

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

See the condensed statements of income, balance sheets, statements of cash flows and financial notes included in the Alexander & Baldwin, Inc. (the Company) 1995 third quarter interim report. This report is included as Exhibit 20 and is incorporated herein by reference.

The financial information referred to in the preceding paragraph is to be read in conjunction with the following additional financial note:

- (g) As discussed in note (e), XTRA Corporation acquired certain assets and assumed certain liabilities of Matson Leasing Company, Inc. (Matson Leasing), for approximately \$360 million, subject to an independent audit. The condensed statements of income related to the discontinued container leasing segment are presented below (in thousands):

	Three Months Ended September 30		Nine Months Ended September 30	
	1995	1994	1995	1994
Revenue	-	\$16,430	\$35,344	\$46,509
Costs and Expenses	-	(11,952)	(26,780)	(34,624)
Income before Income Taxes	-	4,478	8,564	11,885
Income Tax Expense	-	(1,690)	(3,228)	(4,479)
Net Income	-	\$ 2,788	\$ 5,336	\$ 7,406

Net assets of the discontinued container leasing segment at December 31, 1994 were as follows (in thousands):

Accounts receivable	\$ 13,802
Property, net	305,874
Other assets	1,027
Liabilities	(7,013)
Net assets	\$ 313,690

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

THIRD QUARTER EVENTS:

Operating Results: The third quarter 1995 net income was \$10,345,000, or \$0.23 per share. Net income for the comparable period of 1994 was \$13,812,000, or \$0.30 per share. 1994 third quarter net income included \$2,788,000, or \$0.06 per share, from the operations of Matson Leasing, a subsidiary whose net assets were sold in June 1995.

1995 year-to-date income was \$42,381,000, or \$0.93 per share, versus \$51,657,000, or \$1.12 per share, for the first nine months of 1994. 1995 income included \$5,336,000, or \$0.12 per share, for the discontinued operations of Matson Leasing and a gain of \$17,206,000, or \$0.38 per share, on its sale. Net income for the first nine months of 1994 included \$7,406,000, or \$0.16 per share, for the discontinued operations. 1995 nine-months results included an after-tax charge of \$5,050,000, or \$0.11 per share, for closing unprofitable sugar-growing operations at the Company's plantation on the island of Kauai. This charge was recorded in the second quarter of 1995 and is discussed in greater detail below.

Labor Relations: On September 8, 1995, the members of the Sugar Workers Union No. 1, AFL-CIO Seafarers International Union of North America, went on strike at California and Hawaiian Sugar Company, Inc.'s (C&H) principal sugar refinery located in Crockett, California. A settlement of the strike was reached on October 17, 1995 when the union voted to accept a new three-year contract. During the strike, all operations at the C&H refinery were shut down. Full refinery operations had resumed by October 20, 1995. The main impacts of the strike were lower quarterly revenue and an increased loss for the food products segment. The estimated negative impact from the strike on the third quarter operating profit was about \$2 million. During the strike, C&H increased its borrowing under its short-term commercial paper notes in order to fund advances to growers and other ongoing charges.

Discontinued Operations: As described in notes (e) and (g) to the financial statements, on June 30, 1995, the containers and certain other assets of Matson Leasing were sold to XTRA Corporation, and certain liabilities of Matson Leasing were assumed by XTRA Corporation, for approximately \$360 million. Specifically excluded from the transaction were Matson Leasing's long-term debt and U.S. tax obligations. The proceeds from the sale have been principally used to repay

debt, to pay tax obligations and to fund capital needs of Matson Navigation Company, Inc. (Matson).

Pacific Alliance: In April 1995, the Company and American President Companies, Ltd. announced that their respective shipping subsidiaries had signed a memorandum of understanding that outlined a 10-year strategic operating alliance. The two companies subsequently entered into an "Agreement to Implement the Execution and Closing of the Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement" dated September 22, 1995 (included as Exhibit 10.a.(xxix) to the Form 10-Q). This agreement contemplates Matson's purchase of six containerships and certain assets on Guam from American President Lines, Ltd. (APL) for approximately \$163 million and the sharing of cargo-carrying capacity for five Matson vessels, including four of the ships acquired from APL. Under a separate proposed vessel-sharing agreement, Matson would operate and utilize five vessels on westbound voyages from the U. S. Pacific Coast to Hawaii and Guam and make the vessels' space available to APL for return eastbound voyages from the Far East. A partial closing of the transaction involving one vessel is scheduled in December 1995, with the remaining portion of the transaction expected to close in January 1996. Funds for the ship purchases are expected to come from the proceeds from the sale of Matson Leasing's net assets. The new Alliance service would begin in early 1996.

Stock Repurchases: There were no repurchases of the Company's common stock during the third quarter of 1995. On October 2, 1995, the Company repurchased 261,434 shares of its common stock, bringing the 1995 repurchases to 511,434 shares. The Company has repurchased a total of 1,233,934 shares for \$29.3 million since the two million share repurchase program was authorized by the Board of Directors in December 1993.

Other: In September 1995, the Company began implementing cost control initiatives affecting all segments of its businesses. Included in these initiatives are the sale of an airplane, the freezing of executive salaries, the elimination of Company-owned executive automobiles, staff reductions and process improvements. Total Company-wide staff reductions among non-bargaining personnel are expected to be approximately 120 positions. This represents approximately ten percent of the Company's non-bargaining unit work force. These staff reductions are expected to be accomplished through layoffs, attrition and retirements, and exclude reductions associated with the sale of Matson Leasing and the phasing out of sugar operations on Kauai. In October, the Company eliminated 40 non-bargaining unit positions from its corporate headquarters, its real-estate business and its Maui sugar plantation and trucking businesses.

FINANCIAL CONDITION AND LIQUIDITY:

The Company's principal liquid resources, comprising cash and cash equivalents, trade receivables, sugar inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled \$440.4 million at September 30, 1995, an increase of \$12.4 million from December 31, 1994 (after restating the balance sheet to reflect the discontinued operations of Matson Leasing). The \$12.4 million increase resulted from a \$43.6 million increase in cash and cash equivalents and a \$28.9 million increase in receivables, partially offset by an increase of \$23.2 million in accrued deposits to the CCF, a \$20.8 million reduction in available unused lines of credit and a \$16.1 million reduction in sugar inventories. The increase in cash and cash equivalents, the increase in accrued deposits to the CCF and the reduction of available credit facilities were primarily the result of cash available following the sale of Matson Leasing's net assets. Receivables increased primarily due to an \$18 million increase in amounts advanced by the Company to Hawaii sugarcane growers and increases in trade receivables. The increased receivables were primarily in the ocean transportation segment. The advances to growers consist of payments made to the Hawaii sugarcane growers, pursuant to a supply with the Company. The Company makes advances to the growers as they produce sugarcane for future delivery to C&H. The advances are later deducted from the Company's actual purchase price of the raw sugar.

Working capital totaled \$66.8 million at September 30, 1995, an increase of \$8.8 million from that at 1994 year-end (after restating the balance sheet to reflect the discontinued operations of Matson Leasing). This increase was primarily due to the previously mentioned increase of \$43.6 million in cash and cash equivalents, the \$28.9 million increase in receivable balances and the reduction of \$15.9 million in trade accounts payable, partially offset by the previously mentioned \$23.2 million increase in accrued deposits to the CCF, an increase of \$25 million in short-term commercial paper borrowing, a \$15 million reduction in sugar and materials and supplies inventories and an \$8.6 million reduction in current deferred income tax assets. Approximately \$10.9 million of the increase in the trade receivable balances was due to normal business fluctuations. The remaining \$18 million increase in the receivable balance resulted from the increased advances to sugarcane growers as noted in the previous paragraph. The reduction in inventories and the increase in short-term commercial paper borrowing resulted from seasonal business activities in the food products segment and from the C&H strike. The increase in cash and cash equivalents and the decrease in payables were residual impacts of the cash received from the sale of Matson Leasing's net assets.

RESULTS OF SEGMENT OPERATIONS - THIRD QUARTER 1995 COMPARED WITH THE THIRD QUARTER 1994:

The following analysis is based on a comparison of third quarter 1995 results with those for third quarter 1994, which have been restated to reflect the sale of Matson Leasing.

Ocean Transportation

For the third quarter of 1995, ocean transportation revenue of \$150.5 million declined three percent compared with 1994 third quarter levels. Operating profit, however, of \$26.6 million was 20 percent higher than in the third quarter of 1994.

The revenue decline was attributable primarily to lower container cargo volume in the Hawaii service. Hawaii container volume in the third quarter declined nine percent compared with the third quarter of 1994. Automobile volume declined 18 percent during that same period. Both of these declines reflect the continuing weaknesses in certain sectors of Hawaii's economy, most notably construction and sales of automobiles and durable goods.

The increase in operating profit was primarily due to greater interest income, lower fuel prices, reduced operating and overhead expenses and improved results in the Pacific Coast Shuttle Service, partially offset by the previously mentioned lower cargo volume in the Hawaii service. Interest income increased because Matson Leasing sales proceeds increased short term investments.

During the third quarter, as part of the Company's cost reduction efforts noted earlier, the customer service operations of this segment began relocation to be consolidated and relocated to Phoenix, Arizona. Additional cost control initiatives are being undertaken to improve operating results.

Revised Federal Maritime Commission (FMC) guidelines for determining a just and reasonable rate of return for the ocean transportation business became effective on October 5, 1995. The changes to the FMC's guidelines are not expected to have a material impact on the segment's future operating results.

Property Development and Management - Leasing

For the third quarter of 1995, property leasing revenue of \$8.7 million increased five percent and operating profit of \$6 million increased six percent compared with 1994 third quarter levels. The increases were attributable primarily to the start of ground lease revenue for a new Costco facility on Maui and higher contributions from Mainland property leases. Property leasing operations also benefited from the second quarter purchase of two shopping centers, one near Reno, Nevada and the other in Greely, Colorado, using the tax-deferred proceeds from a 1994 sale of a Denver shopping center.

Property Development and Management - Sales

Total third-quarter 1995 property sales revenue was \$2.4 million, a slight increase from the \$2.1 million recorded in the third quarter of 1994. Operating profit for the quarter, however, was about half of the 1994 third quarter amount. Sales in the third quarter of 1995 included 15 residential subdivision lots and condominium units, versus 20 subdivision lots in the same quarter of 1994. The lower operating profit was the result of the sales mix because the sales of subdivision lots have a greater profit margin than do those of developed condominium units.

Food Products

For the third quarter of 1995, food products revenue of \$83.9 million decreased nearly 30 percent compared with 1994 third quarter levels. The third quarter operating loss was \$4.3 million compared with an operating loss of \$1.4 million in the third quarter of 1994.

The previously discussed strike by members of the Sugar Workers Union No. 1, AFL-CIO Seafarers International Union of North America, resulted in closure of C&H's primary refinery for nearly a month. As a consequence, sales of refined sugar during September declined sharply. Approximately \$2 million of the segment's operating loss was attributable to the strike. The continuing high raw sugar costs, which reached a 14-year high, and depressed refined sugar prices also continued to pressure operating margins at C&H. The results of operations at the Company's Hawaii sugar plantations were lower than in the third quarter of 1994 due to higher raw sugar production costs per ton, a consequence of lower yields.

A further discussion of the Company's efforts to improve this segment's results is included in the analysis of year-to-date results.

OTHER ANALYSIS:

Interest Expense

For the third quarter of 1995, reported interest expense was \$9,513,000, compared with \$6,457,000 for the third quarter of 1994. As described in financial note (f), interest expense of Matson Leasing had been classified as an operating expense prior to the sale of the business. Since the long-term debt of Matson Leasing was not assumed by XTRA Corporation, the debt reverted to Matson and a portion of the debt was repaid during the third quarter. Interest on the remaining debt, from July 1, 1995 forward, has been classified as interest expense. Gross interest expense for the third quarter of 1994, before reclassifying Matson Leasing's interest as operating expense, was \$9,787,000.

RESULTS OF SEGMENT OPERATIONS - FIRST NINE MONTHS OF 1995 COMPARED WITH THE FIRST NINE MONTHS OF 1994:

The following analysis is based on a comparison of the results for the first nine months of 1995 with the results for the first nine months of 1994, which have been restated to reflect the sale of Matson Leasing.

Ocean Transportation

For the first nine months of 1995, compared with the same period of 1994, ocean transportation revenue declined by about one percent, from \$450.4 million to \$445.2 million. 1995 operating profit of \$64.5 million declined by 13 percent compared with 1994, primarily due to lower cargo and higher fuel prices during the first half of the year. During the first nine months of 1995, Hawaii container cargo declined eight percent and automobile volume declined seven percent.

Property Development and Management - Leasing

Property leasing revenue of \$25.3 million for the first nine months of 1995 increased slightly compared with 1994, but operating profit fell three percent, between the same periods, to \$17.2 million. The reduction in operating profit was the result of the late 1994 sale of a Denver shopping center, the tax-deferred proceeds of which were not reinvested until late in the second quarter of 1995. In addition, the Costco ground lease, which was discussed earlier, did not commence until the third quarter of 1995.

Occupancy rates for the U.S. Mainland property portfolio averaged 97 percent at the end of the third quarter, compared with 96 percent a year earlier. Hawaii occupancy rates, however, weakened slightly to 90 percent at September 30, 1995, compared with 93 percent a year earlier. This weakening was the result of the continued soft Hawaii economy.

Property Development and Management - Sales

Property sales revenue of \$9.4 million for the first nine months of 1995 was lower than the \$14.8 million recorded during the first nine months of 1994. Operating profit from property sales for the first nine months of 1995 was about one-third of that for the comparable period of 1994.

1994 year-to-date results included the sale of two prime, undeveloped acres of land near the harbor at Kahului, Maui. No similar undeveloped land sales occurred in the first nine months of 1995. Also during the first nine months of 1995, 29 residential subdivision lots and condominium units were sold, compared with the sales of 32 subdivision lots during the same period of 1994.

The mix of property sales in any given period can be diverse. These sales can include property sold under threat of condemnation, developed residential real-estate, commercial properties, developable subdivision lots and undeveloped land. The sale of undeveloped land and subdivision lots generally contribute more to operating profit than the sale of developed and commercial property, due to the low cost basis of Hawaii land in the Company's accounting records. The Company's historical Hawaii land cost is approximately \$145 per acre. Consequently, property sales revenue trends and the current asset balance of property held for sale are not necessarily indicators of future profitability for this segment.

Food Products

Revenue for the first nine months of 1995 was \$280.3 million, compared with \$307.6 million for the comparable period of 1994. The lower revenue was mainly due to the C&H strike. For the first nine months of 1995, the food products operating loss was \$19.6 million, compared with an operating loss of \$1.5 million for the first nine months of 1994.

In June 1995, the Company began the closure of its sugar plantation on Kauai. The final sugarcane harvest for the plantation is expected to be completed in September 1996. Pre-tax closure costs of \$8.1 million were recorded in the second quarter of the year, contributing to the significant loss in the food products segment for the year.

