding Loan and the amount by which such Bank's Revised Proportional Share exceeds or is less than such Bank's Former Proportional Share.

(ii) To the extent that any Bank's Revised Proportional Share exceeds such Bank's Former Proportional Share, such Bank shall, not later than 10:00 a.m., Hawaii Standard Time, on the last day of such Eurodollar Interest Period, provide to the Agent at its office specified in the Credit Agreement, immediately available funds in Dollars in such amount in accordance the Credit Agreement.

(iii) To the extent that any Bank's Former Proportional Share exceeds such Bank's Revised Proportional Share, the Agent shall, not later than 12:00 noon, Hawaii Standard Time, on the last day of such Eurodollar Interest Period, provide to such Bank immediately available funds in Dollars in such amount in accordance the Credit Agreement.

14. Restructuring Fee. On the Effective Date or execution date of this Amendment, whichever is earlier, the Borrower shall pay to the Agent the Restructuring Fee in accordance with Section 1.3 B. of the Credit Agreement, which fee shall be equal to 0.05% of \$200,000,000.00, or \$100,000.00.

15. Miscellaneous.

(a) Confirmation of Warranties and Covenants: No Event of Default. All of the continuing warranties of the Borrower contained in the

Credit Agreement, are hereby confirmed and reaffirmed by the Borrower as being true, valid and correct as of the date of this Amendment. The Borrower further represents and warrants that:

(i) The consolidated financial statements of the Borrower as of and for the year ended December 31, 2003, as audited by Deloitte & Touche, LLP, and the consolidated unaudited financial statements of the Borrower as of June 30, 2004, which statements are duly certified by the Chief Financial Officer of the Borrower, are complete, correct and present fairly the financial position and results of operations as of or for the periods indicated, all in accordance with GAAP applied on a consistent basis, except as set forth in the notes thereto.

(ii) no Event of Default exists as of the date of this Amendment.

(b) No Offsets or Defenses; Waiver. As of the date hereof, the Borrower has no claims, defenses or offsets against the Agent, the Banks or against the Borrower's obligations under the Credit Agreement, as herein amended, whether in connection with the negotiations for or closing of the

Credit Agreement, of this Amendment, or otherwise, and if any such claims, defenses or offsets exist, they are hereby irrevocably waived and released.

(c) Full Force and Effect. The provisions of the Credit

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Agreement and of the Notes, as previously amended, are hereby amended to conform with this Amendment but in all other respects the provisions of the Credit Agreement and the Notes, as previously amended and as amended by this Amendment, shall continue in full force and effect.

(d) Rights of the Banks. This Amendment is made on the express

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condition that nothing contained herein shall in any way be construed as affecting, impairing, or waiving any rights of the Banks under the Credit Agreement.

(e) Bind and Inure. This Amendment shall be binding upon and

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inure to the benefit of the Banks, the Borrower and their respective successors and assigns, provided, that the Borrower may not transfer any rights or obligations under this Amendment without the prior written consent of the Banks.

(f) Applicable Law; Severability. This Amendment shall be

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governed by and interpreted in accordance with the laws of the State of Hawaii. If any provision of this Amendment is held to be invalid or unenforceable, the validity or enforceability of the other provisions shall remain unaffected.

(g) Paragraph Headings. The headings of paragraphs in this

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Amendment are inserted only for convenience and shall in no way define, describe, or limit the scope or intent of any provision of this Amendment.

(h) Counterparts and Facsimile Signatures. The parties to this

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Amendment agree that this Amendment may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same agreement, binding all of the parties hereto, notwithstanding all of the parties are not signatory to the original or the same counterparts. In making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. For all purposes, including, without limitation, recordation and delivery of this Amendment, duplicate unexecuted and unacknowledged pages of the counterparts may be discarded and the remaining pages assembled as one document. The submission of a signature-page transmitted by facsimile or telecopy (or similar electronic transmission facility) shall be fully binding and in full effect for all purposes under this Amendment. In such event, original signature pages shall be delivered within a reasonable time and substituted for the facsimile signature pages in the counterpart copies upon receipt.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALEXANDER & BALDWIN, INC.

