UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _______

Commission file number 0-565

ALEXANDER & BALDWIN, INC.
(Exact name of registrant as specified in its charter)

Hawaii	99-0032630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

822 Bishop Street
Post Office Box 3440, Honolulu, Hawaii 96801
(Address of principal executive offices and zip code)

808-525-6611
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of Class)

Number of shares of Common Stock outstanding at February 7, 2005:
43,470,917

Aggregate market value of Common Stock held by non-affiliates at June 30, 2004:
$1,356,651,553

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Documents Incorporated By Reference
Portions of Registrant's Proxy Statement dated March 7, 2005 (Part III of Form 10-K)

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PART I

ALEXANDER & BALDWIN, INC.

FORM 10-K

Annual Report for the Fiscal Year
Ended December 31, 2004

PART I

ITEMS 1 & 2. BUSINESS AND PROPERTIES

Alexander & Baldwin, Inc. ("A&B") is a diversified corporation with most of its operations centered in Hawaii. It was founded in 1870 and incorporated in 1900. Ocean transportation operations, related shoreside operations in Hawaii, and intermodal, truck brokerage and logistics services are conducted by a wholly-owned subsidiary, Matson Navigation Company, Inc. ("Matson") and two Matson subsidiaries. Property development and food products operations are conducted by A&B and certain other subsidiaries of A&B.

The business industries of A&B are as follows:

A. Transportation - carrying freight, primarily between various ports on the U.S. Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; arranging intermodal and motor carrier services and providing logistics services in North America; and providing terminal, stevedoring and container equipment maintenance services in Hawaii.

B. Real Estate - purchasing, developing, selling, managing, leasing and investing in commercial (including retail, office and industrial) and residential properties, in Hawaii and on the U.S. mainland.

C. Food Products - growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; marketing and distributing roasted coffee and green coffee; providing sugar, petroleum and molasses hauling, general trucking services, mobile equipment maintenance and repair services, and self-service storage in Hawaii; and generating and selling electricity.

For information about the revenue, operating profits and identifiable assets of A&B's industry segments for the three years ended December 31, 2004, see Note 14 ("Industry Segments") to A&B's financial statements in Item 8 of Part II below.

DESCRIPTION OF BUSINESS AND PROPERTIES

A. Transportation

(1) Freight Services

Matson's Hawaii Service offers containership freight services between the ports of Long Beach, Oakland, Seattle, and the major ports in Hawaii on the islands of Oahu, Kauai, Maui and Hawaii. Roll-on/roll-off service is provided between California and the major ports in Hawaii.

Matson is the principal carrier of ocean cargo between the U.S. Pacific Coast and Hawaii. In 2004, Matson carried approximately 169,600 containers (compared with 162,400 in 2003) and 157,000 automobiles (compared with 145,200 in 2003) between those destinations. Principal westbound cargoes carried by Matson to Hawaii include dry containers of mixed commodities, refrigerated commodities, building materials, automobiles and packaged foods. Principal eastbound cargoes carried by Matson from Hawaii include automobiles, household goods, refrigerated containers of fresh pineapple, canned pineapple and dry containers of mixed commodities. The preponderance of Matson's Hawaii Service revenue is derived from the westbound carriage of containerized freight and automobiles.

Matson's Guam Service provides containership freight services between the U.S. Pacific Coast and Guam and Micronesia. Matson's Guam Service is a component of the Pacific Alliance Service, a strategic alliance established by Matson and American President Lines, Ltd. ("APL") to provide freight services between the U.S. Pacific Coast and Hawaii, Guam and several Far East ports. In 2004, Matson carried approximately 17,200 containers (compared with 17,800 in 2003) and 4,580 automobiles (compared with 4,660 in 2003) in the Guam Service. The alliance currently utilizes three Matson vessels and two APL vessels. Matson's agreement with APL is scheduled to expire in February 2006. For additional information about the APL alliance, see "Charter Agreements Related to Guam Service" in Item 7 of Part II below.

In February 2005, Matson announced that it will replace its existing Guam Service at the termination of the APL alliance with an integrated Hawaii/Guam/China service beginning in February 2006. The service will employ three existing Matson containerships along with two new containerships to be purchased from Kvaerner Philadelphia Shipyard, Inc. ("Kvaerner") in a five-ship string that carries cargo from the U.S. West Coast to Honolulu, then to Guam, and eventually to China. In China, the vessels will be loaded with cargo destined for the U.S. West Coast. The Guam service strategy involves re-deploying into the Hawaii service three C-9 class vessels that currently serve Guam at the termination of the APL alliance.

Matson's Mid-Pacific Service offers container and conventional freight services between the U.S. Pacific Coast and the ports of Kwajalein, Ebeye and Majuro in the Republic of the Marshall Islands and Johnston Island, all via Honolulu.

See "Rate Regulation" below for a discussion of Matson's freight rates.

(2) Vessels

Matson's fleet consists of 11 containerships, three combination container/trailerships, including a combination ship time-chartered from a third party, one roll-on/roll-off barge, two container barges equipped with cranes that serve the neighbor islands of Hawaii, and one container barge equipped with cranes in the Mid-Pacific service. The 17 Matson-owned vessels in the fleet represent an investment of approximately $848 million expended over the past 34 years. The majority of vessels in the Matson fleet have been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act, 1936, as amended.

Matson has actively pursued a vessel renewal program. In 2002, Matson contracted with Kvaerner for two new containerships for the Hawaii Service, each at a project cost of approximately $107 million. The first ship was delivered in the third quarter of 2003, and the second was delivered in the third quarter of 2004.

Ships owned by Matson are described on page 4.

As a complement to its fleet, Matson owns approximately 19,100 containers, 11,000 container chassis, 700 auto-frames and miscellaneous other equipment. Capital expenditures incurred by Matson in 2004 for vessels, equipment and systems totaled approximately $128 million.

Matson entered into agreements in February 2005 with Kvaerner to purchase two containerships at a cost of $144.4 million each. The first ship is expected to be delivered in June 2005, and the second ship is expected to be delivered in May 2006. Also, in February 2005, Matson entered into a right of first refusal agreement with Kvaerner, which provides that, after the second containership is delivered to Matson, Matson has the right of first refusal to purchase each of the next four containerships of similar design built by Kvaerner that are deliverable before June 30, 2010. Matson may either exercise its right of first refusal and purchase the ship at an eight percent discount from a third party's proposed contract price, or decline to exercise its right of first refusal and be paid by Kvaerner eight percent of such price. Notwithstanding the above, if Matson and Kvaerner agree to a construction contract for a vessel to be delivered before June 30, 2010, Matson shall receive an eight percent discount.

(3) Terminals

Matson Terminals, Inc. ("Matson Terminals"), a wholly-owned subsidiary of Matson, provides container stevedoring, container equipment maintenance and other terminal services for Matson and other ocean carriers at its 105-acre marine terminal in Honolulu. Matson Terminals owns and operates seven cranes at the terminal, which handled approximately 423,300 containers in 2004 (compared with 419,600 in 2003). The facility can accommodate three vessels at one time. Matson Terminals' lease with the State of Hawaii runs through September 2016. As the result of an acquisition completed on January 31, 2005, Matson Terminals also provides container stevedoring and other terminal services to Matson and other vessel operators at ports on the island of Hawaii.

SSA Terminals, LLC ("SSAT"), a joint venture of Matson and SSA Marine, Inc. ("SSA"), provides terminal and stevedoring services at U.S. Pacific Coast terminal facilities in Long Beach, Oakland and Seattle.

Capital expenditures incurred by Matson Terminals in 2004 for terminals and equipment totaled approximately $1 million.

(4) Logistics and Other Services

Matson Integrated Logistics, Inc. ("Matson Integrated Logistics"), a wholly-owned subsidiary of Matson, arranges rail, highway, air, ocean and other surface transportation and provides other third-party logistics services for North American shippers. Through volume purchases of rail, motor carrier, air and ocean transportation services, augmented by such services as shipment tracing and single-vendor invoicing, Matson Integrated Logistics is able to reduce transportation costs for its customers. Matson Integrated Logistics operates eight regional operating centers and has 23 sales offices across the U.S. mainland.

(5) Competition

Matson's Hawaii Service and Guam Service have one major containership competitor that serves Long Beach, Oakland, Tacoma, Honolulu and Guam. Other competitors in the Hawaii Service include two common carrier barge services, unregulated proprietary and contract carriers of bulk cargoes, and air cargo service providers. Although air freight competition is intense for time-sensitive and perishable cargoes, inroads by such competition in terms of cargo volume are limited by the amount of cargo space available in passenger aircraft and by generally higher air freight rates.

Matson vessels are operated on schedules that make available to shippers and consignees regular day-of-the-week sailings from the U.S. Pacific Coast and day-of-the-week arrivals in Hawaii. Under its current schedule, Matson operates between 190 and 208 Hawaii round-trip voyages per year, double the westbound voyages of its nearest competitor, and arranges additional voyages when cargo volumes require additional capacity. This service is attractive to customers because more frequent arrivals permit customers to reduce inventory costs. Matson also competes by offering a more comprehensive service to customers, supported by the scope of its equipment, its efficiency and experience in handling containerized cargo, and competitive pricing.

Competition in the Hawaii Service is expected to increase in 2005 due to entry into the Hawaii trade by the operator of a new dedicated automobile and truck carrier, with a stated carrying capacity of 3,000 automobiles every two weeks beginning in the second quarter of 2005. The operator announced that it will target automobiles, buses, trucks and other large and oversize rolling stock, and that it signed a multi-year contract with an automobile manufacturer that is a current Matson customer, for which Matson moved approximately 20,000 westbound automobiles in 2004. Matson is well-positioned to compete with the new entrant. Partially offsetting the loss of business to the new entrant, Matson recently received a multi-year commitment from an automobile manufacturer that previously was the customer of a different competitor. While the new entrant into the Hawaii market is expected to have some adverse effect, its near-term impact cannot be estimated, and the long-term impact will not be

MATSON NAVIGATION COMPANY, INC.
FLEET--2/1/05

							Usable Cargo Capacity							
							Containers						Vehicles	
Vessel Name	Official Number	Year Built	Year Reconstructed	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	20'	24'	40'	45'	Reefer Slots	TEUs (1)	Autos	Trailers
Diesel-Powered Ships														
R.J. PFEIFFER.......	979814	1992	--	713' 6"	23.0	27,100	48	171	988	--	300	2,229	--	--
MOKIHANA (2)........	655397	1983	--	860' 2"	23.0	30,167	182	--	1,340	--	408	2,824	--	--
MAHIMAHI (2)........	653424	1982	--	860' 2"	23.0	30,167	182	--	1,340	--	408	2,824	--	--
MANOA (2)...........	651627	1982	--	860' 2"	23.0	30,187	182	--	1,340	--	408	2,824	--	--
MANUKAI.............	1141163	2003	--	711' 9"	23.0	29,517	4	--	1,359	--	300	2,592	--	--
MAUNAWILI...........	1153166	2004	--	711' 9"	23.0	29,517	4	--	1,359	--	300	2,592	--	--
Steam-Powered Ships														
KAUAI...............	621042	1980	1994	720' 5 1/2"	22.5	26,308	--	458	538	--	300	1,626	44	--
MAUI................	591709	1978	1993	720' 5 1/2"	22.5	26,623	--	458	538	--	300	1,626	--	--
MATSONIA............	553090	1973	1987	760' 0"	21.5	22,501	16	128	771	--	201	1,712	450	56
LURLINE.............	549900	1973	2003	826' 6"	21.5	22,213	6	--	865	38	246	1,821	910	55
EWA (3).............	530140	1972	1978	787' 8"	21.0	38,747	286	276	681	--	228	1,979	--	--
CHIEF GADAO (3).....	530138	1971	1978	787' 8"	21.0	37,346	230	464	597	--	274	1,981	--	--
LIHUE...............	530137	1971	1978	787' 8"	21.0	38,656	286	276	681	--	188	1,979	--	--
Barges														
WAIALEALE (4).......	978516	1991	--	345' 0"	--	5,621	--	--	--	--	35	--	230	45
ISLANDER (5)........	933804	1988	--	372' 0"	--	6,837	--	276	24	--	70	380	--	--
MAUNA LOA (5).......	676973	1984	--	350' 0"	--	4,658	--	144	72	--	84	316	--	--
HALEAKALA (5).......	676972	1984	--	350' 0"	--	4,658	--	144	72	--	84	316	--	--

	Molasses
Vessel Name	Short Tons
Diesel-Powered Ships	
R.J. PFEIFFER.......	--
MOKIHANA (2)........	--
MAHIMAHI (2)........	--
MANOA (2)...........	--
MANUKAI.............	--
MAUNAWILI...........	--
Steam-Powered Ships	
KAUAI...............	2,600
MAUI................	2,600
MATSONIA............	4,300
LURLINE.............	2,100
EWA (3).............	--
CHIEF GADAO (3).....	--
LIHUE	--
Barges	
WAIALEALE (4).......	--
ISLANDER (5)........	--
MAUNA LOA (5).......	2,100
HALEAKALA (5).......	2,100

- --------

(1) "Twenty-foot Equivalent Units" (including trailers). TEU is a standard measure of cargo volume correlated to the volume of a standard 20-foot dry cargo container.
(2) Time-chartered to APL until February 2006.
(3) Reserve Status.
(4) Roll-on/Roll-off Barge.
(5) Container Barge.

known for some time. The total Hawaii-Mainland auto carriage market is approximately 190,000 automobiles per year.