The principal components of the \$8.1 million closure cost included the write-off of the Koloa factory and other sugar-related fixed assets, materials and supplies inventories, severance costs (determined by bargaining unit contracts and Company policies), and self insurance medical and workers compensation costs, partially offset by pension and post-retirement benefit plan curtailment gains. Approximately 200 employees will be laid-off during the closure process. Sugar production is continuing at the Company's Maui plantation.

Also contributing to the current year operating loss were lower yields at the Company's Maui sugar plantation, increases in raw cane sugar prices, relatively low refined sugar prices, and the strike by a C&H labor union.

As discussed in the 1994 Annual Report to Shareholders, management is concerned about the significant losses in this business segment and is actively working to return the operating results to acceptable levels.

Recently, due to the declining sugar yields at the Company's Maui plantation, a task force, comprised of industry specialists, was formed to study this problem and to make recommendations to the Company. Results of this study indicate that the yield declines are temporary and have been caused by water and fertilizer deficiencies which are correctable. The lower yields, however, may continue into 1996 due to the two-year crop cycles of Hawaiian sugarcane. Since the Company's acquisition of C&H, a number of initiatives are underway or have been implemented to lower costs and increase revenue in the sugar refining operation. Construction is continuing, by a third party, of a 240 megawatt cogeneration plant adjacent to C&H's primary refinery in Crockett, California. When operational in 1996, the plant will be used to power the C&H refinery, significantly reducing its energy costs. Operating improvements are also being made within the refinery. These improvements will increase its capacity to

handle foreign sugar and will upgrade several packaging lines. Opportunities for product expansions continue to be evaluated.

Unlike other types of commodity-oriented businesses, the price support mechanisms of the current sugar program limit the ability of refined sugar prices to move in parallel with the changes in raw sugar prices. With raw sugar prices having reached a 14-year high during the year and relatively low refined prices continuing, the prospects for profitability of this segment are reduced significantly. The ineffective administration of the current support program, combined with an excess supply of beet sugar, continue to place severe pressure on the sugarcane refining margins of the Company.

The Company's sugar producing and refining businesses may be impacted significantly by the farm legislation which is currently being considered by Congress. The impact of these deliberations on the Company's operations cannot be projected at this time. Management believes that this impact could be material to the future prospects for the Company's cane sugar refining and growing operations. The Company is actively participating with industry groups and Congressional representatives on issues related to sugar legislation.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10. Material contracts.

10.a.(xxix) Agreement to Implement the Execution and Closing of Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement between Matson Navigation Company, Inc. and American President Lines, Ltd., dated as of September 22, 1995.

11. Statement re computation of per share earnings.

20. Report furnished to security holders.

(i) Condensed Balance Sheets, Condensed Statements of Income, Condensed Statements of Cash Flows and Financial Notes as appearing in the Alexander & Baldwin, Inc. Interim Report/Third Quarter 1995.

27. Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter.

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 13, 1995

/s/ Glenn R. Rogers

Glenn R. Rogers
Vice President and Chief
Financial Officer

Date: November 13, 1995

/s/ G. Stephen Holaday
G. Stephen Holaday
Vice President and Controller

AGREEMENT TO IMPLEMENT
THE EXECUTION AND CLOSING OF
VESSEL PURCHASE, PURCHASE OF GUAM ASSETS AND
ALLIANCE SLOT HIRE AGREEMENT

BY AND BETWEEN

MATSON NAVIGATION COMPANY, INC.

AND

AMERICAN PRESIDENT LINES, LTD.

DATED SEPTEMBER 22, 1995
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LIST OF APPENDICES, SCHEDULES AND EXHIBITS

APPENDICES

Appendix 1 - DEFINITIONS

SCHEDULES

Schedule 1(a) - Requisite Work on the Alliance Vessels

Schedule 1(b) - Responsibility and Schedule

EXHIBITS

Exhibit A - Vessel Purchase Agreement

Exhibit B - Interim Bareboat Charter Agreement

Exhibit C - Guam Asset Purchase Agreement

Exhibit D - Alliance Slot Hire Agreement

Exhibit E - Reliance

Exhibit F - APL Consents

AGREEMENT TO IMPLEMENT
THE EXECUTION AND CLOSING OF
VESSEL PURCHASE, PURCHASE OF GUAM ASSETS AND
ALLIANCE SLOT HIRE AGREEMENT

THIS AGREEMENT TO IMPLEMENT THE EXECUTION AND CLOSING OF VESSEL PURCHASE, PURCHASE OF GUAM ASSETS AND ALLIANCE SLOT HIRE AGREEMENT (this "Agreement") is entered into as of September 22, 1995 by and between MATSON NAVIGATION COMPANY, INC., a Hawaii corporation ("Matson"), and AMERICAN PRESIDENT LINES, LTD., a Delaware corporation ("APL").

RECITALS

A. Certain capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in Appendix 1.

B. APL is the owner of the Vessels. Matson desires to purchase the Vessels from APL and APL desires to sell the Vessels to Matson, in connection with all the transactions contemplated by this Agreement, and in accordance with the terms and conditions of this Agreement and the Vessel Purchase Agreement ("VPA"), substantially in the form attached hereto as Exhibit A.

C. Upon Matson's purchase of the Vessels and pending consummation of all other transactions contemplated by this Agreement, APL desires to charter the Vessels from Matson, and Matson desires to charter the Vessels to APL, on a demise basis, in connection with all the transactions contemplated by this Agreement, and in accordance with the terms and conditions of this Agreement and the Interim Bareboat Charter Agreement ("IBCA"), substantially in the form attached hereto as Exhibit B.

D. APL is the owner of certain Guam assets. Matson desires to purchase such assets from APL and APL desires to sell such assets (the "Guam Sale Assets") to Matson, in connection with all the transactions contemplated by this Agreement, and in accordance with the terms and conditions of this Agreement and the Guam Asset Purchase Agreement ("GAPA"), the terms and conditions of which are to be determined by the parties as set forth herein and to be attached hereto as Exhibit C.

E. Matson desires to operate and APL desires to charter space on four (4) of the Vessels, the PRESIDENT LINCOLN, Official No. 651627, the PRESIDENT WASHINGTON, Official No. 653424, and the PRESIDENT MONROE, Official No. 655397, and a C-8 Vessel to be mutually designated by the parties by October 16, 1995, together with the containership R.J. PFEIFFER, Official No. 979814, owned by Matson (collectively referred to herein as the "Alliance Vessels"), in connection with all the transactions contemplated by this Agreement, and in accordance with the terms and conditions of this Agreement, the Alliance Slot Hire Agreement (the "Alliance Agreement"), substantially in the form attached hereto as Exhibit D, and the Matson-APL Space Sharing Agreement, FMC No. 203-011506 (the "MASSA"), heretofore entered into by the parties on July 12, 1995 and filed on July 13, 1995 with the United States Federal Maritime Commission ("FMC"), which is implemented by the Alliance Agreement, and which became effective as of August 25, 1995.

F. Matson and APL desire to enter into this Agreement in order to set forth (i) the conditions to each party's obligation hereunder to execute, deliver and implement each of (A) the VPA, (B) the IBCA, (C) the GAPA, (D) the Alliance Agreement and (E) other written agreements and procedures which the parties by mutual agreement may from time to time expressly designate as ancillary alliance agreements (the "Ancillary Alliance Agreements") (items (A), (B), (C), (D) and (E) are collectively referred to herein as the "Related Agreements"), (ii) certain warranties, representations and covenants by each of the parties with respect to the transactions contemplated by the Related Agreements, and (iii) the rights and obligations of each party pending consummation of all of the transactions contemplated by this Agreement and the Related Agreements.

NOW, THEREFORE, in consideration of the Recitals and of the respective covenants, representations and agreements herein contained, and intending to be legally bound, Matson and APL agree as follows:

SECTION 1.
EXECUTION AND CLOSING OF THE VPA

1.1 VPA EXECUTION.

(A) VPA EXECUTION DATE. Subject to the satisfaction of the conditions set forth in SECTIONS 1.1(b) and 1.1(c) hereof, Matson and APL shall execute and deliver the VPA on or about January 2, 1996, unless otherwise agreed by the parties, but in no event later than January 15, 1996, unless otherwise agreed by the parties (the "VPA Execution Date").

(B) MATSON EXECUTION CONDITIONS. The obligation of Matson to execute and deliver the VPA shall be subject to the following conditions having been satisfied in all material respects or waived in writing by Matson as of the VPA Execution Date:

(i) APL Warranties and Representations. Each of the warranties and representations of APL set forth in SECTION 5 of this Agreement

- are true and correct in all material respects.
- (ii) No Material Breach. No event or condition shall have occurred or exist which constitutes, or with the passage of time or the giving of notice or both would constitute, a default by APL of any of its material obligations under this Agreement, or any other Related Agreement (whether or not executed and delivered prior to or on the VPA Execution Date).
- (iii) No Adverse Event. None of the following (other than as a result of an event set forth in SECTION 1.1(b)(i) or (ii) hereof) shall have occurred and be continuing: (A) any two C-8 Vessels or any one C-9 Vessel shall become an actual, constructive or agreed or compromised total loss, or the use thereof shall have been requisitioned, seized or otherwise taken by any governmental authority (any such event referred to herein as a "Total Loss"); or (B) any remaining Vessel, in the event there has been a Total Loss of a C-8 Vessel, or any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, shall have suffered any material casualty or breakdown, or shall not be capable of operating in a manner consistent with recent operating history, in each case which condition cannot be repaired by APL prior to March 31, 1996; or (C) since the date of this Agreement, the enactment of any law, promulgation of any regulation or rule, or the written determination or finding of any governmental entity having jurisdiction, or, in the case of the United States Coast Guard, a failure to document the Vessels in Matson's name for operation in the United States coastwise and foreign trades other than by reason of Matson failing to be a citizen of the United States within the meaning of applicable law and regulation for purposes of such documentation ("Governmental Action") (in the case of the United States Coast Guard and United States Customs, such Governmental Actions to be limited to those that relate to actions by such entities taken between 1981 and 1985 relating to the three C-8 class Vessels, and to such documentation) which prevents or materially and substantially impairs the realization by Matson of any of the material benefits intended to be conferred on Matson by this Agreement and the Related Agreements; or (D) any material strike, lockout or other labor disturbance which prevents or materially and substantially impairs the realization by Matson of any of the material benefits intended to be conferred on Matson by this Agreement or the Related Agreements; or (E) by reason of an Excepted Cause (as defined in Section 4.1(d) of the Alliance Agreement), all of the Alliance Vessels shall be prevented from calling at (1) all ports in Hawaii which are capable of serving the Alliance Vessels, or (2) all ports in Guam which are capable of serving the Alliance Vessels, or (3) all ports in California which are capable of serving the Alliance Vessels.
- (iv) Approvals. Matson shall have received evidence to its satisfaction that the following events have occurred or, if applicable, have not been rescinded or changed: (A) the waiting period under the HSR Act shall have expired, (B) the MASSA shall have become effective pursuant to the Shipping Act of 1984, (C) the Board of Directors of APL shall have approved the execution and delivery of this Agreement and the Related Agreements, (D) there shall have been obtained or done all approvals, consents, orders or other acts of governments or government agencies required by applicable law, regulation or contract for Matson or APL to enter into, consummate and perform all operations and obligations contemplated by this Agreement and the Related Agreements, (E) Matson shall have received satisfactory determinations, consents, approvals, concurrences and waivers from the United States Maritime Administration ("MARAD") regarding computation of repayments, duration of restrictions, and coastwise service waivers with respect to the Vessels under the Construction-Differential Subsidy ("CDS") laws, regulations and contracts, and the inclusion of the Vessels of the C-9 class as agreement vessels and computation of liquidated damages for contemplated Vessel use, under Matson's Capital Construction Fund ("CCF") agreement with MARAD, and (F) APL shall have obtained all approvals referred to in SECTION 1.1(c)(iv) hereof.
- (v) Lack of Restrictions. The Vessels are, except as set forth in the CDS Contracts for the Vessels and in the CCF regulations as they affect the Vessels, unrestricted and specifically qualified to operate in the United States domestic, coastwise and foreign trades.
- (vi) APL and Matson shall have agreed upon the form and substance of all Ancillary Alliance Agreements which either of them wishes to enter into or identify as such on or prior to the VPA Execution Date, and all appendices to the Alliance Agreement, concerning practices, procedures and other matters relating to the Alliance Agreement performance.
- (vii) By November 1, 1995, APL and Matson shall have agreed upon the form and substance of Exhibit E.
- (viii) By October 16, 1995, APL and Matson shall have agreed in writing on: (A) the form and substance of (1) the GAPA, (2) all appendices, exhibits and schedules which are not included, or are marked "To Be Completed," in this Agreement or in the copies of

the VPA, the IBCA and the Alliance Agreement which are attached as Exhibits to this Agreement, (3) the manner in which all blanks in this Agreement and its appendices, exhibits and schedules and in the copies of the VPA, the IBCA and the Alliance Agreement, which are attached as Exhibits to this Agreement and their respective appendices, exhibits and schedules shall be completed, (B) whether the bracketed language in this Agreement and its appendices, exhibits and schedules and in the copies of the VPA, the IBCA and the Alliance Agreement, which are attached as Exhibits to this Agreement and their respective appendices, exhibits and schedules, shall stand as is or be changed or otherwise resolved and, if so, how, (C) the identity of the C-8 Vessel to be designated by the parties pursuant to Recital E hereof, and (D) the date(s) to be agreed on by the parties described in SECTION 3.1(a) hereof.

(ix) APL shall have delivered a certificate to Matson signed on APL's behalf by its Chief Financial Officer and dated as of the VPA Execution Date stating that as of such date: (A) each of the representations and warranties of APL set forth in SECTION 5.1 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by APL on or prior to such date, the representations and warranties of APL set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.

(x) There shall have been no Material Guam Change.

(C) APL EXECUTION CONDITIONS. The obligation of APL to execute and deliver the VPA shall be subject to the following conditions having been satisfied in all material respects, or waived in writing by APL, as of the VPA Execution Date:

(i) Matson Warranties and Representations. Each of the warranties and representations of Matson set forth in SECTION 5 of this Agreement are true and correct in all material respects.

(ii) No Material Breach. No event or condition shall have occurred or exist which constitutes, or with the passage of time or the giving of notice or both would constitute, a default by Matson of any of its material obligations under this Agreement or any Related Agreement (whether or not executed and delivered prior to or on the VPA Execution Date).

(iii) No Adverse Event. None of the following (other than as a result of an event set forth in SECTIONS 1.1(c)(i) or (ii) hereof) shall have occurred and be continuing: (A) any two C-8 Vessels or any one C-9 Vessel shall become a Total Loss; or (B) any remaining Vessel, in the event there has been a Total Loss of a C-8 Vessel, or any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, shall have suffered any material casualty or breakdown, or shall not be capable of operating in a manner consistent with recent operating history, in each case which condition cannot be repaired by APL prior to March 31, 1996; or (C) since the date of this Agreement, there shall have been a Governmental Action which prevents or materially and substantially impairs the realization by APL of any of the material benefits intended to be conferred on APL by this Agreement and the Related Agreements; or (D) any material strike, lockout or other labor disturbance which prevents or materially and substantially impairs the realization by APL of any of the material benefits intended to be conferred on APL by this Agreement or the Related Agreements; or (E) by reason of an Excepted Cause (as defined in Section 4.1(d) of the Alliance Agreement), all of the Alliance Vessels shall be prevented from calling at (1) all ports in Korea which are capable of serving the Alliance Vessels, or (2) all ports in Japan which are capable of serving the Alliance Vessels, or (3) all the ports in California which are capable of serving the Alliance Vessels.