By /s/ Christopher J. Benjamin

-----  
CHRISTOPHER J. BENJAMIN  
Its Vice President and  
Chief Financial Officer

By /s/ Thomas A. Wellman

-----  
THOMAS A. WELLMAN  
Its Vice President, Controller and  
Treasurer

"Borrower"

FIRST HAWAIIAN BANK,  
as a Bank and as Agent  
Corporate Hawaii Division  
999 Bishop Street, 11th Floor  
Honolulu, Hawaii 96813  
Att'n: Mr. Alan Arizumi  
Vice President  
Telephone: (808) 525-6203  
Facsimile: (808) 525-6200

By /s/ Alan H. Arizumi

-----  
ALAN H. ARIZUMI  
Its Vice President

BANK OF AMERICA, N.A.  
WA1-501-35-01  
800 Fifth Avenue, 35th Floor

Seattle, Washington 98104  
Att'n: Mr. Mark N. Crawford  
Senior Vice President  
Telephone: (206) 358-8945  
Facsimile: (206) 585-1794

By /s/ Mark N. Crawford

-----  
Its Senior Vice President

BANK OF HAWAII  
130 Merchant Street, 20th Floor  
Honolulu, Hawaii 96813  
Att'n: Mr. James Karnowski  
Telephone: (808) 537-8689  
Facsimile: (808) 537-8301

By /s/ James Karnowski

-----  
Its Vice President

THE BANK OF NEW YORK  
10990 Wilshire Boulevard  
Suite 1125  
Los Angeles, California 90024  
Att'n: Ms. Jennifer Ellerman  
Vice President  
Telephone: (310) 996-8677  
Facsimile: (310) 996-8667

By /s/ Jennifer Ellerman

-----  
Its Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION  
MAC A0112-101  
550 California Street, 10th Floor  
San Francisco, California 94104  
Attn: Mr. Jeff Bailard  
Vice President  
Telephone: (415) 396-1648  
Facsimile: (415) 989-4319

By /s/ Jeff Bailard

-----  
Its Vice President

AMERICAN SAVINGS BANK, F. S. B.  
P. O. Box 2300  
Honolulu, Hawaii 96804-2300  
Attn: Mr. Carl A. Morita  
Telephone: (808) 539-7631  
Facsimile: (808) 532-7370

By /s/ Carl A. Morita

-----  
Its Vice President

"Banks"

SCHEDULE I

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	Commitment
First Hawaiian Bank	\$ 53,500,000
Bank of America, N.A.	48,500,000
Wells Fargo Bank, National Association	30,000,000
Bank of Hawaii	30,000,000
The Bank of New York	20,000,000
American Savings Bank, F. S. B.	18,000,000

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\$200,000,000

EXHIBIT A  
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REVOLVING CREDIT NOTE

\$ \_\_\_\_\_

Honolulu, Hawaii

\_\_\_\_\_, 2004

ALEXANDER & BALDWIN, INC., a Hawaii corporation (hereafter referred to as the "Borrower"), FOR VALUE RECEIVED, hereby promises to pay to the order of \_\_\_\_\_ (the "Payee") at the offices of First Hawaiian Bank, a Hawaii corporation, located at 999 Bishop Street, Honolulu, Hawaii 96813, the principal sum of \_\_\_\_\_ AND NO/100 DOLLARS (\$ \_\_\_\_\_), on the Termination Date (as defined in the Agreement referred to below) in lawful money of the United States of America and in immediately available funds.

The Borrower promises also to pay interest on the unpaid principal amount thereof in like money and funds at said office from the date hereof until paid at the rates per annum which will be determined in accordance with the provisions of Article I and Article II of the Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Agreement") effective as of November 30, 2001, among the Borrower, the Payee and the other banks party thereto, as the same may be amended from time to time, said interest to be payable at the times provided for in the Agreement.

This Note is one of the Notes referred to in the Agreement and is entitled to the benefits thereof. This Note is subject to prepayment, in whole or in part, as specified in the Agreement. In case an Event of Default, as defined in the Agreement, shall occur and shall be continuing, the principal of and accrued interest on this Note may become due and payable in the manner and with the effect provided in the Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Hawaii.

ALEXANDER & BALDWIN, INC.