The carriage of cargo between the U.S. Pacific Coast and Hawaii on foreign-built or foreign-documented vessels is prohibited by Section 27 of the Merchant Marine Act, 1920, commonly referred to as the Jones Act. However, foreign-flag vessels carrying cargo to Hawaii from non-U.S. locations provide indirect competition for Matson's Hawaii Service. Far East countries, Australia, New Zealand and South Pacific islands have direct foreign-flag services to Hawaii.

In response to coordinated efforts by various interests to convince Congress to repeal the Jones Act, in 1995 Matson joined other businesses and organizations to form the Maritime Cabotage Task Force, which supports the retention of the Jones Act and other cabotage laws. Repeal of the Jones Act would allow all foreign-flag vessel operators, which do not have to abide by U.S. laws and regulations, to sail between U.S. ports in direct competition with Matson and other U.S. operators, which must comply with such laws and regulations. The Task Force seeks to inform elected officials and the public about the economic, national security, commercial, safety and environmental benefits of the Jones Act and similar cabotage laws.

Matson Integrated Logistics competes for freight with a number of large and small companies that provide surface transportation and third-party logistics services.

(6) Labor Relations

The absence of strikes and the availability of labor through hiring halls are important to the maintenance of profitable operations by Matson. Until 2002, when International Longshore and Warehouse Union ("ILWU") workers were locked out for ten days on the U.S. Pacific Coast, Matson's operations had not been disrupted significantly by labor disputes in over 30 years. See "Employees and Labor Relations" below for a description of labor agreements to which Matson and Matson Terminals are parties and information about certain unfunded liabilities for multiemployer pension plans to which Matson and Matson Terminals contribute.

(7) Rate Regulation

Matson is subject to the jurisdiction of the Surface Transportation Board with respect to its domestic rates. A rate in the noncontiguous domestic trade is presumed reasonable and will not be subject to investigation if the aggregate of increases and decreases is not more than 7.5 percent above, or more than 10 percent below, the rate in effect one year before the effective date of the proposed rate, subject to increase or decrease by the percentage change in the U.S. Producer Price Index. Effective January 11, 2004, Matson increased its rates in its Hawaii Service by $125 per westbound container, $60 per eastbound container, and $25 per vehicle, both westbound and eastbound, and its terminal handling charge by $25 per westbound container, $15 per eastbound container and $5 per vehicle. Effective June 6, 2004, Matson increased its rates in its Guam Service by $125 per container and $5 on items rated per weight or measure and its West Coast terminal handling charge by $25 per container, $5 per vehicle and $1 per revenue ton on items rated per weight or measure, both westbound and eastbound. Due to sustained increases in fuel costs, Matson increased its fuel surcharge in its Hawaii and Guam Services from 7.5 percent to 8.0 percent, effective March 14, 2004; to 8.8 percent, effective June 21, 2004; and to 9.2 percent, effective October 18, 2004.

B. Real Estate

(1) General

As of December 31, 2004, A&B and its subsidiaries, including A & B Properties, Inc., owned approximately 90,056 acres, consisting of approximately 89,817 acres in Hawaii and approximately 239 acres elsewhere, as follows:

Location	No. of Acres
Oahu	38
Maui	68,745
Kauai	21,034
California	91
Texas	47
Washington	13
Arizona	35
Nevada	21
Colorado	17
Utah	15
TOTAL	90,056

As described more fully in the table below, the bulk of this acreage currently is used for agricultural and related activities, and includes pasture land, watershed land and conservation reserves. The balance is used or planned for development or other urban uses. An additional 2,311 acres on Maui and Kauai are leased from third parties and, in March 2003, title to 846 acres on Kauai was transferred to a joint venture, consisting of A&B and DMB Associates, Inc., an Arizona-based developer, for the development of a master-planned resort residential community. Such acreage is not included in the table above.

Current Use	No. of Acres
Hawaii	
Fully entitled Urban (defined below)	699
Agricultural, pasture and miscellaneous	59,839
Watershed land/conservation	29,279
U.S. Mainland	
Fully entitled Urban	239
TOTAL	90,056

A&B and its subsidiaries are actively involved in the entire spectrum of real estate development and ownership, including planning, zoning, financing, constructing, purchasing, managing and leasing, selling and exchanging, and investing in real property.

(2) Planning and Zoning

The entitlement process for development of property in Hawaii is both time-consuming and costly, involving numerous State and County regulatory approvals. For example, conversion of an agriculturally-zoned parcel to residential zoning usually requires the following three approvals:

- amendment of the County general plan to reflect the desired residential use;
- approval by the State Land Use Commission ("SLUC") to reclassify the parcel from the Agricultural district to the Urban district; and
- County approval to rezone the property to the precise residential use desired.

The entitlement process is complicated by the conditions, restrictions and exactions that are placed on these approvals, including, among others, the construction of infrastructure improvements, payment of impact fees, restrictions on the permitted uses of the land, provision of affordable housing and/or mandatory fee sale of portions of the project.

A&B actively works with regulatory agencies, commissions and legislative bodies at various levels of government to obtain zoning reclassification of land to its highest and best use. A&B designates a parcel as "fully entitled" or "fully zoned" when the three land use approvals described above have been obtained.

(3) Residential Projects

A&B is pursuing a number of residential projects in Hawaii, including:

(a) Wailea. In October 2003, A&B acquired 270 acres of fully-zoned, undeveloped residential and commercial land at the Wailea Resort on Maui, planned for up to 1,600 homes, for $67.1 million. A&B was the original developer of the Wailea Resort, beginning in the 1970s and continuing until A&B sold the Resort to the Shinwa Golf Group in 1989.

In January 2004, A&B commenced sales of 29 single-family homesites at Wailea's Golf Vistas subdivision. Twenty-six lots were sold in 2004 and, as of February 9, 2005, all 29 lots have closed escrow, at prices ranging from $495,000 to $1.6 million, for an average price of $875,000.

In 2004, three bulk parcels were sold to third parties at an average price of $559,000 per acre: MF-4 (10.5 acres), MF-15 (9.4 acres) and a 20 percent installment sale of MF-9 (30.2 acres). On January 7, 2005, a fourth parcel sale closed at $535,000 per acre (MF-5, 8.4 acres). During 2004, A&B also proceeded with a joint venture development on MF-8 (Kai Malu), as described more fully below.

(b) Kai Malu at Wailea. In April 2004, A&B entered into a joint venture with Armstrong Builders, Ltd. for development of the 25-acre MF-8 parcel at Wailea. The project is planned to consist of 150 duplex units with an average size of 1,800 square feet and an average price of over $1.0 million. In November 2004, the Planning Commission approved the issuance of a County Special Management Area ("SMA") permit for the project and a preliminary public condominium report was approved by the Hawaii Real Estate Commission for the initial 34-unit phase, enabling marketing to commence in December 2004. As of January 31, 2005, all of the 34 units in Phase I were sold under non-binding contracts at an average price of $1.1 million. Final public condominium reports for Phase I (34 units) and Phase II (54 units) were approved in February 2005, enabling binding contracts to be secured.

(c) Haliimaile Subdivision. A&B's application to rezone 63 acres for the development of a 150- to 200-lot subdivision in Haliimaile (Upcountry, Maui) remains pending before the Maui County Council's Land Use Committee. Council action is expected in 2005.

(d) Kukui`ula. Kukui`ula is a 1,000-acre master planned resort residential community located in Poipu, Kauai. In April 2002, an agreement was signed with an affiliate of DMB Associates, Inc., an Arizona-based developer of master planned communities, for the joint development of Kukui`ula. The project will consist of between 1,200 to 1,500 high-end residential units. During 2003, A&B contributed to the venture title to 846 acres, a waste water treatment plant, and other improvements. The balance of the land, approximately 165 acres, is expected to be transferred to the venture in the first quarter of 2005. In July 2003, the SLUC granted Urban designation for the project's remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. In July 2004, the Kauai County Council gave final zoning and visitor designation area approvals for the entire project. In August 2004, A&B exercised its option to contribute to the joint venture up to 40 percent of the project's future capital requirements. Design, engineering and construction activity to date include: preparation of construction plans for onsite and offsite infrastructure, preparation and submittal to government agencies of subdivision maps for the initial phases of the project, development of potable water wells, and permitting of a new electrical substation. Design work is progressing on a sales center/model home complex, which will be constructed in 2005. For the initial phase of development, SMA approvals were secured and permit applications were submitted for improvements. Marketing of the initial phase is expected to commence in March 2005 and infrastructure construction is scheduled to commence in mid-2005.

(e) Kai Lani. In September 2001, A&B entered into a joint venture with Armstrong Kai Lani Corporation for the development of 116 townhouse units on an 11-acre parcel in the Ko 'Olina Resort on Oahu. Construction on the first building began in July 2002 and 105 units were sold in 2003. By the first quarter of 2004, the remaining 11 units had been sold. The average price of all 116 units was $495,000.

(f) Lanikea at Waikiki. In November 2001, A&B acquired a 1.63-acre, vacant, fee simple development site in Waikiki, Oahu, for approximately $3.6 million. The property, located at the entrance to Waikiki, is zoned for high-rise residential use and limited commercial uses. The project consists of 100 apartments, averaging 1,000 square feet in size, except for the four penthouse units, which average 1,600 square feet. The building will be 30 stories tall, with the first five floors devoted to parking. Sales commenced in April 2003 and, as of January 31, 2005, all 100 residential units were sold under binding contracts, at an average price of $588,000 ($565 per square foot). Construction commenced in December 2003 and is scheduled for completion in June 2005. The 13,500-square-foot commercial-zoned parcel along Kuhio Avenue and 31 parking stalls in the Lanikea parking structure were sold on January 14, 2005 for $3.75 million.

(g) Hokua. In July 2003, A&B entered into a joint venture with MK Management LLC for the development of a 247-unit high-rise luxury condominium project across from the Ala Moana Beach Park in Honolulu. The project will be 40 stories tall, with four floors of parking. The first 32 residential floors include seven units each, with an average unit size of 1,760 square feet. The next four floors have five units each, with an average unit size of 2,500 square feet. The Penthouse floor contains three units, averaging 4,330 square feet each. Sales commenced in December 2002 and, as of January 31, 2005, 242 of the project's 247 units were sold under binding contracts, at an average price of $1.1 million per unit ($594 per square foot). Construction commenced in December 2003 and is expected to be completed in December 2005.

(h) Kakaako Development. In August 2004, A&B acquired a 2.7-acre, vacant, fee simple development site near downtown Honolulu, Oahu, for $14 million. A conceptual design for a 360-unit condominium project has been developed, consisting of five floors of parking and 30 floors of residential units. The average unit size will be approximately 1,100 square feet, and will include one-, two- and three-bedroom floor plans. As required by the Hawaii Community Development Authority (HCDA), 20 percent of the units have been designated for sale to buyers earning no more than 140 percent of the Honolulu median income. A preliminary public condominium report is expected by March 2005, at which time sales will commence. Construction is expected to commence in early 2006.