(iv) Approvals. APL shall have received evidence to its satisfaction that the following events have occurred, or if applicable, have not been rescinded or changed: (A) the waiting period under the HSR Act shall have expired, (B) the MASSA shall have become effective pursuant to the Shipping Act of 1984, (C) the Board of Directors of Matson shall have approved the execution and delivery of this Agreement and the Related Agreements, (D) there shall have been obtained or done all approvals, consents, orders or other acts of governments or government agencies required by applicable law, regulation and contract for APL or Matson to enter into, consummate and perform all operations and obligations contemplated by this Agreement and the Related Agreements, (E) APL shall have received the determinations, consents, approvals, concurrences and waivers referred to in Exhibit F hereto, and (F) Matson shall have obtained all approvals referred to in SECTION 1.1(b)(iv) hereof.

- (v) APL and Matson shall have agreed upon the form and content of all Ancillary Alliance Agreements which either of them wishes to enter into or identify as such on or prior to the VPA Execution Date, and all appendices to the Alliance Agreement, concerning practices and procedures relating to the Alliance Agreement performance.
- (vi) By November 1, 1995, APL and Matson shall have agreed upon the form and substance of Exhibit E.
- (vii) By October 16, 1995, APL and Matson shall have agreed in writing on: (A) the form and substance of (1) the GAPAs, (2) all appendices, exhibits and schedules which are not included, or are marked "To Be Completed," in this Agreement or in the copies of the VPA, the IBCA and the Alliance Agreement which are attached as Exhibits to this Agreement, (3) the manner in which all blanks in this Agreement and its appendices, exhibits and schedules and in the copies of the VPA, the IBCA and the Alliance Agreement which are attached as Exhibits to this Agreement and their respective appendices, exhibits and schedules shall be completed, (B) whether the bracketed language in this Agreement and its appendices, exhibits and schedules and in the copies of the VPA, the IBCA and the Alliance Agreement which are attached as Exhibits to this Agreement and their respective appendices, exhibits and schedules shall stand as is or be changed or otherwise resolved and, if so, how, (C) the identity of the C-8 Vessel to be designated by the parties pursuant to Recital E hereof, and (D) the date(s) to be agreed on by the parties as described in SECTION 3.1(a) hereof.
- (viii) Matson shall have delivered a certificate to APL signed on Matson's behalf by its Chief Financial Officer and dated as of the VPA Execution Date stating that as of such date: (A) each of the representations and warranties of Matson set forth in SECTION 5.2 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by Matson on or prior to such date, the representations and warranties of Matson set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.
- (ix) Lack of Restrictions. The Vessels are, except as set forth in the CDS Contracts for the Vessels and the CCF regulations as they affect the Vessels, unrestricted and specifically qualified to operate in the United States domestic, coastwise and foreign trades.
- (x) By October 16, 1995, APL shall have received all approvals and consents from its alliance partners required for it to enter into and consummate the transactions contemplated by this Agreement, the Alliance Agreement, any Ancillary Alliance Agreement and the Related Agreements.

1.2 VPA CLOSING.

(A) VPA CLOSING DATES. Provided that Matson and APL shall have executed and delivered the VPA as provided in SECTION 1.1 hereof, and subject to the satisfaction of the conditions set forth in SECTIONS 1.2(b) and 1.2(c) hereof, Matson and APL shall consummate the transactions contemplated under the VPA and the IBCA on the first VPA Closing Date with respect to two C-9 Vessels, which shall be on or about January 2, 1996, unless otherwise agreed by the parties, but in no event later than January 15, 1996, unless otherwise agreed by the parties (the "First VPA Closing Date"), and on one or more subsequent VPA Closing Dates with respect to the remaining C-9 Vessel and the three C-8 Vessels, which shall occur as soon after the First VPA Closing Date as practical, given the geographic location of such Vessels and availability of the United States Coast Guard to redocument such Vessels, unless otherwise agreed to by the parties, but not later than March 31, 1996, unless otherwise agreed to by the parties (such subsequent VPA Closing Dates, together with the First VPA Closing Date, referred to herein individually as a "VPA Closing Date" and collectively as the "VPA Closing Dates").

(B) MATSON CLOSING CONDITIONS. The obligation of Matson to consummate the transactions contemplated under the VPA shall be subject to the following conditions having been satisfied in all material respects, or waived in writing by Matson, as of each VPA Closing Date:

- (i) Restated Matson Closing Conditions. Each of the conditions set forth in SECTION 1.1(b)(i), (ii), (iii), (iv) and (v) hereof shall be satisfied or waived. For purposes of this SECTION 1.2(b)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 1.2(b)(i), it being the intent and agreement of Matson and APL that such conditions be satisfied again as of the VPA Closing Date.

- (ii) Matson VPA Conditions Satisfied. Each of the conditions set forth in Section 5.1 (other than Section 5.1(b)) of the VPA shall be satisfied.
- (iii) Certificate. APL shall have delivered a certificate to Matson signed on APL's behalf by its Chief Financial Officer and dated as of the VPA Closing Date stating that as of such date: (A) each of the representations and warranties of APL set forth in SECTION 5.1 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by APL on or prior to such date, the representations and warranties of APL set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.
- (iv) Opinions. Matson shall have received an opinion from counsel for APL satisfactory to Matson (who may be the general counsel of APL), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that APL has been duly incorporated and exists as a corporation in good standing under the laws of the State of Delaware, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by APL, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of APL and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against APL.
- (v) Vessel Location. The Vessels to be transferred shall be outside the territorial waters of the United States and California.
- (vi) Material Guam Change. There shall have been no Material Guam Change.

(C) APL CLOSING CONDITIONS. The obligation of APL to consummate the transactions contemplated under the VPA shall be subject to the following conditions having been satisfied in all material respects, or waived in writing by APL, as of each VPA Closing Date:

- (i) Restated APL Conditions. Each of the conditions set forth in SECTION 1.1(c)(i), (ii), (iii), (iv) and (ix) hereof shall be satisfied or waived. For purposes of this SECTION 1.2(c)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 1.2(c)(i), it being the intent and agreement of APL and Matson that such conditions be satisfied again as of the VPA Closing Date.
- (ii) APL VPA Conditions Satisfied. Each of the conditions set forth in Section 5.2 (other than Section 5.2(c)) of the VPA shall be satisfied.
- (iii) Certificate. Matson shall have delivered a certificate to APL signed on Matson's behalf by its Chief Financial Officer and dated as of the VPA Closing Date stating that as of such date: (A) each of the representations and warranties of Matson set forth in SECTION 5.2 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by Matson on or prior to such date, the representations and warranties of Matson set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.
- (iv) Opinions. APL shall have received an opinion from counsel for Matson satisfactory to APL (who may be the general counsel of Matson), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that Matson has been duly incorporated and exists as a corporation in good standing under the laws of the State of Hawaii, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by

Matson, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of Matson and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against Matson.

- (v) Vessel Location. The Vessels to be transferred shall be outside the territorial waters of the United States and California.

SECTION 2.
EXECUTION AND CLOSING OF THE IBCA

2.1 IBCA EXECUTION AND CLOSING.

(A) IBCA EXECUTION AND CLOSING DATE. Subject to the satisfaction of the conditions set forth in SECTION 2.1(b) hereof, Matson and APL shall execute and deliver the IBCA and deliver and accept the first two C-9 Vessels under charter pursuant to the IBCA, on the First VPA Closing Date, and shall accept the remaining Vessels under charter pursuant to the IBCA on each subsequent VPA Closing Date.

(B) IBCA EXECUTION AND CLOSING CONDITIONS. The obligations of Matson and APL to execute and deliver the IBCA and to deliver and accept the Vessels under charter pursuant to the IBCA are subject to the occurrence of the closing of the transactions contemplated under the VPA on the VPA Closing Dates in accordance with the terms and conditions of SECTION 1.2 hereof.

SECTION 3.
EXECUTION AND COMMENCEMENT OF THE ALLIANCE AGREEMENT

3.1 ALLIANCE AGREEMENT EXECUTION.

(A) IMPLEMENTATION DATE. Subject to the satisfaction of the conditions set forth in SECTIONS 3.1(b) and (c) hereof, Matson and APL shall execute and deliver the Alliance Agreement and all Ancillary Alliance Agreements which the parties have theretofore in writing agreed on and identified as such, on a date [or a range of dates] to be mutually determined by the parties by October 16, 1995 (the "Implementation Date").

(B) MATSON ALLIANCE AGREEMENT EXECUTION CONDITIONS. The obligations of Matson to execute and deliver the Alliance Agreement and the Ancillary Alliance Agreements which the parties have theretofore in writing agreed on and identified as such, are subject to the following conditions having been satisfied in all material respects, or waived in writing by Matson, as of the Implementation Date:

- (i) Restated Matson Conditions. Each of the conditions set forth in SECTION 1.1(b)(i), (ii), (iii), (iv) and (v) hereof shall be satisfied or waived. For purposes of this SECTION 3.1(b)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 3.1(b)(i), it being the intent and agreement of APL and Matson that such conditions be satisfied again as of the Implementation Date.
- (ii) Redelivery of First Alliance Vessel. APL shall have redelivered the first Alliance Vessel to enter the Service in accordance with the terms of the IBCA.
- (iii) Condition of the Vessels. (A) No two C-8 Vessels or any C-9 Vessel shall have become a Total Loss, (B) there shall not have occurred any material casualty, breakdown or incapability of operating in a manner consistent with recent operating history which cannot be repaired by APL prior to March 31, 1996, suffered by or with respect to (1) any remaining Vessel, if there shall have been a Total Loss of any C-8 Vessel, or (2) any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, and (C) each Vessel, other than any Vessel which has suffered any casualty, breakdown or incapability which is subject to repair by APL (in each case such casualty, breakdown or incapability and the projected repair schedule shall be disclosed in writing to Matson) is in the same condition as it was in on the Vessel Inspection Date for that Vessel, ordinary wear and tear not affecting class excepted.
- (vi) Certificate. APL shall have delivered a certificate to Matson signed on APL's behalf by its Chief Financial Officer and dated as of the Implementation Date stating that as of such date: (A) each of the representations and warranties of APL set forth in SECTION 5.1 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by APL on or prior to such date, the representations and warranties of APL set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and

correct.

- (v) Opinions. Matson shall have received an opinion from counsel for APL satisfactory to Matson (who may be the general counsel of APL), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that APL has been duly incorporated and exists as a corporation in good standing under the laws of the State of Delaware, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by APL, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of APL and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against APL.

(vi) Material Guam Change. There shall have been no Material Guam Change.

(C) APL ALLIANCE AGREEMENT EXECUTION CONDITIONS. The obligations of APL to execute and deliver the Alliance Agreement and the Ancillary Alliance Agreements which the parties have theretofore in writing agreed on and identified as such, are subject to the following conditions having been satisfied in all material respects, or waived in writing by APL, as of the Implementation Date:

- (i) Restated APL Conditions. Each of the conditions set forth in SECTION 1.1(c)(i), (ii), (iii), (iv) and (ix) hereof shall have been satisfied or waived. For purposes of this SECTION 3.1(c)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 3.1(c)(i), it being the intent and agreement of APL and Matson that such conditions be satisfied again as of the Implementation Date.
- (ii) Redelivery of First Alliance Vessel. APL shall have redelivered the first Alliance Vessel to enter the Service in accordance with the terms of the IBCA.
- (iii) Condition of the Vessels. (A) No two C-8 Vessels or any C-9 Vessel shall have become a Total Loss, (B) there shall not have occurred any material casualty, breakdown or incapability of operating in a manner consistent with recent operating history which cannot be repaired by APL prior to March 31, 1996, suffered by or with respect to (1) any remaining Vessel, if there shall have been a Total Loss of any C-8 Vessel, or (2) any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, and (C) each Vessel, other than any Vessel which has suffered any casualty, breakdown or incapability which is subject to repair by APL (in each case such casualty, breakdown or incapability and the projected repair schedule shall be disclosed in writing to Matson) is in the same condition as it was in on the Vessel Inspection Date for that Vessel, ordinary wear and tear not affecting class excepted.
- (vi) Certificate. Matson shall have delivered a certificate to APL signed on Matson's behalf by its Chief Financial Officer and dated as of the Implementation Date stating that as of such date: (A) each of the representations and warranties of Matson set forth in SECTION 5.2 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, and (B) as to this Agreement and each Related Agreement executed and delivered by Matson on or prior to such date, the representations and warranties of Matson set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.
- (v) Opinions. APL shall have received an opinion from counsel for Matson satisfactory to APL (who may be the general counsel of Matson), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that Matson has been duly incorporated and exists as a corporation in good standing under the laws of the State of Hawaii, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by Matson, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of Matson and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against

SECTION 4.
EXECUTION AND CLOSING OF THE GAPA

4.1 GAPA EXECUTION DATE.

(A) GAPA EXECUTION DATE. Subject to the satisfaction of the conditions set forth in SECTIONS 4.1(b) and (c) hereof, Matson and APL shall execute and deliver the GAPA on or about the 10th day prior to the Implementation Date.

(B) MATSON GAPA EXECUTION CONDITIONS. The obligations of Matson to execute and deliver the GAPA are subject to the following conditions having been satisfied in all material respects, or waived in writing by Matson, as of the GAPA Execution Date:

- (i) Restated Matson Conditions. Each of the conditions set forth in SECTION 1.1(b)(i), (ii), (iii), (iv) and (v) hereof shall have been satisfied or waived. For purposes of this SECTION 4.1(b)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 4.1(b)(i), it being the intent and agreement of APL and Matson that such conditions be satisfied again as of the GAPA Execution Date.
- (ii) Certificate. APL shall have delivered a certificate to Matson signed on APL's behalf by its Chief Financial Officer and dated as of the GAPA Execution Date stating that as of such date: (A) each of the representations and warranties of APL set forth in SECTION 5.1 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by APL on or prior to such date, the representations and warranties of APL set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.1(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.
- (iii) Opinions. Matson shall have received an opinion from counsel for APL satisfactory to Matson (who may be the general counsel of APL), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that APL has been duly incorporated and exists as a corporation in good standing under the laws of the State of Delaware, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by APL, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of APL and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against APL.
- (iv) Material Guam Change. There shall have been no Material Guam Change.