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

LOAN AND REPAYMENT SCHEDULE  
REVOLVING CREDIT NOTE

(Use this section when evidencing a Eurodollar Loan)

Eurodollar Loans

Rate	When Made	Term	Amount	Maturity Date	Amount and date of Principal Repayment (including amounts converted)	Amount and date of Interest Payment	Notation Made By
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(Use this section when evidencing Prime Rate Loan)

Prime Rate Loans

Rate	When Made	Term	Amount	Maturity Date	Amount and date of Principal Repayment (including amounts converted)	Amount and date of Interest Payment	Notation Made By
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EXHIBIT B

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TERM NOTE

\$ \_\_\_\_\_

Honolulu, Hawaii  
January 1, \_\_\_\_\_

ALEXANDER & BALDWIN, INC., a Hawaii corporation (hereafter referred to as the "Borrower"), for value received, hereby promises to pay to the order of \_\_\_\_\_ (the "Payee") at the offices of FIRST HAWAIIAN BANK, a Hawaii corporation, located at 999 Bishop Street, Honolulu, Hawaii, 96813, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), in lawful money of the United States of America and in immediately available funds, in four consecutive substantially equal quarterly installments of \$ \_\_\_\_\_, which installments shall be payable on the first Business Day of the immediately subsequent months of April, July, October and January, commencing April \_\_\_\_, \_\_\_\_; provided, however, that the last such installment due on January \_\_\_\_, \_\_\_\_\_, shall be in an amount sufficient to repay in full the unpaid principal amount; and to pay interest from the date hereof on said principal sum, or the unpaid balance thereof, in like money and funds, at said office, at the rates per annum which shall be determined in accordance with the provisions of Articles I and II of the Agreement referred to below, said interest to be payable at the times provided for in the Agreement. All unpaid principal, accrued yet unpaid interest, and all other fees and charges due under this Note shall be due and payable on January \_\_\_\_, \_\_\_\_\_.

This Note is one of the Term Notes referred to in the Third Amended and Restated Revolving Credit and Term Loan Agreement effective as of November 30, 2001, among the Borrower, the Payee, and the other banks party thereto, as the same may be amended from time to time (the "Agreement"), and is entitled to all the benefits provided therein. Reference is made to said Agreement for the rights and obligations of the Borrower, the Payee (as one of the "Banks" defined therein), and First Hawaiian Bank, as Agent, with regard to this Note.

This Note is subject to prepayment, in whole or in part, as specified in the Agreement. In case an Event of Default, as defined in the Agreement, shall occur and shall be continuing, the principal of and accrued interest on this Note may become due and payable in the manner and with the effect provided in the Agreement.

The Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Hawaii.

ALEXANDER & BALDWIN, INC.

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

THIS THIRTEENTH AMENDMENT TO GRID NOTE (this "Amendment") is made on October 19, 2004, and effective as of November 30, 2004, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation, hereinafter called the "Maker," and FIRST HAWAIIAN BANK, a Hawaii corporation, hereinafter called the "Bank";

WITNESSETH THAT;  
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WHEREAS, the Bank extended to the Maker that certain uncommitted line of credit facility in the principal amount not to exceed FORTY MILLION AND NO/100 DOLLARS (\$40,000,000.00) which line of credit is evidenced by that certain Grid Note (the "Note") dated December 30, 1993, with a final maturity of said Note being November 30, 1994; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Amendment to Grid Note dated August 31, 1994, whereby the Note was increased to SIXTY-FIVE MILLION AND NO/100 DOLLARS (\$65,000,000.00), Section 4 of the Note, "Limitation" was deleted in its entirety and replaced, and the Note was extended -----  
to November 30, 1995; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Second Amendment to Grid Note dated March 29, 1995, whereby the Note was decreased to FORTY-FIVE MILLION AND NO/100 DOLLARS (\$45,000,000.00), and Section 4 of the Note, entitled "Limitation" was deleted in its entirety and replaced, -----  
and

WHEREAS, the Maker and the Bank subsequently entered into that certain Third Amendment to Grid Note dated November 17, 1995, that certain Fourth Amendment to Grid Note dated November 25, 1996, that certain Fifth Amendment to Grid Note dated November 28, 1997, and that certain Sixth Amendment to Grid Note dated November 30, 1998, all to extend the Maturity Date of the Note, the latest of which extended such Maturity Date to November 30, 1999; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Seventh Amendment to Grid Note dated November 23, 1999, whereby the Note was extended to November 30, 2000, and with the merger of A&B-Hawaii, Inc. into Alexander & Baldwin, Inc., with Alexander & Baldwin, Inc. being the surviving corporation, the obligations of A&B-Hawaii, Inc. under the Note were terminated, with all references in the Note to the Maker deemed to be references to Alexander & Baldwin, Inc.; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Eighth Amendment to Grid Note dated May 3, 2000, whereby the Note was increased to SEVENTY MILLION AND NO/100 DOLLARS (\$70,000,000.00), and Section 4 of the Note, "Limitation" was deleted in its entirety and replaced; and  
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WHEREAS, the Maker and the Bank subsequently entered into that certain Ninth Amendment to Grid Note dated November 30, 2000, that certain Tenth Amendment to Grid Note dated November 30, 2001, that certain Eleventh Amendment to Grid Note dated November 21, 2002, and that certain Twelfth Amendment to Grid Note dated November 12, 2003, the latest of which extended the Maturity Date of the Note to November 30, 2004; and