(i) Mauna Lani. In April 2004, A&B entered into a joint venture with Brookfield Homes Hawaii Inc. to acquire and develop a 30.5-acre residential parcel in the Mauna Lani Resort on the island of Hawaii. In May 2004, the property was acquired by the joint venture for $6.6 million. The conceptual plan for the project consists of 137 single-family and duplex units. An SMA amendment was submitted in October 2004 and was approved in November 2004. Site planning was completed and submitted to the Mauna Lani Design Review Committee in January 2005. Product design, site planning, grading, drainage, utility and roadway design work are being finalized. Groundbreaking is scheduled to commence in mid-2005.

(j) HoloHolo Ku. In October 2001, A&B entered into a joint venture with Kamuela Associates, LLC for the development of 44 detached single-family homes under a Condominium Property Regime, on an 8.5-acre parcel in Kamuela on the island of Hawaii. Construction began in December 2001, and was completed in October 2003. Five homes were sold in 2002, 36 homes were sold in 2003, and the remaining three homes were sold in 2004. The average price of the 44 homes was $395,000.

(4) Commercial Properties

An important source of property revenue is the lease rental income A&B receives from its leased portfolio, currently consisting of approximately 5.1 million leasable square feet of commercial building space, ground leases on 266 acres for commercial use, and leases on 10,719 acres for agricultural/pasture use.

(a) Hawaii Commercial Properties

A&B's Hawaii commercial properties portfolio consists primarily of seven retail centers, eight office buildings and three industrial properties, comprising approximately 1.7 million square feet of leasable space. Most of the commercial properties are located on Maui and Oahu, with smaller holdings in the area of Port Allen, on the island of Kauai. The average occupancy for the Hawaii portfolio was 90 percent in 2004, unchanged from 2003. In 2004, A&B sold a 0.9-acre leased fee parcel in Kahului, Maui.

The primary Hawaii commercial properties are as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Maui Mall..............................	Kahului, Maui	Retail	192,600
Mililani Shopping Center................	Mililani, Oahu	Retail	180,300
Pacific Guardian Complex................	Honolulu, Oahu	Office	139,300
Kaneohe Bay Shopping Center.............	Kaneohe, Oahu	Retail	124,500
P&L Warehouse...........................	Kahului, Maui	Industrial	104,100
Kahului Shopping Center.................	Kahului, Maui	Retail	99,600
Ocean View Center.......................	Honolulu, Oahu	Office	99,200
Hawaii Business Park....................	Pearl City, Oahu	Industrial	85,200
Haseko Center...........................	Honolulu, Oahu	Office	84,100
One Main Plaza..........................	Wailuku, Maui	Office	82,800
Wakea Business Center...................	Kahului, Maui	Industrial/Retail	61,500
Kahului Office Building.................	Kahului, Maui	Office	56,800
Napili Plaza............................	Napili, Maui	Retail	45,200
Fairway Shops at Kaanapali..............	Kaanapali, Maui	Retail	35,100
Kahului Office Center...................	Kahului, Maui	Office	31,300
Stangenwald Building....................	Honolulu, Oahu	Office	27,100
Port Allen Marina Center	Port Allen, Kauai	Retail	23,600
Judd Building...........................	Honolulu, Oahu	Office	20,200

Several other commercial projects are being, or have been developed or acquired, on Maui and Oahu, including:

(i) Triangle Square. Previous construction at the 12-acre Triangle Square commercial project in Kahului, Maui includes two retail buildings with a combined leasable area of 42,600 square feet, a BMW car dealership and three other improved commercial properties under long-term ground leases. In January 2004, Hawaii's first Krispy Kreme store opened for business on a 0.9-acre ground leased parcel. During 2004, an SMA permit was processed for a 6,500-square-foot build-to-suit Acura dealership on 1.1 acres and a 4,500-square-foot build-to-suit auto value center on 1.6 acres, and approval was obtained on January 11, 2005.

(ii) Maui Business Park. Located in Kahului, Maui, the initial phase of Maui Business Park, developed between 1995 and 2000, consists of approximately 69.4 saleable acres, subdivided into 41 lots, having an average size of 23,700 square feet, and three bulk parcels. The property is zoned for light industrial/commercial uses.

From 1995 through 1998, a total of 26.4 acres were sold, including 20.3 acres for the development of a 349,300-square-foot retail center, whose anchor tenants are Borders Books & Music, Lowe's, OfficeMax and Old Navy. From 1999 to 2003, a total of 35.6 acres were sold, including a 12.8-acre parcel to Home Depot, which completed a 135,000-square-foot store in May 2001, and a 14-acre parcel to Wal-Mart, which completed a 142,000-square-foot store in October 2001.

During 2004, eight half-acre lots (5.9 acres) were sold at an average price of $27 per square foot. As of January 31, 2005, the last three lots in Maui Business Park (1.8 acres) were sold at an average price of $28 per square foot.

In May 2002, the Maui County Council approved the inclusion of approximately 179 acres in the Wailuku-Kahului Community Plan for the future expansion of Maui Business Park. In May 2003, A&B filed a petition with the SLUC to redesignate 138 acres from Agricultural to Urban. (Seven acres are currently designated Urban, and an additional 34 acres have already received tentative approval for designation as Urban.) In February 2004, the SLUC approved the reclassification of 138 acres to Urban. In April 2004, A&B filed a zoning change application for the 179 acres and an SLUC application for the final Urban approval for the 34 acres. An SLUC hearing on the 34 acres is scheduled in early 2005 and County hearings on the zoning application will commence after the SLUC has granted final urban designation for the 34 acres.

(iii) Mill Town Center. Located in Waipahu, Oahu (approximately 12 miles from Honolulu), the Mill Town Center is a light-industrial subdivision consisting of 27.5 saleable acres, developed between 1999 and 2002. The property was subdivided into 61 lots, having an average size of 29,100 square feet. During 2004, 22 lots were sold, at an average price of $28 per square foot. As of December 31, 2004, a total of 54 lots (24 acres) were sold, at an average price of $25 per square foot. In January 2005, three lots closed at an average price of $32 per square foot, while four lots (2.2 acres) remain unsold.

(iv) Kunia Shopping Center. In November 2002, A&B acquired a 4.6-acre, fee simple vacant parcel for $2.65 million. The parcel, which is zoned for retail use, is located in Kunia, Central Oahu (near the Royal Kunia and Village Park residential communities) and is planned to be developed as a 50,000-square-foot neighborhood retail center, plus three pad sites. As of January 31, 2005, leases were signed for about 52 percent of the space, and letters of intent were signed for an additional 30 percent. In-line tenants include Starbucks, Jamba Juice, T-Mobile, Baskin-Robbins, Fantastic Sam's, Quizno's and various local retailers, restaurateurs and service providers. Construction commenced in August 2004 and is projected to be completed in June 2005, at which time tenant improvements will commence. Opening is scheduled for

October 2005.

(v) Alakea Corporate Tower. In March 2003, A&B acquired a Class A 31-story office building in downtown Honolulu (since re-named Alakea Corporate Tower), for $20 million. The building contains approximately 158,300 square feet of office space, and was acquired with the intent of converting the building into, and selling, fee simple office condominium units. In October 2003, a final public condominium report was issued for the project and sales commenced with eight whole floors closing in 2003. In 2004, 17.5 floors were sold. The 25.5 floors have been sold at an average price of $1.1 million per floor. The remaining 5.5 floors are in escrow, at an average sales price of $1.0 million per floor.

(vi) Daiei Retail Parcel. On February 1, 2005, A&B acquired the fee simple interest in a four-acre income-producing parcel located in central Honolulu for $19.3 million. The property is fully leased to The Daiei (USA), Inc. until 2018, which operates the 105,000-square-foot retail store on the premises. The parcel is fully entitled for commercial and high-rise residential use.

(b) U.S. Mainland Commercial Properties

On the U.S. mainland, A&B owns a portfolio of commercial properties, acquired primarily by way of tax-deferred exchanges under Internal Revenue Code Section 1031. The sale of Ontario Pacific Business Centre, a 246,100-square-foot industrial property located in Ontario, California, was completed on January 12, 2005, and the sale of Northwest Business Center, an 87,000-square-foot industrial/office building located in San Antonio, Texas, was completed on January 26, 2005. Excluding these two properties, A&B's Mainland portfolio currently includes approximately 3.4 million square feet of leasable area, comprising eight retail centers, four office buildings and six industrial properties, as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Ontario Distribution Center.............	Ontario, CA	Industrial	898,400
Sparks Business Center..................	Sparks, NV	Industrial	396,100
Centennial Plaza........................	Salt Lake City, UT	Industrial	244,000
Valley Freeway Corporate Park...........	Kent, WA	Industrial	229,100
Boardwalk Shopping Center...............	Round Rock, TX	Retail	184,600
San Pedro Plaza.........................	San Antonio, TX	Office	163,700
2868 Prospect Park......................	Sacramento, CA	Office	161,700
Arbor Park Shopping Center..............	San Antonio, TX	Retail	139,500
Mesa South Shopping Center..............	Phoenix, AZ	Retail	133,600
San Jose Avenue Warehouse...............	City of Industry, CA	Industrial	126,000
Southbank II............................	Phoenix, AZ	Office	120,800
Village at Indian Wells.................	Indian Wells, CA	Retail	104,600
2450 Venture Oaks.......................	Sacramento, CA	Office	99,000
Broadlands Marketplace..................	Broomfield, CO	Retail	97,900
Carefree Marketplace....................	Carefree, AZ	Retail	85,000
Marina Shores Shopping Center...........	Long Beach, CA	Retail	67,700
Vista Controls Building.................	Valencia, CA	Industrial/Office	51,100
Wilshire Center.........................	Greeley, CO	Retail	46,500

A&B's Mainland commercial properties achieved an average occupancy rate of 95 percent in 2004 (compared with 93 percent in 2003). The increase was due primarily to additions of fully-leased properties to the portfolio.

In 2002, A&B expanded its development activities to Valencia, California, a fast growing region north of Los Angeles with favorable demographics and strong economic growth. A&B will continue its search for Mainland expansion opportunities in other growing markets. The following development projects have been secured to date in Valencia:

(i) Westridge Executive Plaza. In January 2003, A&B signed a joint venture agreement with Westridge Executive Building, LLC, for the development of a 63,000-square-foot office building. Construction commenced in January 2003 and was completed in January 2004. As of January 2005, the building was 95 percent leased. Major tenants include Wells Fargo, Pardee Homes and Realty Executives.

(ii) Crossroads Plaza. In June 2004, A&B signed a joint venture agreement with Intertex Hasley, LLC, to form Crossroads Plaza Development Partners, LLC, for the development of a 62,000-square-foot mixed-use neighborhood retail center on 6.5 acres of commercial-zoned land. The property was acquired in August for $3.5 million. Site planning and design have been completed and pre-leasing has commenced. Groundbreaking is expected to occur in mid-2005.

(iii) Rye Canyon. In October 2004, a joint venture between A&B and Intertex Properties, LLC acquired, for $1.5 million, a 5.4-acre commercial-zoned parcel for the development of an 85,000-square-foot office building. Site planning and design are complete and design approvals are being sought. Marketing and pre-leasing efforts commenced in February 2005. Groundbreaking is expected to occur in mid-2005.

C. Food Products

(1) Production

A&B has been engaged in activities relating to the production of cane sugar and molasses in Hawaii since 1870, and production of coffee in Hawaii since 1987. A&B's current food products and related operations consist of: (1) a sugar plantation on the island of Maui, operated by its Hawaiian Commercial & Sugar Company ("HC&S") division, (2) a coffee farm on the island of Kauai, operated by its Kauai Coffee Company, Inc. ("Kauai Coffee") subsidiary, (3) its Kahului Trucking & Storage, Inc. ("KT&S") subsidiary, which provides sugar and molasses hauling and storage, as well as petroleum hauling, mobile equipment maintenance and repair services and self-service storage facilities on Maui and (4) its Kauai Commercial Company, Incorporated subsidiary, which provides services on Kauai similar to those provided by KT&S on Maui, as well as general trucking services.