(C) APL GAPA EXECUTION CONDITIONS. The obligation of APL to execute and deliver the GAPA are subject to the occurrence of the following as of the GAPA Execution Date:

- (i) Restated APL Conditions. Each of the conditions set forth in SECTION 1.1(b)(i), (ii), (iii), (iv) and (ix) hereof shall have been satisfied or waived. For purposes of this SECTION 4.1(c)(i), the satisfaction or waiver of any such conditions with respect to any other prior transaction or event set forth elsewhere in this Agreement shall not constitute the satisfaction of such conditions under this SECTION 4.1(c)(i), it being the intent and agreement of APL and Matson that such conditions be satisfied again as of the GAPA Execution Date.
- (ii) Certificate. Matson shall have delivered a certificate to APL signed on Matson's behalf by its Chief Financial Officer and dated as of the GAPA Execution Date stating that as of such date: (A) each of the representations and warranties of Matson set forth in SECTION 5.2 (other than in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b)) hereof are true and correct in all material respects with the same force and effect as if restated on and as of such date, (B) as to this Agreement and each Related Agreement executed and delivered by Matson on or prior to such date, the representations and warranties of Matson set forth in subparts (iii) and (iv) and the last sentence of SECTION 5.2(b) hereof are true and correct in all material respects without reference to or making any of the assumptions or

exceptions stated therein, with the same force and effect as if restated on and as of such date, and (C) the matters stated in such certificate shall be true and correct.

- (iii) Opinions. APL shall have received an opinion from counsel for Matson satisfactory to APL (who may be the general counsel of Matson), which opinion may include and be subject to such assumptions, exceptions and qualifications and be based on such certificates and other back-up, as are generally acceptable in San Francisco, California in commercial transactions of similar magnitude, to the effect: (A) that Matson has been duly incorporated and exists as a corporation in good standing under the laws of the State of Hawaii, (B) that this Agreement and all Related Agreements which the parties have executed on or prior to the VPA Closing Date have been duly executed and delivered by Matson, (C) that this Agreement and each Related Agreement which has been executed on or prior to the VPA Closing Date have been duly authorized by all necessary corporate action on the part of Matson and its shareholder, and (D) that this Agreement and all Related Agreements which have been executed on or prior to the VPA Closing Date are valid, binding and enforceable against Matson.

4.2 GAPA CLOSING.

(A) GAPA CLOSING DATE. Provided that Matson and APL shall have executed and delivered the GAPA as provided in SECTION 4.1 hereof, and subject to the satisfaction of the conditions set forth in SECTION 4.2(b) and (c) hereof, the closing of the transactions contemplated under the GAPA shall occur on the Implementation Date.

(B) MATSON CLOSING CONDITIONS. The obligation of Matson to close the transactions contemplated under the GAPA shall be subject to the following conditions having been satisfied in all material respects, or waived in writing by Matson, as of the Implementation Date:

- (i) Execution of Alliance Agreement. APL shall have executed and delivered the Alliance Agreement in accordance with the terms and conditions of SECTION 3.1 hereof.
- (ii) Matson GAPA Conditions Satisfied. Each of the conditions set forth in Article V of the GAPA shall have been satisfied or waived in writing by Matson.
- (iii) Material Guam Change. There shall have been no Material Guam Change.

(C) APL CLOSING CONDITIONS. The obligation of APL to close the transactions contemplated under the GAPA shall be subject to the following conditions having been satisfied in all material respects, or waived in writing by APL, as of the Implementation Date:

- (i) Execution of Alliance Agreement. Matson shall have executed and delivered the Alliance Agreement in accordance with the terms and conditions of SECTION 3.1 hereof.
- (ii) APL GAPA Conditions Satisfied. Each of the conditions set forth in Article VI of the GAPA shall have been satisfied or waived in writing by APL.

SECTION 5. WARRANTIES AND REPRESENTATIONS

5.1 WARRANTIES AND REPRESENTATIONS OF APL.

APL hereby makes the following warranties and representations to Matson as of the date of this Agreement:

(A) ORGANIZATION AND GOOD STANDING. APL is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with requisite power and authority to own and operate its assets and properties, to transact the business in which it is now engaged and to consummate the transactions contemplated by and to perform its obligations under this Agreement and the Related Agreements. APL is duly qualified to conduct business in every jurisdiction in which it is contemplated that APL will conduct business under this Agreement and the Related Agreements, if such qualification is legally required.

(B) AUTHORIZATION. The execution, delivery and performance by APL of this Agreement and each of the Related Agreements have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of any shareholder of APL or the Board of Directors of APL which has not been obtained, (ii) contravene the articles of incorporation, bylaws or other corporate charter documents of APL, (iii) assuming the receipt or doing of all determinations, consents, approvals, concurrences, acts and waivers pursuant to SECTION 1.1(c)(iv) hereof, violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to APL, (iv) assuming receipt of the Required Consents pursuant to the GAPA, result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which APL is a party or by which APL or its properties may be bound or affected, or (v) result in, or require, the creation or imposition of any lien, upon or with respect to any of the properties now owned

or hereafter acquired by APL. Except for receipt of the Required Consents, and the above-referenced determinations, consents, approvals, concurrences, acts and waivers, no registration, filing, application, notice, transfer, consent, approval, order, qualification, waiver or other action of any kind by any Person is required for the execution, delivery and performance by APL of this Agreement and each of the Related Agreements.

(C) LEGALLY ENFORCEABLE AGREEMENTS. This Agreement is, and each of the Related Agreements when executed and delivered pursuant to the terms and conditions of this Agreement will be, the legal, valid and binding obligations of APL, enforceable against APL in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(D) OTHER AGREEMENTS. APL is not in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party, which default may materially and adversely affect the ability of APL to operate its businesses as presently contemplated or to enter into and perform its obligations under this Agreement or any of the Related Agreements.

(E) COMPLIANCE WITH LAWS. APL is not in violation of any applicable federal, state, local or foreign law, regulation or order or any other requirement of any governmental, regulatory or administrative agency or authority or court or other tribunal relating to it (including, but not limited to, any law, regulation, order or requirement relating to securities, properties, buildings, business, transportation, rebates, advertising, sales practices or civil rights), nor, to the knowledge of APL, is APL now under investigation with respect to any alleged violation of any such law, regulation, order or requirement relating to any of the foregoing), where such violation or investigation does or could reasonably be expected to materially and adversely affect the ability of APL to enter into and perform its obligations under this Agreement or any of the Related Agreements.

(F) ABSENCE OF LITIGATION. There is no pending or, to the knowledge of APL, threatened action or proceeding against APL before any court, governmental agency, or arbitrator which may, in any one case or in the aggregate, materially adversely affect (i) the ability of APL to enter into and perform its obligations under this Agreement or any of the Related Agreements, or (ii) the validity or enforceability of this Agreement or any of the Related Agreements.

(G) NO DEFAULTS ON OUTSTANDING JUDGMENTS OR ORDERS. APL has received no notice that APL is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign, which default may materially and adversely affect the ability of APL to enter into and perform its obligations under this Agreement or any of the Related Agreements.

5.2 WARRANTIES AND REPRESENTATIONS OF MATSON.

Matson hereby makes the following warranties and representations to APL as of the date of this Agreement:

(A) ORGANIZATION AND GOOD STANDING. Matson is a corporation duly organized, validly existing and in good standing under the laws of the State of Hawaii with requisite power and authority to own and operate its assets and properties and to transact the business in which it is now engaged, and to consummate the transactions contemplated by and to perform its obligations under this Agreement and the Related Agreements. Matson is duly qualified to conduct business in every jurisdiction in which it is currently conducting business and in which it is contemplated that Matson will conduct business under this Agreement and the Related Agreements, if such qualification is legally required.

(B) AUTHORIZATION. The execution, delivery and performance by Matson of this Agreement and each of the Related Agreements have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of any shareholder of Matson or the Board of Directors of Matson which has not been obtained, (ii) contravene the articles of incorporation, bylaws or other corporate charter documents of Matson, (iii) assuming the receipt or doing of all determinations, consents, approvals, concurrences, acts and waivers pursuant to SECTION 1.1(b)(iv) hereof, violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Matson, (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Matson is a party or by which Matson or its properties may be bound or affected, or (v) result in, or require, the creation or imposition of any lien, upon or with respect to any of the properties now owned or hereafter acquired by Matson. Except for receipt of the Required Consents pursuant to the GAPA and the above-referenced determinations, consents, approvals, concurrences, acts and waivers, no registration, filing, application, notice, transfer, consent, approval, order, qualification, waiver or other action of any kind by any Person is required for the execution, delivery and performance by Matson of this Agreement and each of the Related Agreements.

(C) LEGALLY ENFORCEABLE AGREEMENTS. This Agreement is, and each of the Related Agreements when executed and delivered pursuant to the terms and conditions of this Agreement will be, the legal, valid and binding obligations of Matson, enforceable against Matson in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(D) OTHER AGREEMENTS. Matson is not in default in any respect

in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party, which default may materially and adversely affect the ability of Matson to enter into and perform its obligations under this Agreement or any of the Related Agreements.

(E) COMPLIANCE WITH LAWS. Matson is not in violation of any applicable federal, state, local or foreign law, regulation or order or any other requirement of any governmental, regulatory or administrative agency or authority or court or other tribunal relating to it (including, but not limited to, any law, regulation, order or requirement relating to securities, properties, buildings, business, transportation, rebates, advertising, sales practices or civil rights), nor, to the knowledge of Matson, is Matson now under investigation with respect to any alleged violation of any such law, regulation, order or requirement relating to any of the foregoing, where such violation or investigation does or could reasonably be expected to materially and adversely affect the ability of Matson to enter into and perform its obligations under this Agreement or any of the Related Agreements.

(F) ABSENCE OF LITIGATION. There is no pending or, to the knowledge of Matson, threatened action or proceeding against Matson before any court, governmental agency, or arbitrator which may, in any one case or in the aggregate, materially adversely affect (i) the ability of Matson to enter into and perform its obligations under this Agreement or any of the Related Agreements, or (ii) the validity or enforceability of this Agreement or any of the Related Agreements.

(G) NO DEFAULTS ON OUTSTANDING JUDGMENTS OR ORDERS. Matson has received no notice that Matson is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign, which default may materially and adversely affect the ability of Matson to enter into and perform obligations under this Agreement or any of the Related Agreements.

5.3 SURVIVAL OF WARRANTIES AND REPRESENTATIONS.

Each of the warranties and representations set forth in SECTIONS 5.1 and 5.2 hereof, and all the certificates to be delivered by the parties pursuant to SECTIONS 1, 2, 3 and 4 hereof, shall survive the consummation of each of the transactions contemplated under this Agreement and the Related Agreements to which such warranties and representations and certificates relate, including, without limitation, the commencement of the Service on the Implementation Date, and the redelivery of each Vessel in accordance with the terms of the IBCA.

SECTION 6. COVENANTS OF THE PARTIES

6.1 APL COVENANTS WITH RESPECT TO THE VESSELS.

Without in any way limiting APL's warranties and representations set forth in SECTION 5.1 hereof, or any of the warranties, representations or covenants of APL set forth in the VPA, APL agrees to each of the following:

(a) From the date of this Agreement until the VPA Closing Date, APL shall use due diligence to maintain and repair each of the Vessels in accordance with good commercial marine practice, and shall conduct its business with the Vessels in the ordinary course and in a manner consistent with past practices.

(b) From the date of this Agreement until the sale of the Vessels to Matson pursuant to the VPA, APL will not (i) change in any manner the rate of compensation of any of APL's employees (including the APL Vessel Officers) employed on the Vessels, other than normal changes consistent with past practices, (ii) change the amount of or agree to pay any pension, retirement allowance, severance or other employee benefit not required or permitted under existing personnel policies, summary plan descriptions, employee benefit documents or employee agreements to any such employee, whether past or present, (iii) enter into or modify any collective bargaining agreement affecting such employees, except as required by law, or (iv) commit itself to any additional pension, profit sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or to any employment agreement or consulting agreement with any such employee, or to amend any of such plans or any of such agreements in existence as of the date of this Agreement, except for items set forth in any of clauses (i) through (iv) affecting or applicable to APL seagoing employees generally.

6.2 APL'S COVENANTS WITH RESPECT TO THE GUAM SALE ASSETS.

(a) Without in any way limiting APL's warranties and representations set forth in SECTION 5.1 hereof, or any of the warranties, representations or covenants of APL set forth in the GAPA, APL agrees that from the date of this Agreement until the Implementation Date APL will use its best efforts to conduct the business of the Guam Service in the ordinary course and in a manner consistent with past practices (including, without limitation, using its best efforts to preserve beneficial relationships between APL and its lessors, suppliers and customers in connection with the Guam Service) and will continue normal marketing, advertising and promotional expenditures in connection with the Guam Service during the period from the date of this Agreement until the Implementation Date, except as otherwise agreed in writing by Matson. APL will be responsible for all costs incurred with respect to Vessel voyages occurring prior to the Implementation Date. Without limiting the generality of the foregoing, and, except as may be expressly provided otherwise in the GAPA, prior to the Implementation Date, without the prior written consent of Matson, APL

will not, with respect to the Guam Service:

- (i) Except for retention bonuses: (A) change in any manner the rate of compensation of any APL Guam Employee, other than normal changes consistent with past practices, (B) change the amount of or agree to pay any pension, retirement allowance, severance or other employee benefit not required or permitted under existing personnel policies, summary plan descriptions, employee benefit documents or employee agreements to any such APL Guam Employee, whether past or present, or modify any such policies, descriptions, documents or agreements, (C) enter into or modify any collective bargaining agreement affecting such APL Guam Employees, except as required by law, or (D) commit itself to any additional pension, profit sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or to any employment agreement or consulting agreement with any APL Guam Employee or other Person retained in the Guam Service Area as of the date of this Agreement, or to amend any of such plans or any of such agreements in existence as of the date of this Agreement, except for items set forth in any of clauses (A) through (D) affecting or applicable to APL employees generally; or
- (ii) Sell, transfer or otherwise dispose of or encumber or agree to sell, transfer or otherwise dispose of or encumber, its right, title and interest in the 40-ton Hitachi gantry crane located in Guam unless it becomes a total loss; or
- (iii) Sell, transfer, license or otherwise dispose of, or agree to sell, transfer, license or otherwise dispose of, any intellectual property which is listed in Schedule 2.1(xiii) to the GAPA; or
- (iv) Enter into material agreements, commitments or contracts, or amendments or terminations of the same, except agreements, commitments, contracts, amendments and terminations made in the ordinary course of business consistent with past practices of APL in connection with the Guam Service; or
- (v) Execute any lease for, or other contract relating to the sale or hypothecation of, real property included in the Guam Sale Assets, or amend, extend or modify any lease, reciprocal easement agreement, development agreement or other agreement with respect to leases relating to the real property included in the Guam Sale Assets without the written consent of Matson.

6.3 OTHER OBLIGATIONS REGARDING THE GUAM SERVICE.

(A) INVESTIGATION BY AND PRESENCE OF MATSON REPRESENTATIVES. In order to effect an orderly transfer, and not in any way interfering with APL's operations, prior to the Implementation Date, APL will:

- (i) Give Matson and its authorized representatives and advisors and their agents access to the Guam Financial Information, personnel, offices and other facilities of the Guam Service as reasonably requested by Matson.
- (ii) Permit Matson: (A) to make such inspections of the items in SECTION 6.3(a)(i) hereof as Matson may reasonably require, and (B) to station a reasonable number of representatives on the premises of the Guam Terminal or the Saipan Terminal during normal business hours, who may communicate and coordinate with APL's employees, officers and advisors in the Guam Service Area regarding future marketing and business operations; provided, that no such communication or coordination shall adversely affect APL's obligations under this SECTION 6.3(a).
- (iii) Cause its employees, officers and its advisors to cooperate with Matson and to furnish to Matson and its authorized representatives and advisors the Guam Financial Information, and to respond to Matson's communications pursuant to SECTION 6.3(a)(ii) hereof as Matson or its agents shall from time to time reasonably request. The provisions of the Confidentiality Agreement shall apply to all documents and information reviewed or obtained or generated by Matson or its representatives, advisors or agents, pursuant to this SECTION 6.3(a).