WHEREAS, the Maker has requested the Bank to extend the Maturity Date of the Note to January 1, 2006, and to increase the amount available under the credit facility from \$70,000,000.00 to \$78,500,000.00; and

WHEREAS, the Bank has agreed to the Maker's request, and in accordance and as a condition thereto, the Maker and the Bank desire to further amend the Note as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Maker and the Bank agree as follows:

1. The Maturity Date of the Note, as previously amended, shall be and hereby is further amended to provide that all unpaid principal and accrued but unpaid interest shall be due and payable on January 1, 2006, unless sooner due as otherwise provided in the Note.

2. The first full paragraph of the Note is hereby amended to increase the Maximum Commitment from \$70,000,000.00, to SEVENTY-EIGHT MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$78,500,000.00). All references to \$70,000,000.00 in the Note are hereby amended to \$78,500,000.00.

3. Section 4 of the Note, entitled "Limitation," is hereby amended in its entirety to read as follows:

4. Limitation. Notwithstanding any contrary provision  
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hereunder, the aggregate balance of all outstanding advances and all issued and outstanding letters of credit under this Note, PLUS the aggregate balance of all outstanding Loans and Letters of Credit owing by the Maker under First Hawaiian Bank's share of that certain \$200,000,000 credit facility made pursuant to that certain Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of November 30, 2001, as amended from time to time, by and between the Maker, the Bank and the banks that are parties thereto, shall not any

time exceed the aggregate principal sum of \$78,500,000.

4. In all other respects, the Note, as herein amended, shall remain unmodified and in full force and effect, and the Maker hereby reaffirms all of its obligations under the Note, as previously amended, and as amended hereby. Without limiting the generality of the foregoing, the Maker hereby expressly acknowledges and agrees that, as of the date of this Amendment, the Maker has no offsets, claims or defenses whatsoever against the Bank or against any of the Maker's obligations under the Note, as previously amended, and as amended hereby, and that if any such claims, defenses or offsets exist, they are hereby irrevocably waived and released.

5. The Maker has all requisite power and authority to execute this Amendment and to carry out the provisions herein. The execution and delivery of this Amendment by the officers and/or other authorized person(s) specified below has been duly authorized by the Board of Directors of the Maker and no other corporate action of the Maker is requisite to such execution and delivery of this Amendment. Upon execution of this Amendment by such officers and/or authorized person(s), this Amendment, and all provisions contained herein, shall be the due and binding obligations of the Maker.

IN WITNESS WHEREOF, this Thirteenth Amendment to Grid Note is executed by the undersigned parties on the date first above written.

FIRST HAWAIIAN BANK

ALEXANDER & BALDWIN, INC.

By /s/ Alan H. Arizumi

By: /s/ Christopher J. Benjamin

-----  
ALAN H. ARIZUMI  
Its Vice President

-----  
CHRISTOPHER J. BENJAMIN  
Its Vice President and  
Chief Financial Officer

"Bank"

By: /s/ Thomas A. Wellman

-----  
THOMAS A. WELLMAN  
Its Vice President, Controller and  
Treasurer

"Maker"

Certification of Chief Executive Officer and  
Chief Financial Officer Pursuant to  
18 U.S.C. Section 1350, As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Alexander & Baldwin, Inc. (the "Company") for the quarterly period ending September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Allen Doane, as Chief Executive Officer of the Company, and Christopher J. Benjamin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Allen Doane

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Name: Allen Doane  
Title: Chief Executive Officer  
Date: November 1, 2004

/s/ Christopher J. Benjamin

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Name: Christopher J. Benjamin  
Title: Chief Financial Officer  
Date: November 1, 2004