HC&S is Hawaii's largest producer of raw sugar, having produced approximately 198,800 tons of raw sugar in 2004, or about 77 percent of the raw sugar produced in Hawaii (compared with 205,700 tons, or about 79 percent in 2003). The decrease in production was due primarily to rainy weather early in the year that affected planting, harvesting and milling operations; and to yield losses attributable to a significant drought during the first year of crop growth and the reappearance of leaf scald disease, which had been dormant for years. Total Hawaii sugar production, in turn, amounted to approximately three percent of total U.S. sugar production. HC&S harvested 16,890 acres of sugar cane in 2004 (compared with 15,660 in 2003). More acres were harvested in 2004 to compensate for the yield losses noted above. Yields averaged 11.8 tons of sugar per acre in 2004 (compared with 13.1 in 2003). The average cost per ton of sugar produced at HC&S was $435 in 2004 (compared with $422 in 2003). The increase in cost per ton was attributable to lower sugar production. As a by-product of sugar production, HC&S also produced approximately 65,100 tons of molasses in 2004 (compared with 72,500 in 2003).

In 2004, approximately 15,500 tons of sugar (compared with 12,100 in 2003) produced by HC&S were specialty food-grade raw sugars and sold under HC&S's Maui Brand(R) trademark. A further expansion of the production facilities for these sugars is planned for 2005.

During 2004, Kauai Coffee had approximately 3,200 acres of coffee trees under cultivation. The harvest of the 2004 coffee crop yielded approximately 1.8 million pounds of green coffee (compared with 3.3 million in 2003). The lower production was due primarily to accelerated natural drop (coffee falling off the tree) from heavy rain and wind during harvests.

HC&S and McBryde Sugar Company, Limited ("McBryde"), a subsidiary of A&B and the parent company of Kauai Coffee, produce electricity for internal use and for sale to the local electric utility companies. HC&S's power is produced by burning bagasse, by hydroelectric power generation and, when necessary, by burning fossil fuels, whereas McBryde produces power solely by hydroelectric generation. The price for the power sold by HC&S and McBryde is equal to the utility companies' "avoided cost" of not producing such power themselves. In addition, HC&S receives a capacity payment to provide a guaranteed power generation capacity to the local utility. See "Energy" below for power production and sales data.

(2) Marketing of Sugar and Coffee

Substantially all of the bulk raw sugar produced in Hawaii is purchased, refined and marketed by C&H Sugar Company, Inc. ("C&H"), of which A&B owns approximately 36 percent of its common voting stock, 40 percent of its junior preferred stock and 100 percent of its senior preferred stock. The results of A&B's equity investment in C&H are reported in A&B's financial statements as an investment in an affiliate. C&H processes the raw cane sugar at its refinery at Crockett, California, and markets the refined products primarily in the western and central United States. HC&S markets its specialty food-grade raw sugars to food and beverage producers and to retail stores under its Maui Brand(R) label, and to distributors that repackage the sugars under their own labels. HC&S's largest food-grade raw sugar customers are Cumberland Packing Corp. and Sugar Foods Corporation, which repackage HC&S's turbinado sugar for their "Sugar in the Raw" products.

Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative consisting of two sugar cane growers in Hawaii (including HC&S), has a supply contract with C&H, ending in December 2008. Pursuant to the supply contract, the growers sell their raw sugar to C&H at a price equal to the New York No. 14 Contract settlement price, less a discount and less costs of sugar vessel discharge and stevedoring. This price, after deducting the marketing, operating, distribution, transportation and interest costs of HS&TC, reflects the gross revenue to the Hawaii sugar growers, including HC&S. Notwithstanding the supply contract, HC&S arranged directly with C&H for the forward pricing of a portion of its 2004 harvest, as described in Item 7A ("Quantitative and Qualitative Disclosures About Market Risk") of Part II below.

At Kauai Coffee, coffee marketing efforts are directed toward developing a market for premium-priced, estate-grown Kauai green coffee. Most of the coffee crop is being marketed on the U.S. mainland and in Asia as green (unroasted) coffee. In addition to the sale of green coffee, Kauai Coffee produces and sells roasted, packaged coffee under the Kauai Coffee(R) trademark.

(3) Competition and Sugar Legislation

Hawaii sugar growers produce more sugar per acre than most other major producing areas of the world, but that advantage is offset by Hawaii's high labor costs and the distance to the U.S. mainland market. Hawaiian refined sugar is marketed primarily west of Chicago. This is also the largest beet sugar growing and processing area and, as a result, the only market area in the United States that produces more sugar than it consumes. Sugar from sugar beets is the greatest source of competition in the refined sugar market for the Hawaiian sugar industry.

The overall U.S. caloric sweetener market grew until 2004. Preliminary data indicates a 1.5-percent decrease in 2004. The use of non-caloric (artificial) sweeteners accounts for a relatively small percentage of the domestic sweetener market. The use of high fructose corn syrup and artificial sweeteners is not expected to affect sugar markets significantly in the near future.

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. The current protective legislation is the Farm Security and Rural Investment Act of 2002 ("2002 Farm Bill"). The two main elements of U.S. sugar policy are the tariff-rate quota ("TRQ") import system and the price support loan program. The TRQ system limits imports by allowing only a quota amount to enter the U.S. after payment of a relatively low tariff. A higher, over-quota tariff is imposed for imported quantities above the quota amount.

The 2002 Farm Bill reauthorized the sugar price support loan program, which supports the U.S. price of sugar by providing for commodity-secured loans to producers. Unlike most other commodity programs, sugar loans are made to processors and not directly to producers. HC&S is both a producer and a processor. To qualify for loans, processors must agree to provide a part of the loan payment to producers. Loans may be repaid either in cash or by forfeiture without penalty. The 2002 Farm Bill eliminated the former loan forfeiture penalty and marketing assessments, which increased the effective support level.

Under the 2002 Farm Bill, the government is required to administer the loan program at no net cost by avoiding sugar loan forfeitures. This is accomplished by reestablishing marketing allotments, which provides each processor or producer a specific limit on sales for the year, above which penalties would apply. It is also accomplished by adjusting fees and quotas for imported sugar to maintain the domestic price at a level that discourages producers from defaulting on loans. A loan rate (support price) of 18 cents per pound for raw cane sugar is in effect for the 2003 through 2007 crops. The supply agreement between HS&TC and C&H allows HS&TC to place sugar under loan pursuant to the loan program, but prohibits forfeiting sugar under loan while providing a "floor" price.

U.S. domestic raw sugar prices remain below historical averages. The pricing situation continues to be challenging, even to efficient producers like HC&S. A chronological chart of the average U.S. domestic raw sugar prices, based on the average daily New York No. 14 Contract settlement price for domestic raw sugar, is shown below:

[CHART]

JAN-01	20.81
FEB	21.18
MAR	21.40
APR	21.51
MAY	21.19
JUN	21.04
JUL	20.64
AUG	21.01
SEP	20.87
OCT	20.85
NOV	21.19
DEC	21.35
JAN-02	21.03
FEB	20.63
MAR	19.92
APR	19.64
MAY	19.52
JUN	19.82
JUL	20.86
AUG	20.92
SEP	21.65
OCT	22.05
NOV	22.22
DEC	21.94
JAN-03	21.62
FEB	21.67
MAR	22.14
APR	21.87
MAY	21.80
JUN	21.55
JUL	21.32
AUG	21.29
SEP	21.34
OCT	20.97
NOV	20.90
DEC	20.38
JAN-04	20.54
FEB	20.59
MAR	20.86
APR	20.86
MAY	20.69
JUN	19.96
JUL	20.15
AUG	20.09
SEP	20.47
OCT	20.31
NOV	20.41
DEC	20.54

Liberalized international trade agreements, such as the General Agreement on Tariffs and Trade, or GATT, include provisions relating to agriculture that can affect the U.S. sugar or sweetener industries materially. Recent negotiations under the U.S.-Central America Free Trade Agreement, or CAFTA, as well as other trade discussions, have resulted in lower U.S. sugar prices.

Kauai Coffee competes with coffee growers located worldwide, including in Hawaii. Coffee commodity prices have partially recovered from near record lows.

(4) Properties and Water

The HC&S sugar plantation, the largest in Hawaii, consists of approximately 43,300 acres of land, including about 900 acres leased from the State of Hawaii, about 700 acres leased from the Department of Hawaiian Home Lands and 1,300 acres under lease from private parties. Approximately 37,000 acres are under cultivation, and the balance either is used for contributory purposes, such as roads and plant sites, or is not suitable for cultivation.

McBryde owns approximately 9,500 acres of land on Kauai, of which approximately 2,400 acres are used for watershed and other conservation uses, approximately 3,400 acres are used by Kauai Coffee and the remaining acreage is leased to various agricultural enterprises for cultivation of a variety of crops and for pasturage.

It is crucial for HC&S and Kauai Coffee to have access to reliable sources of water supply and efficient irrigation systems. A&B's plantations conserve water by using a "drip" irrigation system that distributes water to the roots through small holes in plastic tubes. All but a small area of the cultivated cane land farmed by HC&S is drip irrigated. Also, all of Kauai Coffee's fields are drip irrigated.

A&B owns 16,000 acres of watershed lands on Maui that supply a portion of the irrigation water used by HC&S. A&B also held four water licenses to another 38,000 acres owned by the State of Hawaii on Maui, which over the years has supplied approximately one-third of the irrigation water used by HC&S. The last of these water license agreements expired in 1986, and all four agreements were then extended as revocable permits that were renewed annually. In 2001, a request was made to the State Board of Land and Natural Resources to replace these revocable permits with a long-term water lease. Pending the conclusion of a contested case hearing before the Board on the request for the long-term lease, the Board has renewed the existing permits on a holdover basis.

D. Employees and Labor Relations

As of December 31, 2004, A&B and its subsidiaries had approximately 2,056 regular full-time employees. About 995 regular full-time employees were engaged in the food products segment, 942 were engaged in the transportation segment, 46 were engaged in the real estate segment, and the balance was in administration. Approximately 50 percent were covered by collective bargaining agreements with unions.

At December 31, 2004, the active Matson fleet employed seagoing personnel in 262 billets. Each billet corresponds to a position on a ship that typically is filled by two or more employees because seagoing personnel rotate between active sea duty and time ashore. Approximately 22 percent of Matson's regular full-time employees and all of the seagoing employees were covered by collective bargaining agreements.

Historically, collective bargaining with longshore and seagoing unions has been complex and difficult. However, Matson and Matson Terminals consider their relations with those unions, other unions and their non-union employees generally to be satisfactory.

Matson's seagoing employees are represented by six unions, three representing unlicensed crew members and three representing licensed crew members. Matson negotiates directly with these unions. Matson's agreements with the Seafarer's International Union and shore-based units of the Sailors Union of the Pacific and the Marine Firemen's Union are expected to be renewed in mid-2005 without service interruption.

SSAT, the previously-described joint venture of Matson and SSA, provides stevedoring and terminal services for Matson vessels calling at U.S. Pacific Coast ports. Matson, SSA and SSAT are members of the Pacific Maritime Association which, on behalf of its members, negotiates collective bargaining agreements with the ILWU on the U.S. Pacific Coast. Matson Terminals provides stevedoring and terminal services to Matson vessels calling at Honolulu and on the island of Hawaii. Matson Terminals is a member of the Hawaii Stevedore Industry Committee which, on behalf of its members, negotiates with the ILWU in Hawaii.

During 2004, Matson renewed its collective bargaining agreement with ILWU clerical workers at Long Beach through June 2007 without service interruption.

During 2004, Matson contributed to multiemployer pension plans for vessel crews. If Matson were to withdraw from or significantly reduce its obligation to contribute to one of the plans, Matson would review and evaluate data, actuarial assumptions, calculations and other factors used in determining its withdrawal liability, if any. In the event that any third parties materially disagree with Matson's determination, Matson would pursue the various means available to it under federal law for the adjustment or removal of its withdrawal liability. Matson Terminals participates in a multiemployer pension plan for its Hawaii ILWU non-clerical employees. For a discussion of withdrawal liabilities under the Hawaii longshore and seagoing plans, see Note 10 ("Employee Benefit Plans") to A&B's financial statements in Item 8 of Part II below.

Bargaining unit employees of HC&S are covered by two collective bargaining agreements with the ILWU. The agreements with the HC&S production unit employees and clerical bargaining unit employees will expire January 31, 2008. One of the collective bargaining agreements covering the two ILWU bargaining units at Kahului Trucking & Storage, Inc. was extended in 2003 and will expire June 30, 2008, and the other general agreement will expire March 31, 2006. There are two collective bargaining agreements with Kauai Commercial Company, Incorporated employees represented by the ILWU. The agreement covering the production unit employees was renegotiated in 2004 and will expire April 30, 2007. The agreement covering the clerical employees is still being negotiated, and they are currently working under an extended agreement. No interruption in service is anticipated at this time. The collective bargaining agreement with the ILWU for the production unit employees of Kauai Coffee was renegotiated and expires January 31, 2007.