(B) ACCOUNTANTS REVIEW. APL will permit Matson's accountants to review the Guam Financial Information and to take an inventory of the physical assets of the Guam Service as of the Implementation Date (or, in lieu thereof, to take an inventory prior to the Implementation Date and to do such testing or sampling at the Implementation Date as may be necessary to determine the continued validity of such inventory). APL will request APL's accountants to permit Matson's accountants to review the work papers of APL's accountants relating to APL and its Affiliates, insofar as they cover matters relating to the Guam Service. The provisions of the Confidentiality Agreement shall apply to all documents and information reviewed, obtained or generated by, Matson's accountants pursuant to this SECTION 6.3(b).

6.4 MATSON COVENANTS WITH RESPECT TO APL VESSEL OFFICERS.

From the date hereof to the VPA Closing Date for each Vessel, Matson shall be solely responsible for negotiations with the International Organization of

Masters, Mates and Pilots ("MMP"), District No. 1, Pacific Coast District, Marine Engineers' Beneficial Association ("MEBA") and American Radio Association ("ARA") relating to the future employment by Matson of the APL Vessel Officers last employed by APL on the Vessels. APL shall cooperate with Matson and shall use its best efforts to facilitate Union agreements satisfactory to Matson. If Matson fails to reach agreement with the MMP, MEBA or ARA concerning such future employment prior to the VPA Closing Date for each Vessel, and all transactions envisioned by SECTIONS 1, 2, 3 and 4 hereof have been consummated, Matson agrees to comply with paragraphs (a) through (d) below with respect to the officers represented by the applicable Union:

(a) Each Vessel shall be sold by APL to Matson with the full complement of officers last employed on the Vessel, such employment to become effective in accordance with paragraph (b) below.

(b) Matson shall immediately upon the redelivery of each Vessel pursuant to the IBCA employ the officers last employed on the Vessel and thereafter shall not terminate such officers without just cause.

(c) For the life of the Vessel, Matson shall provide such officers with wages, pension benefits and other economic benefits and job conditions (such as health and medical benefits, overtime and premium pay, etc.) at least equal to that which would have been enjoyed had such officers continued employment on the Vessel by APL, unless any such officer is terminated for just cause.

(d) Disputes involving the interpretation or application of the obligations contained in paragraphs (b) through (e) hereof shall be resolved by arbitration under the procedures of the American Arbitration Association.

(e) Paragraphs (b) through (e) hereof shall be specifically enforceable by MMP, MEBA or ARA at the behest and on behalf of one or more of the officers for whose benefit it is made.

Matson shall indemnify and hold APL harmless from any claim, loss, liability or expense (including, but not limited to, attorneys' fees) arising under or in any way relating to APL's collective bargaining agreements with MMP, MEBA or ARA and resulting from the sale of the Vessels to Matson, except for any claim, loss, liability or expense caused by any action or omission of APL which is inconsistent with this Agreement.

6.5 COVENANTS OF THE PARTIES WITH RESPECT TO REQUISITE WORK ON VESSELS.

The parties shall cooperate in accomplishing the Requisite Work on five (5) of the Vessels envisioned under Schedule 1(a) in accordance with this SECTION 6.5.

(a) Schedule 1(b) sets forth which party will be responsible for contracting for the Requisite Work on each of such Vessels and the presently anticipated schedule and locations for the work. Schedule 1(b) has been developed with the goal that the work performed shall be performed at the least expensive facility; provided, that the parties may change the work locations and scheduling to meet changes in the plans for such Vessels. Any Requisite Work to be performed at a foreign location shall be performed in the United States if the parties shall determine that such change is necessary so that such Vessels can perform as contemplated under the Alliance Agreement.

(b) Matson shall be responsible for developing the design for the Requisite Work on such Vessels in accordance with the requirements and description outlined in Schedule 1(a). Matson may perform the design work with its own personnel or may contract with third parties for such work; provided, that all third party costs incurred in developing the design shall be subject to cost sharing under SECTION 6.5(e) hereof. Matson shall approve all third party invoices for work in preparing the design.

(c) The party with the responsibility for the Requisite Work on any such Vessel shall be responsible for preparing the specifications, selecting the contractor to have the work done, negotiating with the contractor and entering into a contract for the work, supervising the work and approving the invoices from the contractor for the work. The party entering into the contract shall endeavor to obtain a contract for the total lowest cost given the scheduling constraints for such Vessel. The other party shall be entitled to inspect the work; provided, that any such inspection shall not delay the work or the Vessel schedule. All costs of the contractor shall be subject to cost sharing under SECTION 6.5(e) hereof.

(d) The cost to deliver any such Vessel to the contractor from the location at which it comes out of service for the conversion work (the "Delivery Costs") shall be subject to cost sharing under SECTION 6.5(e) hereof.

(e) Matson and APL agree to share any third-party costs under SECTIONS 6.5(b) and 6.5(c) hereof, together with the Delivery Costs under SECTION 6.5(d) hereof (such costs jointly the "Reimbursable Costs"). Reimbursable Costs shall be initially approved by the responsible party which shall submit to the other party the invoices for reimbursement. Within thirty (30) days after receipt of an invoice, the other party shall reimburse the responsible party for fifty percent (50%) of the Reimbursable Costs.

(f) The parties shall have no claims against each other in connection with any Requisite Work performed pursuant to this SECTION 6.5, including, without limitation, any fault, or defect or deficiency in any of such Requisite Work performed or any materials relating thereto.

6.6 COVENANTS OF THE PARTIES WITH RESPECT TO TAX-FREE EXCHANGE.

(A) MATSON'S OBLIGATIONS. Matson agrees to cooperate in good faith with APL to facilitate a tax-free exchange of any or all of the Vessels under Internal Revenue Code Section 1031 for an APL C-11 newbuilding currently under construction, including the use of a qualified intermediary if APL elects to effect such a like-kind exchange; provided, that Matson bears no material financial, legal or other risk by reason of such tax-free exchange.

(B) APL'S OBLIGATIONS. APL will pay all of Matson's reasonable out-of-pocket expenses in connection with the exchange, including legal and tax advice. APL shall indemnify and defend Matson from and against any claims, demands, causes of action, costs, losses, damages, liabilities, fines, penalties and expenses (including, without limitation, reasonable attorneys' fees) of whatsoever nature which Matson may incur by reasons of the tax-free exchange referred to in SECTION 6.6(a) hereof, in accordance with the procedures set forth in Section 12.3 of the Alliance Agreement.

6.7 OTHER SHORESIDE SPARES.

(A) INVENTORY. The parties have previously conducted an inventory (the "First Inventory") of certain shoreside spare parts in the possession of APL, which APL has represented that it owns. APL has further represented to Matson that it has a joint ownership interest in certain other shoreside spare parts, consisting of a main reduction bull gear and four pinions, and a high-pressure turbine blading set and other items, with the Waterman Steamship Company, which parts are located in Trenton, New Jersey and New Orleans, Louisiana pursuant to a certain C-8/C-9 spare parts pooling agreement dated March 3, 1980, as amended (the "Joint Spares Agreement"). The shoreside spare parts in APL's possession, and APL's joint ownership interest in the shoreside spare parts subject to the Joint Spares Agreement, existing on the date hereof, are collectively referred to herein as the "Other Shoreside Spares." The parties have agreed to a value of the Other Shoreside Spares of \$4.9 million (the "Agreed Value") as of the date hereof. Within ten (10) days prior to the Implementation Date, the parties shall conduct a confirming inventory (the "Second Inventory") of the Other Shoreside Spares. If APL shall not have obtained the consent of Waterman Steamship Company to permit an assignment by APL to Matson of APL's interest in the spare parts covered by the Joint Spares Agreement prior to the Second Inventory, such spare parts shall no longer be included in the Other Shoreside Spares or the Second Inventory and the purchase price therefor shall be adjusted accordingly.

(B) MATSON PURCHASE AND CUSTODY. On the Implementation Date, APL shall transfer to Matson all of APL's right, title and interest in and to, and Matson shall accept the transfer of all of APL's right, title and interest in and to, all Other Shoreside Spares that are included in the Second Inventory. Matson shall pay to APL the purchase price for the Other Shoreside Spares included in the Second Inventory on the third anniversary of the Implementation Date. The purchase price shall be the Agreed Value minus (i) the value of any missing or omitted items revealed by the Second Inventory, and (ii) any Other Shoreside Spares withdrawn by APL for use on any Vessel pursuant to SECTION 6.7(d) hereof. The value of any such missing or omitted or withdrawn Other Shoreside Spares shall be based on the original Agreed Value. On or about the time of transfer of title, Matson will take custody of the Other Shoreside Spares so transferred to Matson other than those subject to the Joint Spares Agreement. The cost of transportation and delivery to Matson's designated custodial facility shall be shared equally by the parties.

(C) APL WITHDRAWALS. From and after the transfer of title from APL to Matson of the Other Shoreside Spares, to and including the end of the Charter Period (as defined in the IBCA), APL may withdraw any of the Other Shoreside Spares for use on any Vessel during its Vessel Charter Term (as defined in the IBCA). The cost of any such withdrawn Other Shoreside Spare, based on the Agreed Value, shall be subtracted from the purchase price to be paid by Matson pursuant to the second sentence of SECTION 6.7(b) hereof.

6.8 FEE.

On December 15, 1995, APL shall pay to Matson a fee of \$4,300,000 in compensation for lost profits.

6.9 VESSEL ASSETS INVENTORY.

The parties shall conduct a joint inventory of the Vessel Assets of each Vessel, or otherwise agree to such an inventory, prior to the VPA Execution Date.

SECTION 7. TERMINATION

7.1 MATSON TERMINATION.

(A) MATSON TERMINATION EVENTS. Matson may terminate this Agreement, and all Related Agreements, and all of its rights and obligations hereunder and thereunder, subject to the provisions of SECTIONS 7.1(b) and 7.3 hereof, at any time prior to and including the Implementation Date, if:

- (i) There shall have occurred or exist any event which constitutes, or with the passage of time or giving of notice or both would constitute, a default by APL of any of its material obligations, warranties or representations under this Agreement or any Related Agreement (whether or not executed and delivered prior to the time of such termination); or

- (ii) Other than as a result of an event set forth in SECTION 7.2(a)(i) hereof, any of the following shall have occurred and be continuing: (A) any two C-8 Vessels or any one C-9 Vessel shall become a Total Loss; or (B) any remaining Vessel, in the event there has been a Total Loss of a C-8 Vessel, or any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, shall have suffered any material casualty or breakdown, or shall not be capable of operating in a manner consistent with recent operating history, in each case which condition cannot be repaired by APL prior to March 31, 1996; or (C) since the date of this Agreement, there shall have been a Governmental Action which prevents or materially and substantially impairs the realization by Matson of any of the material benefits intended to be conferred on Matson by this Agreement and the Related Agreements; or (D) any material strike, lockout or other labor disturbance which prevents or materially and substantially impairs the realization by Matson of any of the material benefits intended to be conferred on Matson by this Agreement or the Related Agreements; or (E) by reason of an Excepted Cause (as defined in Section 4.1(d) of the Alliance Agreement), all of the Alliance Vessels shall be prevented from calling at (1) all ports in Hawaii which are capable of serving the Alliance Vessels, or (2) all ports in Guam which are capable of servicing the Alliance Vessels, or (3) all ports in California which are capable of serving the Alliance Vessels; or (F) there shall have been a Material Guam Change; or
- (iii) Due to a failure of any condition in SECTIONS 1, 2, 3 or 4 hereof (other than any such failure constituting or resulting from an event specified in SECTION 7.1(a)(i) or 7.2(a)(i)), any of the Related Agreements are not executed and delivered by the parties or any transaction or closing required to occur under any Related Agreement (including, without limitation, the commencement of the Service in accordance with the Alliance Agreement) shall fail to occur in accordance with the terms of such Related Agreement.

(B) RIGHTS AND OBLIGATIONS UPON TERMINATION. In the event of termination pursuant to SECTION 7.1(a)(ii) or (iii) hereof, both parties shall be relieved of all rights and obligations under this Agreement and the Related Agreements, except as provided in SECTION 7.3 hereof. In the event of termination pursuant to SECTION 7.1(a)(i) hereof: (i) Matson shall be relieved of its obligations under this Agreement and the Related Agreements, (ii) both parties shall observe and perform all obligations under SECTION 7.3 hereof, and (iii) Matson may pursue all other rights and remedies against APL in accordance with SECTION 8 hereof.

7.2 APL TERMINATION.

(A) APL TERMINATION EVENTS. APL may terminate this Agreement, and all Related Agreements, and all of its rights and obligations hereunder and thereunder, subject to the provisions of SECTIONS 7.2(b) and 7.3 hereof, at any time prior to and including the Implementation Date, if:

- (i) There shall have occurred or exist and be continuing any event which constitutes, or with the passage of time or giving of notice or both would constitute, a default by Matson of any of its material obligations, warranties or representations under this Agreement or any Related Agreement (whether or not executed and delivered prior to the time of such termination); or
- (ii) Other than as a result of an event set forth in SECTION 7.1(a) hereof, any of the following shall have occurred and be continuing: (A) any two C-8 Vessels or any one C-9 Vessel shall become a Total Loss; or (B) any remaining Vessel, in the event there has been a Total Loss of a C-8 Vessel, or any two C-8 Vessels or any one C-9 Vessel, if there has been no such Total Loss, shall have suffered any material casualty or breakdown, or shall not be capable of operating in a manner consistent with recent operating history, in each case which condition cannot be repaired by APL prior to March 31, 1996; or (C) since the date of this Agreement, there shall have been a Governmental Action which prevents or materially and substantially impairs the realization by APL of any of the material benefits intended to be conferred on APL by this Agreement and the Related Agreements; or (D) any material strike, lockout or other labor disturbance which prevents or materially and substantially impairs the realization by APL of any of the material benefits intended to be conferred on Matson by this Agreement or the Related Agreements; or (E) by reason of an Excepted Cause (as defined in Section 4.1(d) of the Alliance Agreement), all of the Alliance Vessels shall be prevented from calling at (1) all ports in Korea which are capable of serving the Alliance Vessels, or (2) all ports in Japan which are capable of serving the Alliance Vessels, or (3) all ports in California which are capable of serving the Alliance Vessels; or
- (iii) Due to a failure of any condition specified in SECTIONS 1, 2, 3 and 4 hereof (other than any such failure constituting or resulting from an event specified in SECTION 7.1(a)(i) or 7.2(a)(i)), any of the Related Agreements are not executed and delivered by the parties or any transaction or closing required

to occur under any such Related Agreement (including, without limitation, commencement of the Service in accordance with the Alliance Agreement) shall fail to occur in accordance with the terms of such Related Agreement.