E. Energy

Matson and Matson Terminals purchase residual fuel oil, lubricants, gasoline and diesel fuel for their operations. Residual fuel oil is by far Matson's largest energy-related expense. In 2004, Matson vessels purchased approximately 1.87 million barrels of residual fuel oil (compared with 1.7 million barrels in 2003).

Residual fuel oil prices paid by Matson started in 2004 at $27.92 per barrel and ended the year at $27.29. The low for the year was $26.21 per barrel in January and the high was $42.31 in October. Sufficient fuel for Matson's requirements is expected to be available in 2005.

As has been the practice with sugar plantations throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of most of the electrical power for sugar milling and irrigation pumping operations. In addition to bagasse, HC&S uses coal, diesel, fuel oil, and bio-diesel (recycled cooking oil) to produce power during factory shutdown periods when bagasse is not being produced. In 2004, HC&S produced and sold, respectively, approximately 209,000 MWH and 93,700 MWH of electric power (compared with 211,500 MWH produced and 82,200 MWH sold in 2003). The increase in power sold was due to heavy rain for the first half of 2004, which increased hydroelectric power production and decreased irrigation pumping of well water. In addition, HC&S limited irrigation pumping of well water during the second half of 2004 to sell additional power. HC&S's oil use decreased to approximately 11,300 barrels in 2004, from approximately 17,900 barrels used in 2003. Coal use for power generation approximated that of the prior year at 52,000 short tons.

In 2004, McBryde produced approximately 36,500 MWH of hydroelectric power (compared with 30,100 MWH in 2003). Power sales in 2004 amounted to approximately 30,500 MWH (compared with 21,200 MWH in 2003). The increase in power production and sales was due primarily to heavy rainfall in 2004.

F. Available Information

A&B files reports with the Securities and Exchange Commission (the "SEC"). The reports and other information filed include: Forms 10-K, 10-Q, 8-K and other reports and information filed under the Securities Exchange Act of 1934 (the "Exchange Act").

The public may read and copy any materials A&B files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding A&B and other issuers that file electronically with the SEC. The address of that website is www.sec.gov.

A&B makes available, free of charge on or through its Internet website, A&B's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The address of A&B's Internet website is www.alexanderbaldwin.com.

ITEM 3. LEGAL PROCEEDINGS

See "Business and Properties - Transportation - Rate Regulation" above for a discussion of rate and other regulatory matters in which Matson is routinely involved.

On September 14, 1998, Matson was served with a complaint filed by the Government of Guam with the Surface Transportation Board (the "Board"), alleging that Sea-Land Services, Inc., APL and Matson have charged unreasonable rates in the Guam trade since January 1991. Matson did not begin its Guam Service until February 1996. In 2002, APL was dismissed as a defendant based on the statute of limitations. On April 23, 2002, the parties filed initial briefs addressing the appropriate rate reasonableness methodology to be applied. The parties filed reply briefs on June 17, 2002. The Board canceled the oral argument scheduled for February 10, 2005 and placed the proceeding in abeyance until the Government of Guam confirms that it is ready to proceed.

In August 2001, HC&S self-reported to the State of Hawaii Department of Health (the "DOH") possible violations of state and federal air pollution control regulations relating to a boiler at HC&S's Maui sugar mill. The boiler was constructed in 1974 and HC&S thereafter operated the boiler in compliance with the permits issued by the DOH. Because the boiler is fueled with less than 50 percent fossil fuels and is therefore a "biomass boiler" under state air pollution control rules, the DOH initially concluded, and the DOH permits reflected, that the boiler was not subject to the more stringent regulations applicable to "fossil fuel-fired" boilers. In 2001, HC&S identified federal regulatory guidance that provides that a boiler that burns any amount of fossil fuel may be a "fossil fuel-fired boiler." HC&S then voluntarily reported the possible compliance failures to the DOH. In September 2003, the DOH issued to HC&S a Notice and Finding of Violation and proposed penalty of $1.98 million. The amount of the penalty is being contested. In the opinion of management, after consultation with counsel, this matter will not have a material adverse effect on A&B's financial statements, and appropriate accruals for this matter have been recorded.

In January 2004, a petition was filed by the Native Hawaiian Legal

Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources (the "BLNR") declare that A&B and its subsidiaries (collectively, the "Company") have no current legal authority to continue to divert water from streams in East Maui for use in the Company's sugar growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company objected to the petition, asked the BLNR to conduct administrative hearings on the matter and requested that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license.

Since the filing of the petition, the Company has been working to make improvements to the water systems of the petitioner's four clients so as to improve the flow of water to their taro patches. An interim agreement was entered into during the first quarter of 2004 between the parties to allow the improvements to be completed, deferring the administrative hearing process. That agreement, however, has since expired without renewal by the petitioners. Nevertheless, the Company has continued to make improvements to the water systems.

The administrative hearing process on the petition is continuing, and the Company continues to object to the petition. The effect of this claim on the Company's sugar-growing operations cannot currently be estimated. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar operations.

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

A&B and its subsidiaries are parties to, or may be contingently liable in connection with, other legal actions arising in the normal conduct of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material adverse effect on A&B's results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

For the information about executive officers of A&B required to be included in this Part I, see section B ("Executive Officers") in Item 10 of Part III below, which is incorporated herein by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

A&B common stock is listed on The Nasdaq Stock Market and trades under the symbol "ALEX." As of February 7, 2005, there were 3,792 shareholders of record of A&B common stock. In addition, Cede & Co., which appears as a single record holder, represents the holdings of thousands of beneficial owners of A&B common stock.

A summary of daily stock transactions is listed in the Nasdaq National Market Issues section of major newspapers. Trading volume averaged 220,300 shares a day in 2004, compared with 155,900 shares a day in 2003 and 150,600 in 2002.

The quarterly high and low sales prices and closing prices, as reported by The Nasdaq Stock Market, and cash dividends paid per share of common stock, for 2004 and 2003, were as follows:

	Dividends Paid	Market Price High	Low	Close
2004				
First Quarter	$0.225	$35.14	$31.41	$32.96
Second Quarter	0.225	34.97	29.05	33.45
Third Quarter	0.225	34.24	30.15	33.94
Fourth Quarter	0.225	44.74	33.27	42.42
2003				
First Quarter	$0.225	$26.90	$23.50	$24.86
Second Quarter	0.225	27.70	24.35	26.10
Third Quarter	0.225	30.03	25.76	28.36
Fourth Quarter	0.225	34.60	27.94	33.75

Although A&B expects to continue paying quarterly cash dividends on its common stock, the declaration and payment of dividends in the future are subject to the discretion of the Board of Directors and will depend upon A&B's financial condition, results of operations, cash requirements and other factors deemed relevant by the Board of Directors. A&B strives to pay the highest possible dividends commensurate with operating and capital needs. A&B has paid cash dividends each quarter since 1903. The most recent increase in the quarterly dividend rate was effective the first quarter of 1998, from 22 cents per share to 22.5 cents. In 2004, dividend payments to shareholders totaled $38.3 million, which was 38 percent of reported net income for the year. The following dividend schedule for 2005 has been set, subject to final approval by the Board of Directors:

Quarterly Dividend	Declaration Date	Record Date	Payment Date
First	January 27	February 18	March 3
Second	April 28	May 12	June 2
Third	June 23	August 4	September 1
Fourth	October 27	November 10	December 1

A&B common stock is included in the Dow Jones U.S. Transportation Average, the Dow Jones U.S. 65 Stock Composite, the Dow Jones U.S. Industrial Transportation Index, the Dow Jones Marine Transportation Index, the S&P MidCap 400, the Russell 2000 Index and the Russell 3000 Index.

During 2004, A&B repurchased 76,200 shares of its stock for an average price of $29.95 per share. There were no shares of A&B common stock repurchased by the Company during 2003 or 2002. A&B's Board of Directors has authorized A&B to repurchase up to two million shares of its common stock.

Also during 2004, 58,804 shares were returned to the Company in connection with the exercise of options to purchase shares of the Company's stock. The fair value averaged $37.56 per share. Of these shares, 44,540 were returned to the Company during the fourth quarter at an average value of $39.02 per share.

A&B has a Shareholder Rights Plan, designed to protect the interests of shareholders in the event an attempt is made to acquire the company. The rights initially will trade with A&B's outstanding common stock and will not be exercisable absent certain acquisitions or attempted acquisitions of specified percentages of such stock. If exercisable, the rights generally entitle shareholders (other than the acquiring party) to purchase additional shares of A&B's stock or shares of an acquiring company's stock at prices below market value.

Securities authorized for issuance under equity compensation plans as of December 31, 2004, included:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,723,276	$27.61	1,481,363*
Equity compensation plans not approved by security holders	--	--	198,342**
Total	1,723,276	$27.61	1,679,705

* Under the 1998 Plan, 173,187 shares may be issued either as restricted stock grants or option grants.

** A&B has two compensation plans under which its stock is authorized for issuance and that were adopted without the approval of its security holders. (1) Under A&B's Non-Employee Director Stock Retainer Plan, each outside Director is issued a stock retainer of 300 A&B shares after each year of service on A&B's Board of Directors. Those 300 shares vest immediately and are free and clear of any restrictions. These shares are issued in January of the year following the year of the Director's service to A&B. (2) Under A&B's Restricted Stock Bonus Plan, the Compensation Committee identifies the executive officers and other key employees who participate in one- and three-year performance improvement incentive plans and formulates performance goals to be achieved for the plan cycles. At the end of each plan cycle, results are compared with goals, and awards are made accordingly. Participants may elect to receive awards entirely in cash or up to 50 percent in shares of A&B stock and the remainder in cash. If a participant elects to receive a portion of the award in stock, an additional 50 percent stock bonus may be awarded. In general, shares issued under the Restricted Stock Bonus Plan may not be traded for three years following the award date; special vesting provisions apply for the death, termination or retirement of a participant.

Of the 198,342 shares that were available for future issuance, 7,950 shares were available for future issuance under the Non-Employee Director Stock Retainer Plan and 190,392 shares were available for issuance under the Restricted Stock Bonus Plan.

ITEM 6. SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with Item 8, "Financial Statements and Supplementary Data," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (dollars and shares in millions, except per-share amounts):

	2004	2003	2002	2001	2000
Revenue:					
Transportation:					
Ocean transportation	$ 850.1	$ 776.3	$ 686.9	$ 682.3	$ 714.7
Logistics services	376.9	237.7	195.1	122.0	132.4
Real Estate:					
Leasing	83.8	80.3	73.1	70.7	62.1
Sales	82.3	63.8	93.0	89.2	46.3
Less amounts reported in discontinued operations1	(5.1)	(42.5)	(76.9)	(14.8)	(14.5)
Food Products	112.8	112.9	112.7	106.0	107.5
Reconciling items7	(6.5)	--	--	--	--
Total revenue	$ 1,494.3	$ 1,228.5	$ 1,083.9	$ 1,055.4	$ 1,048.5
Operating Profit:					
Transportation:					
Ocean transportation	$ 108.3	$ 93.2	$ 42.4	$ 60.7	$ 94.0
Logistics services	8.9	4.3	3.1	1.6	(0.3)
Real Estate:					
Leasing	38.8	37.0	32.9	34.1	30.1
Sales	34.6	23.9	19.4	17.9	24.2
Less amounts reported in discontinued operations1	(3.3)	(20.9)	(21.2)	(8.1)	(7.8)
Food Products	4.8	5.1	13.8	5.7	7.5
Total operating profit	192.1	142.6	90.4	111.9	147.7
Write-down of long-lived assets2	--	(7.7)	--	(28.6)	--
Gain on sale of investment3	--	--	--	125.5	--
Dividends and other	--	--	--	2.1	3.0
Interest expense, net8	(12.7)	(11.6)	(11.6)	(18.6)	(24.3)
General corporate expenses	(20.3)	(15.2)	(13.2)	(13.2)	(11.6)
Income from continuing operations before income taxes and accounting changes	159.1	108.1	65.6	179.1	114.8
Income taxes	(60.4)	(39.8)	(20.7)	(64.4)	(41.6)
Income from continuing operations	$ 98.7	$ 68.3	$ 44.9	$ 114.7	$ 73.2
Identifiable Assets:					
Transportation5	$ 953.4	$ 981.9	$ 880.1	$ 888.2	$ 911.1
Real Estate6	661.0	612.8	500.3	476.1	440.5
Food Products	152.8	154.4	163.4	153.3	197.1
Other	11.0	10.5	8.9	26.8	117.3
Total assets	$ 1,778.2	$ 1,759.6	$ 1,552.7	$ 1,544.4	$ 1,666.0
Capital Expenditures:					
Transportation5	$ 128.7	$ 133.4	$ 10.5	$ 59.7	$ 40.2
Real Estate4,6	10.9	107.7	83.7	72.0	44.8
Food Products	10.2	12.6	9.9	9.4	21.7
Other	1.4	1.7	0.9	0.3	0.2
Total capital expenditures	$ 151.2	$ 255.4	$ 105.0	$ 141.4	$ 106.9
Depreciation and Amortization:					
Transportation5	$ 58.0	$ 51.9	$ 51.0	$ 55.4	$ 54.6
Real Estate1, 6	12.3	11.3	9.1	7.8	6.0
Food Products	9.0	8.2	8.5	9.1	8.3
Other	0.4	0.3	0.4	0.5	0.5
Total depreciation and amortization	$ 79.7	$ 71.7	$ 69.0	$ 72.8	$ 69.4

	2004	2003	2002	2001	2000
Earnings per share:					
From continuing operations before accounting change:					
Basic	$ 2.32	$ 1.64	$ 1.09	$ 2.83	$ 1.79
Diluted	$ 2.29	$ 1.63	$ 1.09	$ 2.82	$ 1.79
Net Income:					
Basic	$ 2.37	$ 1.95	$ 1.42	$ 2.73	$ 2.21
Diluted	$ 2.33	$ 1.94	$ 1.41	$ 2.72	$ 2.21
Return on beginning equity	12.4%	11.2%	8.2%	15.9%	13.5%
Cash dividends per share	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90
At Year End					
Shareholders of record	3,792	3,959	4,107	4,252	4,438
Shares outstanding	43.3	42.2	41.3	40.5	40.4
Long-term debt - non-current	214	330	248	207	331

See Note 1 of Item 8 for information regarding changes in presentation for certain revenues and expenses.

1 Prior year amounts restated for amounts treated as discontinued operations.

2 The 2003 and 2001 write-downs were for an "other than temporary" impairment in the Company's investment in C&H.

3 In 2001, the Company sold its holdings in BancWest, realizing a gain of approximately $125.5 million.

4 Includes tax-deferred property purchases that are considered non-cash transactions in the Consolidated Statements of Cash Flows; excludes capital expenditures for real estate developments held for sale.

5 Includes both Ocean Transportation and Integrated Logistics.

6 Includes Leasing, Sales and Development activities.

7 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.

8 Includes Ocean Transportation interest expense of $5.7 million for 2004, $2.6 million for 2003, $2.4 million for 2002, $5.1 million for 2001 and $8.1 million for 2000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the consolidated financial statements and related notes thereto. Amounts in this narrative are rounded to millions, but per-share calculations and percentages were calculated based on thousands. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different than the more accurate amounts included herein.

FORWARD-LOOKING STATEMENTS

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

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

CONSOLIDATED RESULTS OF OPERATIONS

(dollars in millions, except per-share amounts)	2004	2003	2002
Operating Revenue	$ 1,494	$ 1,229	$ 1,084
Operating Costs and Expenses	$ 1,329	$ 1,113	$ 1,006
Other Income and (Expenses)	$ (6)	$ (8)	$ (12)
Income Taxes	$ 60	$ 40	$ 21
Net Income	$ 101	$ 81	$ 58
Other Comprehensive Income (Loss)	$ (1)	$ 19	$ (27)
Basic Earnings Per Share	$ 2.37	$ 1.95	$ 1.42

Operating Revenue for 2004 increased $265 million, or 22 percent, compared with 2003. Logistics services contributed 52 percent to the increase due to a late 2003 business acquisition and top-line business growth. Ocean transportation contributed 26 percent of the increase due principally to increased volumes and rate actions. Property sales contributed 20 percent. Property leasing and food products revenue were comparable to 2003. The property leasing and property sales revenue included in the Consolidated Statements of Income are stated after subtracting discontinued operations.

Operating revenue for 2003 increased $145 million, or 13 percent, compared with 2002. Ocean transportation contributed 61 percent of the increase due principally to the addition of terminal handing charges, an increase in cargo volume and other rate actions. Logistics services contributed 30 percent to the increase due to top-line business growth. Property leasing contributed 10 percent due principally to purchases of new income-producing properties and increased rents and occupancies. Property sales and food products revenue were comparable to 2002. The property leasing and property sales revenue included in the Consolidated Statements of Income are stated after subtracting discontinued operations.

Because the Company regularly develops and sells income-producing real estate, the revenue trends for these two segments are best understood before subtracting discontinued operations. This analysis is provided in the Analysis of Operating Revenue and Profit below.

Operating Costs and Expenses for 2004 increased by $216 million, or 19 percent, compared with 2003. Costs of logistics services increased $130 million due to business growth. Cost of transportation services increased by $67 million due to higher terminal and vessel operating costs (both of which were due to higher volume), a 2003 $17 million pension settlement gain, an accrual in 2003 for the settlement of a claim with the State of Hawaii and improved performance of joint ventures. Costs of property sales and leasing services, after removing discontinued operations, increased $26 million due to property sales and routine operating and maintenance costs. Cost of agricultural goods and services declined $3 million compared with 2003. Selling, General and Administrative costs increased by $4 million due to consulting costs for Sarbanes-Oxley section 404 readiness, audit fees, increased accruals for incentive plans, and higher non-qualified benefit plans expenses.

Operating Costs and Expenses for 2003 increased by $107 million, or 11 percent, compared with 2002. Cost of transportation services increased by $26 million due to higher terminal and vessel operating costs (both of which were due to higher volume), higher pension costs of $10 million and an accrual of $5 million in 2003 for the settlement of a claim with the State of Hawaii offset by improved performance of joint ventures and by a pension settlement gain of $17 million that resulted from the formation of a new Hawaii Terminals Multiemployer Plan. Costs of logistics services increased $40 million due to business growth. Costs of property sales and leasing services, after removing discontinued operations, increased by $7 million due to increased operating and maintenance costs. Cost of agricultural goods and services increased by $9 million due to higher pension, personnel, maintenance and insurance costs. Selling, General and Administrative costs increased by $17 million due to higher pension, health benefit, and business insurance costs. Operating costs for 2003 also include an $8 million write-down of the carrying value of C&H.

Additional information about year-to-year fluctuations is included under the caption Analysis of Operating Revenue and Profit.

Other Income and Expenses is composed of equity in earnings of real estate joint ventures, interest revenue and interest expense. Interest expense of $13 million for 2004 was $1 million higher than in 2003 due principally to a smaller mix of variable rate debt partially offset by lower debt balances. 2003 interest expense was substantially the same as the amount reported in 2002.

Income Taxes were higher for 2004 compared with 2003 due primarily to higher pre-tax income and a higher effective tax rate of 38 percent versus 37 percent for 2003. Income taxes were higher for 2003 compared with 2002 due to both higher pre-tax income and a higher tax rate. The 2002 effective tax rate was 33 percent.

Other Comprehensive Income or Loss for 2004, 2003 and 2002 comprised the minimum pension liability adjustments (Note 10 in Item 8 of the Company's 2004 Form 10-K) and the change in fair value of the treasury lock agreement (Note 8 in Item 8 of the Company's 2004 Form 10-K).

ANALYSIS OF OPERATING REVENUE AND PROFIT

Detailed information related to the operations and financial performance of the Company's Industry Segments is included in Note 14 in Item 8 of the Company's 2004 Form 10-K. The following information should be read in relation to information contained in that Note.

Transportation Industry

Ocean Transportation; 2004 compared with 2003

(dollars in millions)	2004	2003	Change
Revenue	$ 850.1	$ 776.3	10%
Operating profit	$ 108.3	$ 93.2	16%
Volume (units)			
Hawaii containers	169,600	162,400	4%
Hawaii automobiles	157,000	145,200	8%
Guam containers	17,200	17,800	-3%

Transportation - Ocean Transportation revenue of $850.1 million for 2004 was 10 percent higher than the $776.3 million reported in 2003. Of this increase, 38 percent was due to improved yields and rate actions, 38 percent was due to higher container and automobile volume, 17 percent was to mitigate increased fuel costs through a bunker fuel surcharge, and the remaining 7 percent was due to purchased transportation services, vessel charters and other factors. To mitigate the effects of fluctuating fuel costs, Matson charges a fuel surcharge.

For 2004, Hawaii Service container volume was 4 percent higher than in 2003 and automobile volume was 8 percent higher reflecting higher market growth due, in part, to the improving Hawaii economy. Automobile volume increases also reflect rental fleet replacements.

Operating profit of $108.3 million for 2004 was $15.1 million greater than the $93.2 million reported for 2003 reflecting principally $42.7 million of favorable revenue yields, cargo mix, higher cargo volume and vessel charters, the non-recurrence of a 2003 expense of $4.7 million to settle an excise tax issue with the State of Hawaii, $3.7 million of lower overhead costs and $2.6 million of higher returns from joint ventures. These favorable factors were partially offset by $24.6 million of higher vessel operating costs due principally to the addition, in second half of 2004, of two vessels in the Hawaii Service to accommodate the higher volume and to ensure customer shipping needs were met during recent Southern California terminal labor shortages and $7.9 million for net benefit plan expenses (mostly due to the non-recurrence of a 2003 pension settlement gain).

Ocean Transportation; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 776.3	$ 686.9	13%
Operating profit	$ 93.2	$ 42.4	2.2x
Volume (units)			
Hawaii containers	162,400	152,500	6%
Hawaii automobiles	145,200	120,500	20%
Guam containers	17,800	16,300	9%

Transportation - Ocean Transportation revenue of $776.3 million for 2003 was 13 percent higher than the $686.9 million reported in 2002. Of this increase, 57 percent was due to the terminal handling charges and other rate actions, and 43 percent was due to higher container and automobile volume. In January 2003, to partially offset increasing terminal operation costs, Matson implemented a terminal handling charge.

For 2003, Hawaii Service container volume was 6 percent higher than in 2002 and automobile volume was 20 percent higher reflecting the recovery in westbound container volumes that had declined in the months following September 11, 2001, a carryover of freight into 2003 following West Coast port disruptions in the fourth quarter of 2002, and higher market growth due, in part, to the improving Hawaii economy.

Automobile volume increases also reflect principally increased automobile dealer sales but also include rental fleet replacements, partly offset by the acceleration of some 2003 automobile carriage into the third quarter of 2002 in anticipation of the port disruptions. Guam Service container volume was 9 percent higher than 2002, reflecting recovery efforts following Typhoon Pongsona.

Operating profit of $93.2 million for 2003 was $50.8 million greater than the $42.4 million reported for 2002 reflecting principally $37.2 million of favorable revenue yields and improved cargo volume, a $16.7 million pension settlement gain that resulted from Matson joining the Hawaii Terminals Multiemployer Plan, $13.1 million due to the absence of port disruptions that reduced 2002 operating results, $21.5 million due to higher margins in the Hawaii and Guam Service due to higher volume and improved terminal productivity and $8.3 million of higher returns from joint ventures. These favorable factors were partially offset by $16.9 million of higher vessel operating costs due principally to the addition of an eighth vessel in the Hawaii Service to accommodate the higher volume, $11.1 million for higher general and administrative costs, principally related to increases in pension costs, $7.2 million of higher west coast terminal costs and $4.7 million for the settlement of a claim with the State of Hawaii.

Logistics Services; 2004 compared with 2003

(dollars in millions)	2004	2003	Change
Revenue	$ 376.9	$ 237.7	59%
Operating profit	$ 8.9	$ 4.3	2.1x

Matson Integrated Logistics, Inc. ("MIL") provides intermodal marketing and truck brokerage services throughout North America. Revenue was $376.9 million for 2004, compared with $237.7 million in 2003. Operating profit was $8.9 million for 2004, compared with $4.3 million earned in 2003. The 2004 revenue and operating profit growth were primarily the result of the late-2003 business acquisition noted below and new revenue due to continuing business growth.