(B) RIGHTS AND OBLIGATIONS UPON TERMINATION. In the event of termination pursuant to SECTION 7.2(a)(ii) or (iii) hereof, both parties shall be relieved of all rights and obligations under this Agreement and the Related Agreements, except as provided in SECTION 7.3 hereof. In the event of termination pursuant to SECTION 7.2(a)(i) hereof: (i) APL shall be relieved of its obligations under this Agreement and the Related Agreements, (ii) both parties shall observe and perform all obligations under SECTION 7.3 hereof, and (iii) APL may pursue all other rights and remedies against Matson in accordance with SECTION 8 hereof.

7.3 TRANSACTION TERMINATION.

(a) The parties acknowledge and agree that the execution and delivery of this Agreement and all Related Agreements, and all of the closings and other implementing transactions contemplated hereby and thereby, are essential to the full realization by the parties of the benefits of the overall transaction contemplated by this Agreement and all Related Agreements, of which transaction each such agreement, closing and transaction constitutes an essential part. The parties further acknowledge and agree that the order of the execution and delivery of the Related Agreements and each such closing and transaction set forth in this Agreement is for the convenience of the respective parties, with a view expeditiously to consummate the overall transactions contemplated hereby. The parties also acknowledge and agree that upon any termination pursuant to SECTION 7.1 or 7.2 hereof, any such execution and delivery, closing or transaction occurring prior to such failure, or any of the same otherwise to occur after such failure pursuant to the terms hereof, will not result in the parties fully realizing the benefits of the overall transaction contemplated by this Agreement and the Related Agreements. The parties therefore agree that upon any termination pursuant to SECTION 7.1 or 7.2 hereof, regardless of the cause, the parties will cooperate, and take all necessary steps, to place each of the parties in their respective positions, as to ownership of assets, status as employer, economic position, and otherwise, occupied prior to the execution and delivery of this Agreement, including, without limitation:

- (i) The reversal of any sale of any Vessel or Vessel Assets or Other Shoreside Spares to Matson, with Matson re-transferring the same to APL.
- (ii) The rehiring by APL of any APL Vessel Officer by APL previously placed in the employ of Matson.
- (iii) The redelivery of any Vessel under charter pursuant to the IBCA by APL to Matson, and the delivery by Matson to APL pursuant to the repurchase of any such Vessel by APL pursuant to this SECTION 7.3(a) hereof.
- (iv) The refund to Matson of all amounts previously paid by Matson under the VPA, together with interest thereon at the rate of 6 percent (6%) per annum from the date of payment to the date of refund.
- (v) The refund to APL of all amounts previously paid by APL to Matson under the IBCA, or under SECTION 6.8 hereof, together with interest thereon at the rate of six percent (6%) per annum from the date of payment thereof to the date of refund.
- (vi) The reconveyance or re-transfer of the Vessel bill of sale, or any other ancillary conveyance or ownership document relating to the original sale of the Vessels or any Vessel Assets by APL to Matson or the transfer of the Other Shoreside Spares from APL to Matson.
- (vii) The redelivery of any Other Shoreside Spares from Matson to APL, if Matson shall have taken possession of the same.

(b) In the event of any termination pursuant to this SECTION 7, the parties shall each use best efforts to minimize all obligations and payments to third parties in connection with any Requisite Work. In no event shall either party be entitled to terminate its obligations under SECTION 6.5(e) with respect to any Requisite Work which has been completed on or before the date of any termination pursuant to this SECTION 7, or with respect to any Requisite Work either party is contractually obligated to pay for at the time of any such termination. In the event of termination after the Requisite Work on a Vessel has begun or been contracted for, but before it is completed, the party responsible for that Requisite Work may, consistent with the first sentence of this paragraph (b), elect to stop or proceed with that Requisite Work, and in either case, each party shall be responsible to share the Reimbursable Costs associated therewith in accordance with SECTION 6.5(e) hereof).

7.4 CONTROLLING PROVISIONS.

Notwithstanding anything in this Agreement or the Related Agreements to the contrary, the rights and obligations of the parties under this Agreement and under any Related Agreement with respect to any termination pursuant to this SECTION 7 shall be as set forth in, and shall be governed exclusively by the provisions of this SECTION 7.

7.5 GUAM STEVEDORING REIMBURSEMENT.

During the Alliance Period (as that term is defined in the Alliance Agreement), promptly after receipt by APL of Matson's invoice therefor, APL shall reimburse Matson for the following charges relating to stevedoring and handling in the event Matson is charged a "Grounded Rate," as that term is defined in the tariff published from time to time by the Port of Guam: the difference between the total actual stevedoring and handling grounded expenses and the expenses that Matson would have been charged for stevedoring and handling at the "Chassis Rate," as that term is defined in any such tariff. Matson will do whatever a reasonable container operator would do to minimize the incurrence of any "Grounded Rate" charge.

7.6 CDS REPAYMENT DATA AND CALCULATIONS.

During the Alliance Period, and for twelve (12) months following the end thereof, APL shall provide Matson with all financial information relating to APL's activities under the Alliance Agreement with respect to APL Cargo (as that term is defined in the Alliance Agreement), as Matson shall reasonably request in order for Matson to perform all calculations required to compute CDS repayment obligations relating to the Vessels on a basis which includes such activities by APL.

SECTION 8. DISPUTE RESOLUTION AND ARBITRATION

8.1 MEDIATION.

Any dispute that arises out of or is connected with this Agreement or relates to the interpretation or enforcement thereof (hereinafter "Dispute") shall, before either party initiates arbitration pursuant to SECTION 8.2 hereof, be the subject of good faith discussions by the parties for the purpose of resolving the Dispute, in accordance with the following general procedure:

(a) Within seven (7) Business Days after the occurrence of a Dispute, Raymond J. Donohue of Matson and John G. Burgess of APL, or their respective successors in the positions they now hold (hereinafter "senior operating person" or "SOP"), shall meet and confer at least once to discuss the Dispute and the possibility of its amicable resolution. Any agreement between the SOPs for resolution of the Dispute shall be subject to such further approval as may be required by the respective internal procedures of each party.

(b) In the event the SOPs are unable to resolve the Dispute within seven (7) Business Days of their first meeting, they shall promptly refer the Dispute to their respective Chief Executive Officers ("CEOs") and prepare and exchange memoranda not exceeding ten (10) pages in length stating the issues in dispute and their positions, summarizing the negotiations which have taken place and attaching relevant documents. The CEOs shall schedule a meeting within seven (7) Business Days of the end of the seven-day period referred to above in this SECTION 8.1(b), which they shall personally attend and at which either party may use an employee familiar with the circumstances of the Dispute to advocate that party's position, subject to a one hour time limit. Following such presentations, the CEOs shall discuss the Dispute and the possibility of its amicable resolution.

(c) If the Dispute has not been resolved for any reason within twenty-one (21) Business Days after it has first been brought to the attention of a party by the other party, then either party may initiate arbitration in accordance with SECTION 8.2 of this Agreement whether or not there has been compliance with SECTION 8.1(a) and (b) hereof.

8.2 ARBITRATION.

(A) DISPUTES SUBJECT TO ARBITRATION; INITIATION OF ARBITRATION; APPOINTMENT OF ARBITRATORS. Subject to the provisions of SECTION 8.1(a), (b) and (c) hereof, all Disputes shall be resolved by arbitration by three (3) arbitrators, one appointed by Matson, one by APL and the third by the two so chosen. Either party may initiate arbitration by giving notice to the other party of the name, address and business affiliation of the initiating party's arbitrator, a brief description of the Dispute(s) to be arbitrated, and the monetary amount involved. The other party shall appoint its arbitrator within ten (10) Business Days after receiving such notice. If the other party shall fail to appoint its arbitrator within such period, then the initiating party may appoint the other party's arbitrator, who shall thereafter be empowered to act as if he or she had been duly appointed by such other party.

(B) APPOINTMENT OF THIRD ARBITRATOR. If the arbitrators appointed by or on behalf of the parties pursuant to SECTION 8.2(a) hereof are unable to agree upon or procure the appointment of the third arbitrator within fifteen (15) Business Days after the appointment of the second of them, then the third arbitrator upon application of either party shall be appointed by the then President of the Society of Maritime Arbitrators, Inc. (New York) within ten (10) Business Days of such application, provided that the person so appointed shall have the qualifications described in SECTION 8.2(c) hereof.

(C) QUALIFICATIONS OF ARBITRATORS. Each of the three (3) arbitrators shall be a commercial Person knowledgeable in the operation of container vessels, the operation of scheduled container services and terminal operations involving containerized cargo. No person shall serve as an arbitrator who has, or has had or then has any expectation of acquiring any business or financial relationship with either of the parties hereto, except such relationship as may be acquired by reason of being selected to serve on the arbitration panel, or who has acquired from either party or any other source detailed prior knowledge of the matter in dispute.

(D) DECISIONS. A decision by the arbitrators, or any two of them, when reduced to writing and signed by them, shall be final and binding upon the parties, and judgment thereon may be entered by any court of competent jurisdiction. The arbitrators are not empowered to award exemplary or punitive damages. Any award of the arbitration panel shall include an award of interest at the Discount Rate for such period as shall fully compensate the party in whose favor the award is entered for the loss of use of the funds in question.

(E) LOCATION. The place of arbitration shall be San Francisco, California. All arbitration proceedings shall be held and conducted so that the arbitration award shall be rendered in writing within forty-five (45) days after the arbitration has been initiated.

(F) PROCEDURE. Except as otherwise provided in this SECTION 8, any arbitration under this Agreement shall be subject to and conducted in accordance with the Maritime Arbitration Rules of the Society of Maritime Arbitrators, Inc. (New York) in effect at the time arbitration is initiated pursuant to SECTION 8.2(a) hereof.

SECTION 9. MISCELLANEOUS

9.1 OTHER AGREEMENTS; AMENDMENTS; NO WAIVER IMPLIED.

This Agreement (including the appendices, schedules and exhibits attached hereto), together with the Related Agreements (including the appendices, schedules and exhibits attached thereto), constitutes the entire agreement among the parties pertaining to the subject matter hereof and thereof and supersedes all prior and contemporaneous agreements, representations and understandings of the parties with respect thereto. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties hereto. No waiver of any provision of this Agreement shall be deemed to be, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver. To the extent of any conflict between the provisions of this Agreement and the Related Agreements (although none is intended), the provisions of this Agreement shall control all rights and obligations of the parties hereunder and under the Related Agreements. No drafts of this Agreement or its appendices, or any communications relating thereto or to the preparation or negotiation of this Agreement or its appendices shall be admissible in evidence to prove the meaning or intent of any provisions of this Agreement or its appendices.

9.2 NOTICES.

All notices, demands, requests and other communications required or permitted by or provided for in this Agreement ("Communications") shall be given in writing to the parties at their respective addresses set forth below, or at such other address as a party shall designate for itself in writing in accordance with this SECTION 9.2:

APL: Michael D. Morris
Vice President
American President Lines, Ltd.
1111 Broadway, 7th Floor
Oakland, CA 94607
Telephone: (510) 272-8824
Facsimile: 510-208-2410

With a Copy to: Frederick M. Sevekow, Jr., Esq.
Vice President & General Counsel
American President Lines, Ltd.
1111 Broadway, 5th Floor
Oakland, CA 94607
Telephone: (510) 272-8123
Facsimile: 510-272-8932

Matson: Raymond J. Donohue
Senior Vice President &
Chief Financial Officer
Matson Navigation Company, Inc.
333 Market Street, 30th Floor
San Francisco, CA 94105
Telephone: (415) 957-4556
Facsimile: 415-957-4930

With a Copy to: Kevin C. O'Rourke, Esq.
Senior Vice President & General Counsel
Matson Navigation Company, Inc.
333 Market Street, 30th Floor
San Francisco, CA 94105
Telephone: (415) 957-4583
Facsimile: 415-957-4930

Communications may be transmitted (i) by personal delivery, (ii) by delivery by messenger, express or air courier or similar courier, (iii) by delivery by United States first class certified or registered mail, postage prepaid, and (iv) by fax. Except as otherwise provided in this Agreement, delivery or service of any Communication shall be deemed effective only upon receipt; provided, that any Communication received after 5:00 P.M. local time at place of receipt, or on a day other than a Business Day, shall be deemed received on the next succeeding Business Day.

9.3 CAPTIONS.

The captions in this Agreement are for convenience of reference only and are not part of this Agreement. They do not define or limit any of the terms or provision, or otherwise affect the construction, of this Agreement.

9.4 REFERENCES.

References in this Agreement to sections and exhibits are references to Sections and Exhibits of this Agreement, except as expressly otherwise indicated.

9.5 ASSIGNMENT; BINDING EFFECT.

Neither party hereto shall have the right to assign or delegate any of its rights or obligations under this Agreement, and any purported assignment or delegation by such party in violation of the preceding clause shall be null and void and of no force or effect. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors.

9.6 APPLICABLE LAW.

This Agreement shall be construed and enforced in accordance with and be governed by the internal laws of the State of California. In the event of any uncertainty in the terms of this Agreement, there shall exist no presumption against either party that such uncertainty arose from the preparation of this Agreement by such party.

9.7 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

9.8 RELIANCE.

(a) Until October 1, 1995, each of the parties shall be free to identify material information provided by the other party in due diligence relating to this transaction and to request the other party's written agreement that the party may rely on such information. The other party may grant or withhold such agreement for any good faith reason which the party deems appropriate in its discretion and shall state such reason in writing to the other party. Any agreement reached between the parties shall be reduced to writing and reflected in Exhibit E hereto.

(b) Each party acknowledges and agrees that neither the other party nor any of its Affiliates nor any of their respective officers, directors, employees, agents or independent contractors has made, or is making, to the other party any representation or warranty, written or oral, concerning any matter whatsoever, except as expressly set forth in this Agreement (including Exhibit E) or any of the Related Agreements or any certificate delivered pursuant hereto or thereto. Neither of the parties has relied upon any statement, advice, document, projection or other information of any type provided by, or any duty to disclose on the part of, the other party or any of its Affiliates or any of their respective officers, directors, employees, agents or independent contractors (whether in connection with due diligence or otherwise), except as expressly set forth or identified in this Agreement (including Exhibit E) or any of the Related Agreements or any certificate delivered pursuant hereto or thereto.

9.9 TRANSITION SERVICES.

Both prior to and following the Implementation Date, both Matson and APL will require certain Transition Services, as defined in the next sentence, to facilitate the acquisition by Matson of the Guam Sale Assets, and the undertaking by Matson and the termination by APL of the Guam Service as of the Implementation Date and so that both parties may obtain the full realization of the benefits contemplated hereby and by all Related Agreements. "Transition Services" include software, software support, data, data connections, customer and vendor support, financial services and general administrative services in connection with the Guam Sale Assets and the Guam Service. Both APL and Matson agree to cooperate in good faith to implement the transactions contemplated hereby and to promptly provide to the other party the Transition Services reasonably requested by the other party for a period of one (1) year following execution of this Agreement; provided, the parties shall have agreed as to limitations or exclusions of liability with respect to such Transition Services. Each party shall pay the other party's out-of-pocket costs [or any other extraordinary cost (other than salaries or other employee compensation)] incurred in rendering the Transition Services. Nothing in this SECTION 9.9 shall obligate any party to perform any Transition Services which, in that party's opinion, would require the approval of any United States federal department or agency.