In December 2004, MIL acquired certain assets, obligations and contracts of a Texas-based business that provides truck and rail brokerage services. In December 2003, MIL acquired $12 million of assets and the operating contracts of an Ohio-based business that provides truck brokerage services. These two business acquisitions are described more fully in Note 2 of the Consolidated Financial Statements included in Item 8.

Logistics Services; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 237.7	$ 195.1	22%
Operating profit	$ 4.3	$ 3.1	39%

MIL revenue was $237.7 million for 2003, compared with $195.1 million in 2002. Operating profit was $4.3 million for 2003, compared with $3.1 million earned in 2002. The 2003 revenue and operating profit growth were primarily the result of new business.

The revenue for intermodal services includes the total amount billed to customers for transportation services. The primary costs of the business include purchased transportation for that cargo. As a result, the operating profit margins for this business are consistently lower than for other A&B businesses. The primary operating profit and investment risk in the intermodal business is the quality of receivables, which are monitored closely by management.

Real Estate Industry

Leasing; 2004 compared with 2003

(dollars in millions)	2004	2003	Change
Revenue	$ 83.8	$ 80.3	4%
Operating profit	$ 38.8	$ 37.0	5%
Occupancy Rates:			
Mainland	95%	93%	2%
Hawaii	90%	90%	--
Leasable Space (million sq. ft.):			
Mainland	3.7	3.7	--
Hawaii	1.7	1.7	--

Revenue for 2004, before subtracting amounts treated as discontinued operations, of $83.8 million was 4 percent higher than the $80.3 million reported in 2003. Operating profit, also before subtracting discontinued operations, was $38.8 million for 2004, or 5 percent higher than the $37 million earned in 2003. The higher operating profit was due primarily to the full year effect of the 2003 property purchases as well as higher rental rates and improved mainland occupancies. Mainland occupancy increased, principally due to tenancy increases in retail properties as well as the varying mix of properties in the portfolio due to sales and acquisitions. Hawaii occupancy remained unchanged from 2003. The composition of the leased portfolio remained relatively stable during 2004.

Leasing; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 80.3	$ 73.1	10%
Operating profit	$ 37.0	$ 32.9	12%
Occupancy Rates:			
Mainland	93%	92%	1%
Hawaii	90%	89%	1%
Leasable Space (million sq. ft.):			
Mainland	3.7	3.3	12%
Hawaii	1.7	1.6	6%

Revenue, before subtracting amounts treated as discontinued operations, was $80.3 million for 2003, or 10 percent higher than the $73.1 million reported in 2002. Operating profit, also before subtracting discontinued operations, was

$37 million for 2003, or 12 percent higher than the $32.9 million earned in 2002. The higher operating profit was due primarily to the purchases of new income-producing properties as well as higher rental rates and occupancies for both the Mainland and Hawaii portfolios. These favorable factors were partially offset by increased operating costs and additional expense to repair a siding problem on a commercial building and other costs. Mainland occupancy increased, due principally to tenancy increases in industrial properties as well as the varying mix of properties in the portfolio due to sales and acquisitions. Hawaii occupancy increased, due principally to gains in office leasing.

As with any large real estate portfolio of commercial properties, occupancy levels will vary between reporting periods based on known lease expirations, unanticipated lease terminations, and properties sold and purchased in the interim periods. The Company's portfolio includes leases covering a wide range of space sizes and income, with no necessary correlation between lease size and lease income.

Property Sales; 2004 compared with 2003 and 2002

(dollars in millions)	2004	2003	2002
Revenue	$ 82.3	$ 63.8	$ 93.0
Operating profit	$ 34.6	$ 23.9	$ 19.4

Revenue, before subtracting amounts treated as discontinued operations, from property sales was $82.3 million and operating profit was $34.6 million for 2004. Sales during 2004 primarily included (1) 33 Maui and Oahu commercial properties for $24 million, (2) three residential development parcels on Maui for $14 million, (3) 17 1/2 floors of an Oahu office condominium for $19 million and, (4) 28 Maui residential properties for $23 million. Operating profit also included the Company's share of earnings in its five real estate joint ventures, including the sales of 14 residential units on Oahu and the island of Hawaii in 2004.

Revenue of $63.8 million and operating profit of $23.9 million in 2003 resulted from the sales of (1) a shopping center in Nevada for $24 million, (2) six commercial properties on Maui for $15 million, (3) 23 Maui and Kauai residential properties for $9 million, (4) eight office condominium floors on Oahu for $9 million, (5) seven industrial lots on Oahu for $3 million, (6) five industrial lots on Maui for $3 million and (7) two land parcels on Maui for $1 million. Operating profit also included the Company's share of earnings in two real estate joint ventures of $4 million that, combined, reflect the sales of 142 residential units on Oahu and the island of Hawaii in 2003.

Revenue of $93 million and operating profit of $19.4 million in 2002 resulted from the sales of (1) a seven-building distribution complex in Texas for $27 million, (2) a shopping center and an industrial complex in California for $27 million, (3) several small commercial properties, an 85-acre parcel in Upcountry Maui, and nine business parcels on Oahu and Maui for $18 million, (4) 27 Maui and Kauai residential properties for $16 million and (5) a shopping center in Colorado for $5 million. Operating profit also included the Company's share of earnings in its two real estate joint ventures, reflecting the sales of five residential units in 2002.

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

Discontinued Operations; Properties - The sales of certain income-producing assets are classified as discontinued operations if the operations and cash flows of the assets clearly can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold and if the amount is considered material. Certain assets that are "held for sale," based on the likelihood and intention of selling the property within 12 months, are also treated as discontinued operations. At the time a property is classified as "discontinued," the previously recognized revenue and expenses for the property are reclassified to discontinued operations so historically reported information is updated to reflect discontinued operations at each reporting interval.

The revenue, operating profit, and after-tax effects of these transactions for 2004, 2003 and 2002 were as follows (in millions, except per-share amounts):

	2004	2003	2002
Sales Revenue	$ 1.1	$ 36.9	$ 65.4

Leasing Revenue	$ 4.0	$ 5.6	$ 11.5
Sales Operating Profit	$ 1.5	$ 17.9	$ 14.6
Leasing Operating Profit	$ 1.8	$ 3.0	$ 6.6
After-tax Earnings	$ 2.0	$ 13.0	$ 13.3
Basic Earnings Per Share	$ 0.05	$ 0.31	$ 0.33

2004: The sale of a Maui property was classified as a discontinued operation. In addition, two office and one light industrial properties met the criteria for classification as discontinued operations even though the Company had not sold the properties by the end of 2004. One of the office properties and the light industrial property were sold in January 2005 for $18 million and $6 million, respectively.

2003: The sales of the Nevada commercial property and five of the commercial properties on Maui met the criteria for classification as discontinued operations.

2002: The sales of the previously noted California, Texas, and Colorado commercial properties, four commercial properties on Maui, and the planned sale, within the next 12 months, of a Nevada commercial property, met the criteria for classification as discontinued operations.

Consistent with the Company's intention to reinvest the sales proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

Food Products Industry

Food Products; 2004 compared with 2003

(dollars in millions)	2004	2003	Change
Revenue	$ 112.8	$ 112.9	--
Operating profit	$ 4.8	$ 5.1	-6%
Tons sugar sold	198,800	205,700	-3%

Revenue of $112.8 million and operating profit of $4.8 million for 2004 was about the same as the amounts reported in 2003. Higher power sales volume and prices of $5.5 million, higher Maui Brand Sugar and Kauai Coffee roasted coffee sales and lower operating costs were fully offset by $4 million of lower raw sugar prices, $3 million of lower raw sugar production volume, an expense of $1.6 million to reduce the carrying cost of coffee inventory to the amount it expects to realize when inventories are sold, and lower molasses sales.

Compared with 2003, sugar production was 6,900 tons lower due to adverse weather conditions and yield losses. The average revenue per ton of sugar for 2004 was 5 percent lower than in 2003. Power sales of $15.3 million were 56 percent higher than the full year 2003.

Coffee production of 1.8 million pounds for 2004 was 1.5 million pounds lower than the 3.3 million pounds produced in 2003. This lower production was principally due to heavy rain and wind on Kauai during the harvest season that knocked coffee cherries off the trees and reduced the ability to harvest coffee. The lower coffee harvest resulted in a lower-of-cost-or-market adjustment of $1.6 million in the fourth quarter of 2004.

Approximately 92 percent of the Company's sugar production was sold to Hawaiian Sugar & Transportation Cooperative ("HS&TC") during 2004 under a standard marketing contract. HS&TC sells its raw sugar to C&H at a price equal to the New York No. 14 Contract settlement price, less a discount and less costs for sugar vessel discharge and stevedoring. This price, after deducting the marketing, operating, distribution, transportation and interest costs of HS&TC, reflects the gross revenue to the Company. For 2003, approximately 94 percent of total production was sold to HS&TC.

Food Products; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 112.9	$ 112.7	--
Operating profit	$ 5.1	$ 13.8	-63%
Tons sugar sold	205,700	215,900	-5%

Revenue of $112.9 million for 2003 approximated revenue reported in 2002, but operating profit declined by 63 percent. Compared with 2002, the 10,200 fewer tons of sugar sold was offset by higher raw sugar prices and an increase in specialty sugar sales that improved revenue by $4 million and increased power sales that added $1 million to revenue. Average revenue per ton of sugar for 2003 was 4 percent higher than in 2002.

Operating profit declined due to higher 2003 costs, with those costs being spread over 10,200 fewer tons of sugar. Operating costs were approximately $9 million higher than 2002 primarily due to $4 million higher pension and personnel costs, $1 million of higher maintenance costs and $1 million higher insurance costs. 2003 operating profit also was reduced for an accrual related to the proposed penalty discussed under "Environmental Matters." Year-over-year results were also affected by the 2002 sale of obsolete equipment at a gain of $1 million.

Coffee production of 3.3 million pounds for 2003 was approximately 500,000 pounds higher than the 2.8 million pounds produced in 2002. Coffee operating profit for 2003 was approximately break-even.

SUBSEQUENT EVENTS

On February 24, 2005, Matson announced that it will replace its existing Guam service with an integrated Hawaii/Guam/China service beginning in February 2006 upon the termination of the APL alliance. The service will employ three existing Matson containerships along with two new containerships to be purchased from Kvaerner Philadelphia Shipyard, Inc. ("Kvaerner") in a five-ship string that carries cargo from the U.S. West Coast to Honolulu, then to Guam, and eventually to China. In China, the vessels will be loaded with cargo destined for the U.S. West Coast. The Guam service strategy involves re-deploying into the Hawaii service three C-9 class vessels that currently serve Guam.

Also on February 24, 2005, Matson entered into agreements with Kvaerner to purchase two containerships at a cost of $144.4 million each. The cost is expected to be funded with the Capital Construction Fund, surplus cash, and external borrowings. The first ship is expected to be delivered in June 2005, with the second ship in May 2006. Payment in full is required upon the delivery of each ship. Matson has the right to assign the agreements to a third party. Matson expects that any such assignment would be made in conjunction with its time chartering the use of such vessels.

In connection with the two purchase agreements Matson entered into a right of first refusal agreement with Kvaerner, which provides that, after the second containership is delivered to Matson, Matson has the right of first refusal to purchase each of the next four containerships of similar design built by Kvaerner that are deliverable before June 30, 2010. Matson may either exercise its right of first refusal and purchase the ship at an eight percent discount off of a third party's proposed contract price, or decline to exercise its right of first refusal and be paid eight percent of such price. Notwithstanding the above, if Matson and Kvaerner agree to a construction contract for a vessel to be delivered before June 30, 2010, Matson shall receive an eight percent discount.

ECONOMIC OUTLOOK AND INDUSTRY GROWTH OPPORTUNITIES

The economy in the State of Hawaii remains strong. At this point, the two primary "drivers" of Hawaii's growth remain in good shape - the visitor industry and strong real estate/construction.

Preliminary visitor industry figures for 2004 reflected record domestic arrivals. Combined with an early stage recovery in international visitors, new all-time records were set in 2004 in total visitor-days - a primary measure of economic contribution - and in total visitor expenditures. Total hotel revenue also reached an all-time record in 2004. All three of these measures bettered their respective levels in 2000, the previous high point.