IN WITNESS WHEREOF, APL and Matson have caused this Agreement to be duly executed as of the day and year first above written.

MATSON NAVIGATION COMPANY, INC.

By /s/ C. Bradley Mulholland

Name: C. Bradley Mulholland
Title: President & Chief
Executive Officer

AMERICAN PRESIDENT LINES, LTD.

By /s/ John M. Lillie

Name: John M. Lillie
Title: Chairman of the Board &
Chief Executive Officer

APPENDIX 1

DEFINITIONS

"AFFILIATE," when used with respect to any Person, means any Person controlling, controlled by or under common control with such Person.

"AGREED VALUE" has the meaning set forth in SECTION 6.7(a) in this Agreement.

"AGREEMENT" means this Implementation Agreement and its appendices, schedules and exhibits, as originally executed and as amended, modified or supplemented thereafter in accordance with its terms.

"ALLIANCE AGREEMENT" has the meaning set forth in Recital E of this Agreement.

"ALLIANCE VESSELS" has the meaning set forth in Recital E of this Agreement.

"ANCILLARY ALLIANCE AGREEMENTS" has the meaning set forth in Recital F of this Agreement.

"APL" has the meaning set forth in the first paragraph of this Agreement.

"APL GUAM EMPLOYEES" means each of the persons employed by APL within the Guam Service Area.

"APL VESSEL OFFICERS" refers to the licensed officers employed on the Vessels by APL.

"ARA" has the meaning set forth in SECTION 6.4 of this Agreement.

"BUSINESS DAY(S)" means a day which is not a Saturday or a Sunday or a bank holiday under the laws of the United States or the State of California.

"C-8 VESSEL" means each, and "C-8 VESSELS" means all of the PRESIDENT HOOVER, Official No. 530137, the PRESIDENT GRANT, Official No. 530138, and the PRESIDENT TYLER, Official No. 530140.

"C-9 VESSEL" means each, and "C-9 VESSELS" means all of the PRESIDENT LINCOLN, Official No. 651627, the PRESIDENT WASHINGTON, Official No. 653424 and the PRESIDENT MONROE, Official No. 655397.

"CDS" has the meaning set forth in SECTION 1.1(b)(iv) of this Agreement.

"CCF" has the meaning set forth in SECTION 1.1(b)(iv) of this Agreement.

"CEOS" has the meaning set forth in SECTION 8.1(b) of this Agreement.

"CHASSIS RATE" has the meaning set forth in SECTION 7.5 of this Agreement.

"CONFIDENTIALITY AGREEMENT" means that certain agreement, dated April 18, 1995, executed by Matson and APL.

"COMMUNICATIONS" has the meaning set forth in SECTION 9.2 of this Agreement.

"DELIVERY COSTS" has the meaning set forth in SECTION 6.5(d) of this Agreement.

"DISCOUNT RATE" means eight percent (8%) per annum.

"DISPUTE" has the meaning set forth in SECTION 8.1 of this Agreement.

"FIRST INVENTORY" has the meaning set forth in SECTION 6.7(a) of this Agreement.

"FIRST VPA CLOSING DATE" has the meaning set forth in SECTION 1.2(a) of this Agreement.

"FMC" has the meaning set forth in Recital E of this Agreement.

"GAPA" has the meaning set forth in Recital D of this Agreement.

"GAPA CLOSING DATE" has the meaning set forth in SECTION 4.2(a) of this Agreement.

"GAPA EXECUTION DATE" has the meaning set forth in SECTION 4.1(a) of this Agreement.

"GOVERNMENTAL ACTION" has the meaning set forth in SECTION 1.1(b)(iii) of this Agreement.

"GROUNDED RATE" has the meaning set forth in SECTION 7.5 of this Agreement.

"GUAM FINANCIAL INFORMATION" means (A) any and all records maintained by APL and its Affiliates of (i) revenue and FEU/TEU volume and movement, including eastbound and westbound revenues and movements for dry and reefer containers, for both the ports of Guam and Saipan, (ii) Guam-based costs incurred by APL, including, but not limited to, cargo handling costs, maintenance and repair

costs, feeder costs and general and administrative costs, and (iii) all U. S. West Coast Gateway FEU/TEU volume and movements to and from Guam (including Saipan), and (B) any scheduled or ad hoc reports from Star Data Base relating to Guam (including Saipan). Such Guam Financial Information shall include fiscal 1994, 1995 and 1996 actual and 1995 APL plan information on a current month and YTD basis. Guam Financial Information shall not include any legally privileged information. Guam Financial Information of the type forwarded to Deloitte & Touche under a confidentiality agreement during the due diligence process shall be available to Matson under the same (but only under the same) type of arrangements as during the due diligence process.

"GUAM SALE ASSETS" has the meaning set forth in Recital C of this Agreement.

"GUAM SERVICE" means the business of APL and its Affiliates as presently conducted in the Guam Service Area which is devoted to the carriage of cargo to and from the Guam Service Area.

"GUAM SERVICE AREA" means the territory of Guam, together with the islands in the Commonwealth of the Northern Marianas, Yap, Palau and any other Pacific Island to or from which APL has sent or received cargo through Guam as a carrier, shipper or consignee since 1990.

"GUAM TERMINAL" means the terminal facility operated by the Port of Guam in Guam utilized by APL for the Guam Service.

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"IBCA" has the meaning set forth in Recital C of this Agreement.

"IMPLEMENTATION DATE" has the meaning set forth in SECTION 3.1 of this Agreement.

"JOINT SPARES AGREEMENT" has the meaning set forth in SECTION 6.7(a) of this Agreement.

"MARAD" has the meaning set forth in SECTION 1.1(b)(iv) of this Agreement.

"MASSA" has the meaning set forth in Recital E of this Agreement.

"MATERIAL GUAM CHANGE" means either (i) total Guam revenues for the full year 1995 shall be less than \$67 million (as reported in APL Star Database), or (ii) APL's market share (based on total FEUs of APL and Sea-Land) for 1995 on a year-to-date basis shall decline below forty-four percent (44%) as determined by APL in Guam utilizing data provided by the Port of Guam calculated on a basis consistent with 1995 market share data previously provided to Matson by APL.

"MATSON" has the meaning set forth in the first paragraph of this Agreement.

"MEBA" has the meaning set forth in SECTION 6.4 of this Agreement.

"MMP" has the meaning set forth in SECTION 6.4 of this Agreement.

"ODS" shall have the meaning set forth in Exhibit F to this Agreement.

"OTHER SHORESIDE SPARES" has the meaning set forth in SECTION 6.7 of this Agreement.

"PERSON" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"REIMBURSABLE COSTS" has the meaning set forth in SECTION 6.5(e) of this Agreement.

"RELATED AGREEMENTS" has the meaning set forth in Recital F of this Agreement.

"REQUIRED CONSENTS" means any and all consents, approvals or waivers of any public body or authority and any and all consents, approvals or waivers from parties to leases, licenses, franchises, permits, indentures, agreements and other instruments that are (i) required for the lawful consummation of the transactions contemplated hereby or effectively to transfer the Guam Sale Assets to Matson, or (ii) necessary in order that the business of APL in the Guam Service can be conducted by Matson substantially in the same manner as previously conducted by APL.

"REQUISITE WORK" means, with respect to each Alliance Vessel, the work set forth in Schedule 1(a) attached to this Agreement.

"SAIPAN TERMINAL" means the terminal facility located in Saipan.

"SECOND INVENTORY" has the meaning set forth in SECTION 6.7(a) of this Agreement.

"SERVICE" means the service contemplated under the Alliance Agreement and the Ancillary Alliance Agreements.

"SOP" has the meaning set forth in SECTION 8.1(a) of this Agreement.

"TOTAL LOSS" has the meaning set forth in SECTION 1.1(b)(iii).

"VESSELS" means each of the Vessels and the Vessel Assets purchased by Matson pursuant to the Vessel Purchase Agreement.

"VESSEL INSPECTION DATE" has the meaning as set forth in the Vessel Purchase Agreement.

"VPA" has the meaning set forth in Recital B of this Agreement.

"VPA CLOSING DATE(S)" has the meaning set forth in SECTION 1.2(a) of this Agreement.

"VPA EXECUTION DATE" has the meaning set forth in SECTION 1.1(a) of this Agreement.

SCHEDULE 1(A)

REQUISITE WORK ON THE ALLIANCE VESSELS

References: Matson sketches dated 7/11/95 (C-9), 7/13/95 (RJP) and 6/1/95 (C-8).

1. THREE C-9S (WASHINGTON, LINCOLN AND MONROE) FOR EACH SHIP:

Requirement: Change 2 sets of adjacent 40' container rows for the alternate stowage of 24' containers. Container stack weight to be 150,000 pounds. Six new rows of 24' containers on deck, 4-high, will provide 312 24' slots as an alternate for 208 existing 40' slots.

Other Work: Fabricate 4 new 40' hatch covers (2 adjacent sets, port and starboard). New hatch covers to incorporate all changes since original construction along with new structure to accommodate midspan 24' container fittings. Fabricate and install aboard ship 8 new deck pedestals and lashing access platforms. Remove, refurbish, renew and change ashore, and replace aboard ship 4 existing hatch cover sections. Align and weld 24' container fittings on covers as an alternative, 8 new hatch covers may be considered.

Change vessel loading and trip and stability programs.

2. ONE C-8 (TYLER, HOOVER, OR GRANT):

Requirement: Change 3 sets of adjacent 40' container rows for the alternate stowage of 24' containers. Container stack weight to be 150,000 pounds. Nine new rows of 24' containers on deck, 4-high, will provide 400 24' slots as an alternate for 264 40' slots. Modify 2 rows of below deck 20' cell guides for 24' containers. This will provide 56 new 24' slots below deck in combination with 56 20' slots. Add 82 new reefer receptacles at 3 under deck rows.

Other Work: Remove, refurbish and change 6 sets of hatch covers (19 total sections) port, center and starboard, in way of rows 4.5, 8/9 and 11/12. The changes will require additions to the hatch covers to permit the midspan stowage of 24' containers. Fabricate and install aboard ship, 24 new deck pedestals (2 sets per row, port and starboard, for outboard stowage) and lashing access platforms. Change the structure aboard ship in way of the hatch coamings at affected rows in order to accommodate loads from the new 24' containers. Align and weld 24' fittings on the hatch covers. Install 82 new reefer receptacles under deck at rows 1, 3 and 13. Refurbish, renew and change, as required, existing ventilation equipment and provide personnel access and lighting for the new below deck reefer rows.

Change vessel loading and trim and stability programs.

3. R.J. PFEIFFER:

Requirement: Build new 40' hatch covers and convert hold number 3 from 24' to 40' container stowage. Stack weight on new covers to be 168,000 pounds. Provide additional capability for 3 24' container rows on top of new 40' hatches. Hold changes adds 104 40' container slots (36 reefers) and deletes 166 24' container slots below deck (70 reefers). Hatch cover work adds 104 40' containers on deck as alternate stow, 4-high in way of rows 5/7 and maintains the original 156 24' as alternates. Relocate the 34 displaced 24' below deck reefer receptacles to on deck locations. Add 40' alternate container stow on hatch covers and outboard pedestals at rows 2-4 (80 slots). Add 20' alternate container stow on hatch covers and outboard pedestals at rows 204 (123 slots). Install 20' cell guide inserts under deck at rows 1-4. This will displace 48 24' containers and replace them with an equal number of 20' containers.

Other Work: Remove one midcell structure and transverse girder. Either construct a new 54' wide transverse girder and midcell or change/relocate existing structure. Construct and install 4 new 40' hatch covers with the capability for 3 rows of alternate 24' container stowage. Relocate 24' reefer receptacles currently located at row 5 under deck to alternate on-deck rows as needed. Remove or relocate ventilation equipment in hold 3 and make suitable for a single row of 36 40' reefers under deck at row 7. Strengthen the hatch cover at row 3 and add pedestals outboard to accommodate 2 alternate rows of 40' containers on deck at rows 2/3 and 3/4. Strengthen hatch covers at rows 2-4 and add pedestals outboard to accommodate 3 alternate rows of 20' containers on deck. Fabricate and

install aboard ship cell guide inserts at rows 1-4 under deck to convert existing 24' container rows to 20' rows.

Change vessel loading and trim and stability programs.

4. ONE C-8 (TYLER, HOOVER OR GRANT):

Requirement: Change 2 sets of adjacent 40' container rows for the alternate stowage of 24' containers. Container stack weight to be 150,000 pounds. Six new rows of 24' containers on deck, 4-high, will provide 276 24' slots as an alternate for 190 40' slots.

[SCHEDULE 1(B)]

RESPONSIBILITY AND SCHEDULE

VESSEL	RESPONSIBILITY	ANTICIPATED WORK LOCATION	ANTICIPATED WORK SCHEDULE
C-9	APL	Pusan	1/8-10/96
C-9	APL	Pusan	1/22-24/96
C-9	APL	Pusan	1/29-31/96
C-8 (1)	APL	Far East	1/30-2/15/96
RJP	Matson	Far East	3/12-4/8/96
C-8 (2)	APL	Far East	3/1-11/96

EXHIBIT A
[Vessel Purchase Agreement]

EXHIBIT B
[Interim Bareboat Charter Agreement]

EXHIBIT C
[Guam Asset Purchase Agreement]

EXHIBIT D
[Alliance Slot Hire Agreement]

EXHIBIT E
[Reliance]

EXHIBIT F
[APL Consents]

ALEXANDER & BALDWIN, INC.
 COMPUTATION OF EARNINGS PER SHARE
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1994
 (In thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1995	1994	1995	1994
Primary Earnings Per Share (a)				
Net income from continuing operations	\$ 10,345	\$ 11,024	\$ 19,839	\$ 44,251
Net income from discontinued operations	0	2,788	22,542	7,406
Net income	<u>\$ 10,345</u>	<u>\$ 13,812</u>	<u>\$ 42,381</u>	<u>\$ 51,657</u>
Average number of shares outstanding	45,529	45,997	45,562	46,131
Primary earnings per share from continuing operations	\$ 0.23	\$ 0.24	\$ 0.44	\$ 0.96
Primary earnings per share from discontinued operations	0.00	0.06	0.49	0.16
Primary earnings per share	<u>\$ 0.23</u>	<u>\$ 0.30</u>	<u>\$ 0.93</u>	<u>\$ 1.12</u>
Fully Diluted Earnings Per Share				
Net income from continuing operations	\$ 10,345	\$ 11,024	\$ 19,839	\$ 44,251
Net income from discontinued operations	0	2,788	22,542	7,406
Net income	<u>\$ 10,345</u>	<u>\$ 13,812</u>	<u>\$ 42,381</u>	<u>\$ 51,657</u>
Average number of shares outstanding	45,529	45,997	45,562	46,131
Effect of assumed exercise of outstanding stock options	40	68	20	66
Average number of shares outstanding after assumed exercise of outstanding stock options	<u>45,569</u>	<u>46,065</u>	<u>45,582</u>	<u>46,197</u>
Fully diluted earnings per share from continuing operations	\$ 0.23	\$ 0.24	\$ 0.44	\$ 0.96
Fully diluted earnings per share from discontinued operations	0.00	0.06	0.49	0.16
Fully diluted earnings per share	<u>\$ 0.23</u>	<u>\$ 0.30</u>	<u>\$ 0.93</u>	<u>\$ 1.12</u>

(a) The computations of primary earnings per share do not include the effects of assumed exercises of employee stock options because such effects were immaterial for both years.

[Cover Photo: At capacity -- Matson's flagship, MVR.J. Pfeiffer, carrying a record cargo. Plans call for this fuel-efficient ship to join several other vessels, to be purchased from American president Lines, in Matson's new Pacific Alliance service early in 1996.]

October 27, 1995

To Our Shareholders

The third quarter 1995 net income of Alexander & Baldwin, Inc. (A&B) was \$10,345,000, or \$0.23 per share. Net income for the comparable period of 1994 was \$13,812,000, or \$0.30 per share. Net income in the 1994 quarter included \$2,788,000, or \$0.06 per share, from operations of Matson Leasing Company, Inc. (Matson Leasing), a subsidiary whose net assets were sold in June 1995.

Net income for the first nine months of 1995 was \$42,381,000, or \$0.93 per share, versus \$51,657,000, or \$1.12 per share, in 1994. Net income in the first nine months of 1995 included \$5,336,000, or \$0.12 per share, from operations of Matson Leasing and a gain of \$17,206,000, or \$0.38 per share, on its sale. Net income in the first nine months of 1994 included \$7,406,000, or \$0.16 per share, from Matson Leasing operations.

The 1995 nine-month results included an after-tax charge of \$5,050,000, or \$0.11 per share, for closing unprofitable sugar-growing operations at the Company's McBryde plantation on the island of Kauai. This charge was recorded in the second quarter of 1995.

Fourth-Quarter Dividend

On October 26, 1995, the Board of Directors authorized a fourth-quarter dividend of \$0.22 per share, payable on December 7, 1995 to shareholders of record as of the close of business on November 9, 1995.

Operating Profit, Segment Summaries

Consolidated operating profit from continuing operations for the third quarter of this year was five percent higher than in the third quarter of 1994. Consolidated operating profit from continuing operations for the first nine months of 1995, however, was substantially lower than in the same period of 1994. Comparisons between the periods for each business segment are explained in the following sections.

Interest Income Boosts Matson's Results

Ocean transportation operating profit in the third quarter of 1995 rose by 20 percent, primarily due to greater interest income from higher investment balances, lower fuel prices, reduced operating and overhead expenses, and improved results in the Pacific Coast service.

These improvements were partially offset by lower cargo volume in the Hawaii service. Hawaii container volume in the third-quarter of 1995 declined nine percent compared with the third quarter of 1994, primarily the result of continuing weakness in some sectors of Hawaii's economy. Comparing the same periods, Matson's Hawaii automobile volume declined by 18 percent.

The higher investment balances result from the net proceeds of the sale of Matson Leasing. Certain of these funds are planned to be used in early 1996 to acquire vessels from American President Lines, Ltd. (APL) in a previously announced transaction.

For the first nine months of 1995, ocean transportation operating profit declined by 13 percent, primarily due to lower cargo and higher fuel costs. For that period, Matson's Hawaii container volume was down eight percent and automobile volume was down seven percent.

Income Property Results Higher

Third-quarter 1995 property leasing operating profit was six-percent greater than in the comparable period in 1994. The improvement was primarily due to the start of ground lease revenue for a new Costco facility in Kahului, Maui, and higher contributions from Mainland properties.

Property leasing operating profit for the first nine months of 1995 was three-percent lower than in the first nine months of 1994. Earlier in 1995, the leased property portfolio was smaller, due to the sale late in 1994 of a Denver shopping center, and because the Costco lease had not yet started.

The leased property results are benefiting from continuing high occupancy levels for Mainland properties, where year-to-date occupancy rates averaged 97 percent, versus 96 percent last year. Occupancy levels for developed Hawaii properties averaged 90 percent, versus 93 percent last year.

Property Sales Low In Third Quarters 1994 and 1995

Total third-quarter 1995 property sales revenue was \$2.4 million, versus \$2.1 million recorded in the third quarter of 1994. Operating profit this quarter was about half of the 1994 figure. Sales in the third quarter of 1995 included 15 residential subdivision lots and condominium units, versus 20 subdivision lots

in the same period of 1994.

Property sales revenue of \$9.4 million in the first nine months of 1995 was lower than the \$14.8 million recorded in the first nine months of 1994. Operating profit from property sales for the first nine months was about one-third of that in the first nine months of 1994. 1994 results included a sale of two prime, undeveloped acres near the harbor at Kahului, Maui. There were an aggregate of 29 residential subdivision lots and condominium units sold in the first nine months of 1995, versus 32 lots during that period last year.

C&H Strike, Lower Sugar Production

Food products operating losses increased in the third quarter of 1995 versus the same period in 1994. Results in the third quarter of 1995 reflect low refiner margins and a strike at California and Hawaiian Sugar Company, Inc. (C&H) by members of Sugar Workers Union No.1, AFL-CIO Seafarers International Union of North America that began on September 8 and ended on October 17. Third quarter results also reflect lower sugar yields, which will decrease the expected 1995 sugar harvest at Hawaiian Commercial & Sugar Company, A&B's plantation on Maui.

For the nine months, the operating loss of \$19.6 million compares with a loss of \$1.5 million in the same period in 1994. The 1995 loss includes a pre-tax charge of \$8.1 million for closing sugar operations on Kauai.

Sugar refining operations of C&H continue to be hurt by raw cane sugar prices that have

reached a 14-year high, and by relatively low refined product prices. Legislation that will affect many agricultural commodities, including sugar, is being considered by Congress. The deliberations now taking place in Washington, D.C. will significantly influence the future prospects for the Company's cane sugar refining and sugarcane growing operations.

Transition Continues, Outlook

A&B continues to face major challenges in its businesses, but the Company is moving ahead with strategic initiatives that will help improve earnings. During the quarter, we announced that an implementation agreement was reached with APL for the purchase of six vessels and subsequent operation of a new, cost-efficient joint service to Hawaii, Guam and the Far East. Also, we are progressing well with the construction and marketing of the first 42 acres of our new Maui Business Park, and are actively participating with industry groups and Congressional representatives in the important ongoing deliberations regarding sugar legislation.

Recognizing that fundamental changes have taken place in some of the markets served by our businesses, we are continuing to work on a series of significant cost reduction initiatives. The first to be announced was the phase-out of unprofitable sugar operations on Kauai, which is proceeding as planned. Another is the consolidation of Matson's customer service operations at a new facility in Phoenix, Ariz. where operations are beginning this month. Additional changes are being evaluated and will be announced as soon as final plans are developed and approved.

/s/ John C. Couch
John C. Couch
Chairman, President and
Chief Executive Officer

CONDENSED BALANCE SHEETS

(In thousands)

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

	September 30 1995	December 31 1994
	----- (unaudited)	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 52,544	\$ 8,987
Accounts and notes receivable, net	158,098	129,156
Inventories	75,651	90,677
Property held for sale	3,120	4,014
Deferred income taxes	12,708	21,347
Prepaid expenses and other	12,014	14,127
Accrued deposits to Capital Construction Fund	(23,774)	(550)
Total current assets	290,361	267,758
Investments	81,220	64,913
Real Estate Developments	72,967	66,371

Property, at cost	1,747,994	1,720,390
Less accumulated depreciation and amortization	775,541	744,718
Property - net	972,453	975,672
Capital Construction Fund	330,394	176,044
Net Assets of Discontinued Operations (Note e)	-	313,690
Other Assets	48,403	67,713
Total	\$1,795,798	\$1,932,161

LIABILITIES AND
SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term liabilities	\$ 35,718	\$ 35,177
Short-term commercial paper borrowing	83,000	58,000
Accounts payable	35,904	51,757
Other	68,925	64,778
Total current liabilities	223,547	209,712
Long-term Liabilities:		
Long-term debt	386,127	526,231
Capital lease obligations	24,201	35,274
Post-retirement benefit obligations	119,045	116,610
Other	55,887	61,759
Total long-term liabilities	585,260	739,874
Deferred Income Taxes	335,876	349,961
Shareholders' Equity:		
Capital stock	37,328	37,493
Additional capital	40,120	38,862
Unrealized holding gains on securities	38,456	29,073
Retained earnings	549,028	541,910
Cost of treasury stock	(13,817)	(14,724)
Total shareholders' equity	651,115	632,614
Total	\$1,795,798	\$1,932,161

See financial notes.

CONDENSED STATEMENTS OF INCOME
(In thousands except per share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

	Three Months Ended September 30		Nine Months Ended September 30	
	1995	1994 (1)	1995	1994 (1)
	(unaudited)		(unaudited)	
Revenue:				
Net sales, revenue from services and rentals	\$ 238,025	\$ 279,120	\$ 742,147	\$ 784,109
Interest, dividends and other	8,261	5,536	20,128	16,027
Total revenue	246,286	284,656	762,275	800,136
Costs and Expenses:				
Costs of goods sold, services and rentals	194,694	233,159	616,791	628,653
Selling, general and administrative	25,811	28,347	81,774	83,210
Plantation closure (Note d)	-	-	8,100	-
Interest (Note f)	9,513	6,457	24,676	20,402
Income taxes	5,923	5,669	11,095	23,620
Total costs and expenses	235,941	273,632	742,436	755,885
Income from continuing operations	10,345	11,024	19,839	44,251
Discontinued Operations (Note e):				
Income from operations of Matson Leasing Co. (net of interest and applicable income taxes)	-	2,788	5,336	7,406
Gain on sale of Matson Leasing Co. net assets (less applicable income taxes of \$9,100)	-	-	17,206	-
Net Income	\$ 10,345	13,812	\$ 42,381	\$ 51,657
Earnings Per Share:				
Continuing Operations	\$ 0.23	\$ 0.24	\$ 0.44	\$ 0.96
Discontinued Operations	-	0.06	0.49	0.16
Total	\$ 0.23	\$ 0.30	\$ 0.93	\$ 1.12
Dividends Per Share	\$ 0.22	\$ 0.22	\$ 0.66	\$ 0.66
Average Number of Shares Outstanding	45,529	45,997	45,562	46,131
INDUSTRY SEGMENT DATA (In thousands)				
Revenue:				
Ocean Transportation	\$ 150,507	\$ 154,542	\$ 445,212	\$ 450,436
Property Development and Management:				
Leasing	8,746	8,298	25,268	25,065
Sales	2,403	2,136	9,398	14,827
Food Products	83,946	118,983	280,331	307,640
Other	684	697	2,066	2,168
Total	\$ 246,286	\$ 284,656	\$ 762,275	\$ 800,136
Operating Profit: (2)				
Ocean Transportation	\$ 26,592	\$ 22,114	\$ 64,549	\$ 73,997
Property Development and Management:				
Leasing	6,033	5,709	17,236	17,781
Sales	328	748	3,548	9,407
Food Products (3)	(4,350)	(1,404)	(19,580)	(1,454)
Other	640	636	1,909	1,997
Total	\$ 29,243	\$ 27,803	\$ 67,662	\$ 101,728

(1) Restated to exclude discontinued operations, see Note (e).

(2) Before interest expense, corporate expense and income taxes

(3) Nine month amounts for 1995 include an \$8.1 million charge for the closure of Kauai sugar operations. See Note (d).

(4) Three month amount for 1994 and nine month amounts for 1995 and 1994 are after deducting interest expense of \$3,330,000, \$6,987,000 and \$9,496,000, respectively.

See financial notes.

CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

	Nine Months Ended September 30	
	1995	1994
	----- (unaudited)	
Cash Flows from Continuing Operating Activities	\$ 49,413	\$ 64,173
	-----	-----
Cash Flows from Continuing Investing Activities:		
Capital expenditures	(48,434)	(48,230)
Proceeds from sale of subsidiary net assets	357,471	-
Proceeds from disposal of property, investments and other assets	376	514
Deposits into Capital Construction Fund	(132,064)	(7,366)
Withdrawals from Capital Construction Fund	938	9,803
Increase in investments	(1,706)	(32)
	-----	-----
Net cash provided by (used in) continuing investing activities	176,581	(45,311)
	-----	-----
Cash Flows from Continuing Financing Activities:		
Proceeds from issuances of long-term debt	40,000	41,000
Payment of long-term liabilities	(191,280)	(58,011)
Proceeds from issuances of short-term commercial paper	25,000	9,000
Proceeds from issuances of capital stock	468	73
Repurchase of capital stock	(5,337)	(11,680)
Dividends paid	(30,073)	(30,473)
	-----	-----
Net cash used in continuing financing activities	(161,222)	(50,091)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents From Continuing Operations	\$ 64,772	(\$ 31,229)
	=====	=====
Net Increase (Decrease) in Cash and Cash Equivalents From Discontinued Operations (Note e)	(\$ 21,785)	\$ 5,211
	=====	=====
Other Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 28,988	\$ 29,641
Income taxes paid, net of refunds	40,017	17,397
Other Non-cash Information:		
Accrued deposits to Capital Construction Fund, net of accrued withdrawals	23,224	1,170
Depreciation	75,500	79,726

See financial notes.

FINANCIAL NOTES
(Unaudited)

- (a) 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, but, in the opinion of management, all material adjustments necessary for the fair presentation of interim period results have been included in this interim financial report.
- (b) Estimated effective annual income tax rates differ from statutory rates, primarily due to the dividends-received deductions and various tax credits.
- (c) Certain amounts have been reclassified to conform with the current year presentation.
- (d) In June 1995, the Company announced the closure of sugar production at its McBryde Sugar Company, Limited subsidiary on Kauai. The closure costs of \$8.1 million are shown as a separate item in the accompanying income statements.
- (e) On June 30, 1995, the Company sold the containers and certain other assets and liabilities of Matson Leasing Company, Inc. to XTRA Corporation for approximately \$360 million. Specifically excluded from the sale were the debt and United States tax obligations of the business. Accordingly, the container leasing segment is reported as a discontinued operation at September 30, 1995, and the consolidated financial statements separately report the net assets, operating results and cash flows of the business. The amounts presented for prior periods have been restated for comparability.

The sale resulted in a pre-tax gain of \$26.3 million, which included the gain on the sale of assets, less estimated costs to be incurred in connection with the sale. The Company is using the proceeds from the sale to repay debt and to meet the capital needs of the remaining segments.
- (f) Interest expense of Matson Leasing Co., Inc. had been classified an operating expense prior to the sale of the business. Following the sale, the long-term debt reverted to Matson Navigation Company, Inc. and interest on the debt from July 1, 1995 forward has been classified as interest expense.

The schedule contains summary financial information extracted from the condensed balance sheet as of September 30, 1995 and the condensed statement of income for the nine months ended September 30, 1995 and is qualified in its entirety by reference to such financial statements.

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	DEC-31-1995	
	SEP-30-1995	3944
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		165354
		7256
		75651
	290361	1747994
		775541
		1795798
	223547	386127
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1795798		742147
	762275	616791
		616791
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