Construction enjoyed its fifth consecutive annual increase and the forecast for 2005 reflects a sizeable 13.8 percent rise. The growth is based on the combination of continuing strong private residential markets and the replacement/refurbishment of military housing.

Hawaii's average unemployment rate was 3.4 percent for 2004, with the December monthly rate at three percent, versus the national rate of 5.4 percent. Forecasts indicate continued job growth in Hawaii in 2005.

Other measures of economic activity, such as retail sales of automobiles and light trucks, remain at or near all-time highs. Although the local inflation rate is likely to rise because of Hawaii's high exposure to energy and housing costs, the rate of inflation is still expected to be moderate. By all present indications, Hawaii will continue to enjoy moderate, sustainable economic growth in the near future.

The Company believes that the economic growth in its core markets will continue in the near term. While benefiting from this growth, A&B plans some shifts in its strategies for A&B Properties and Matson. The Company's growth strategies will be guided by two primary objectives: (1) sustaining profit momentum at Matson in spite of external challenges and (2) continued success in identifying and investing in profitable real estate.

The Company is targeting long-term annual earnings growth of approximately 10 to 12 percent, although yearly growth rates will be influenced by competitive factors, the transition to Matson's new Hawaii/Guam/China service upon the expiration of the APL alliance, and the pace and timing of real estate activity. In particular, 2006 will be impacted by the initiation of the new Hawaii/Guam/China service and, as a result, earnings growth is not expected. (See discussion of Hawaii/Guam/China service on page 37). Business growth will be financed by both the Company's cash flow and by debt facilities. As of year end, the Company's debt to debt-plus-equity ratio was 21 percent and it has sufficient unused credit facilities in place to finance a significant portion of its growth plans. The Company is also positioned well for obtaining additional financing sources.

The composition of the Company's assets is currently about half in transportation, about 40 percent in real estate and less than 10 percent in food products. The Company's long-term strategic intent is to bring real estate and transportation into balance via an active real estate investment program, including land acquisitions, development of new and current projects and maintenance of income-producing properties. Matson's purchase of two new containerships in 2005 and 2006 will temporarily increase its share of total capital. Other Matson spending over the next several years is expected to be modest. Capital spending for the food products businesses is expected to be modest as well.

Real Estate: A&B is targeting, subject to market demand, approximately 13 to 15 percent long-term earnings growth in its real estate businesses. This is expected to be achieved through completion of existing projects, continued strength in its income portfolio and maintaining a pipeline of new developments. A number of opportunities are currently under consideration; some of these new opportunities may be in new types of properties.

In recent years the Company has begun two significant projects, the acquisition and ensuing development and sale of 270 acres of undeveloped land at Wailea on Maui and the development of a 1,000-acre project at Kukui'ula on Kauai in a partnership with an affiliate of DMB Associates, Inc. The Company is looking for additional investments to complement these two longer-term projects. A&B, however, will also continue pursuing projects with a 2-5 year return horizon. Of the Wailea properties, the Company currently plans to sell about 60 acres in bulk sales and develop, either by itself or through joint ventures, about 120 acres. The remaining acreage could be either developed or sold, depending on market factors.

A facet of plans for continued growth of the real estate business will be expanding the use of joint ventures. Joint ventures have benefited A&B by dispersing risk among a greater number of projects and enable the Company to partner with businesses that have complementary expertise, thereby creating greater value than pursuing the same opportunities alone.

The Company also intends to increase monetization of non-essential lands. These include lands that are not used for agriculture and that have little or no foreseeable development potential.

Transportation: A&B is targeting long-term earnings growth at Matson of approximately 8 to 10 percent, although this growth will be irregular as new competition enters the Hawaii market and a new Hawaii/Guam/China service is implemented following the expiration of Matson's alliance with American President Lines, Ltd. in February 2006. As described on page 37, the transition to the Hawaii/Guam/China service is expected to reduce earnings in 2006. Long-term growth is expected as a result of the strong Hawaii economy, the development of the eastbound China trade and continued growth in the logistics business.

Competition in the Hawaii Service is expected to increase in 2005 due to entry into the Hawaii trade by the operator of a new dedicated automobile and truck carrier, with a stated carrying capacity of 3,000 automobiles every two weeks beginning in the second quarter of 2005. The operator announced that it will target automobiles, buses, trucks and other large and oversize rolling stock, and that it signed a multi-year contract with an automobile manufacturer that is a current Matson customer, for which Matson moved approximately 20,000 westbound automobiles in 2004. Matson is well-positioned to compete with the new entrant. Partially offsetting the loss of business to the new entrant, Matson recently received a multi-year commitment from an automobile manufacturer that previously was the customer of a different competitor. While the new entrant into the Hawaii market is expected to have some adverse effect, its near-term impact cannot be estimated, and the long-term impact will not be known for some time. The total Hawaii-Mainland auto carriage market is approximately 190,000 automobiles per year.

MIL is expected to continue growing through both the development of existing business relationships and through acquisitions. The intermodal business is fragmented and MIL expects to take advantage of synergistic acquisitions.

Food Products: A&B, through its Hawaiian Commercial & Sugar ("HC&S") operations on Maui produces approximately 77 percent of the state's sugar. HC&S' strengths in this price-constrained business are its irrigation infrastructure, innovative uses of technology, its workforce and a strong union relationship. While agriculture remains the best and highest use for much of the Company's land, it faces declining margins on the sale of commodity products. For that reason, the business strategy for food products is to expand its Maui Brand Sugar products, develop new sources of energy sales and develop new revenue sources from sugar byproducts. In addition, because raw sugar production is mostly a fixed cost operation, A&B continues to focus on higher production volume and yields.

The U.S. Congress included a $7.2 million appropriation for the Hawaii sugarcane producers in the Military Construction Appropriations Conference Report as part of a broad disaster relief effort. The Company expects to benefit by about $5.5 million during the first quarter of 2005 as a result of this appropriation.

FINANCIAL CONDITION AND LIQUIDITY

Debt and Liquid Resources: Liquid resources of the Company, comprising cash and cash equivalents, receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund ("CCF"), totaled $633 million at December 31, 2004, an increase of $88 million from December 31, 2003. This net increase was due primarily to $47 million in higher available balances on revolving credit and private placement shelf facilities, $36 million of higher cash and cash equivalent balances and $21 million of increased receivables.

Working Capital: Working capital was $53 million at December 31, 2004, a decrease of $11 million from the balance at the end of 2003. The lower working capital was due primarily to $20 million higher accounts payable balances, $16 million increase in current portion of long-term debt and $15 million of accrued deposits to the Capital Construction Fund, partially offset by an increase of $36 million in cash and cash equivalents and $21 million of higher receivable balances. The higher other current liability balance was due primarily to nonqualified employee benefit plan reclassifications from non-current and deferred operating revenue. The higher accounts payable balance was primarily due to the growth of logistics services business.

At December 31, 2004, the Company had receivables totaling $181 million, compared with $160 million a year earlier. These amounts were net of allowances for doubtful accounts of $14 million and $12 million, respectively. The increase in receivables was mainly the result of increased business activity, particularly strong cargo volumes in the transportation businesses late in the year. The Company's management believes that the quality of these receivables is good and that its reserves are adequate. Cash balances were higher due to strong cash flows during the second half of the year combined with the timing of redeployment opportunities and low debt balances that could be repaid at year-end. At the end of 2004, the Company accrued $15 million as a planned deposit to its Capital Construction Fund. This accrual represents a claim against current assets and demonstrates the Company's intention to deposit these funds into the CCF, thereby enabling the Company to deduct the accrued deposit in calculating its 2004 tax payments. The fluctuations in other working capital accounts resulted from normal operating activities.

Long-Term Debt and Credit Facilities: Long-term debt, including current portion of long-term debt and current notes payable, was $245 million at the end of 2004 compared with $345 million at the end of 2003. This $100 million decline was the net result of retiring Matson's $100 million commercial paper program, the early retirement, without penalty, of a $15 million term-loan that had been assumed in connection with a 2003 real estate purchase, scheduled term debt repayments totaling $12 million and variable rate debt repayments of $131 million, partially offset by the addition of a new $55 million Title XI bond issue, described below, that partially financed the purchase of a new vessel, the MV Maunawili. The weighted average interest rate for the Company's outstanding borrowings at December 31, 2004 was approximately 5.7 percent.

A $50 million private shelf agreement, under which Matson had already borrowed $15 million, expired in June 2004. In July, Matson renewed the agreement to $65 million, $15 million of which was outstanding, and extended the agreement to July 2007.

In August 2004, Matson took delivery of a new vessel, the MV Maunawili. The total project cost of the vessel was financed with $55 million of U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds, a withdrawal from the Company's Capital Construction Fund ("CCF"), and operating funds.

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

Also during 2004: (1) A&B increased its multibank revolving credit facility from $185 million to $200 million and extended the facility to January 2008; (2) A&B increased its uncommitted $70 million credit line to $78.5 million and extended the line to January 2006; (3) Matson renewed and extended a $50 million credit facility to December 2006; and (4) Matson reduced a $40 million revolving credit facility to $30 million.

Credit facilities are described in Note 8 in Item 8 of the Company's 2004 Form 10-K.

Capital Construction Fund: During 2004, the Company deposited $2 million into the CCF and withdrew approximately $142 million. At December 31, 2004, it was the Company's intention to deposit an additional $15 million into the CCF. This amount was accrued as a claim against current assets. During 2004, $100 million was withdrawn from the CCF in connection with the retirement of Matson's commercial paper program and $42 million was withdrawn for the purchase of the MV Maunawili.

Cash Flows: Cash Flows from Operating Activities were $173 million for 2004, compared with $136 million for 2003. The higher operating cash flow was due to better operating results, the increased sales of real estate inventory, higher depreciation and fluctuations in other working capital balances.

Capital Expenditures: For 2004, capital expenditures, including purchases of property using tax-deferred proceeds and additions to real estate held for sale but excluding assumed debt, totaled $181 million. This was comprised principally of $41 million for real estate acquisitions and property development, $105 million for vessels, $17 million for Matson's container and operating equipment, and $10 million for agricultural projects. Of the real-estate related capital expenditures, $14 million was for purchase of land on which the Company intends to build a high rise residential building. Consistent with the intended purpose for the land, the acquisition amount was included in Cash Flows from Operating Activities.

Tax-Deferred Real Estate Transactions: During 2004, the Company had no material tax-deferred real estate purchases or sales. During 2003, the Company recorded, on a tax-deferred basis, real-estate sales proceeds of $37 million and utilized $41 million of 2003 and 2002 sales proceeds to acquire new income-producing assets. As of December 31, 2004, $3 million was available for reinvestment on a tax-deferred basis.

INVESTMENTS

The Company has the following principal investments, each of which is accounted for following the equity method of accounting:

A) Crossroads Plaza: In June 2004, the Company signed a joint venture agreement with Intertex Hasley, LLC, for the development of a 62,000-square-foot mixed-use neighborhood retail center on 6.5 acres of commercial land in Valencia, California, called Crossroads Plaza Development Partners, LLC ("Crossroads Plaza"). The property was acquired in August 2004 for $3.5 million. Site planning and design have been completed and pre-leasing has commenced. Groundbreaking is expected in mid-2005. The Company has a 50 percent voting interest in the Crossroads Plaza.

B) Hokua: In July 2003, the Company entered into an operating agreement with MK Management LLC, for the joint development of "Hokua at 1288 Ala Moana" ("Hokua"), a 40-story luxury residential condominium in Honolulu. The Company's total investment in the venture is expected to be $40 million. Approximately $36 million has been funded through December 2004. The joint venture has loan commitments totaling $130 million, of which the Company guarantees a maximum of $15 million. The Company has a 50 percent voting interest in Hokua.

C) HoloHolo Ku: In October 2001, the Company entered into a joint venture with Kamuela Associates, LLC for the development of 44 detached single-family homes under a Condominium Property Regime, on an 8.5-acre parcel in Kamuela on the island of Hawaii. Construction began in December 2001, and was completed in October 2003. Five homes were sold in 2002, 36 homes were sold in 2003, and the remaining three homes were sold in 2004. The average price of the 44 homes was $395,000. The Company has a 50 percent voting interest in HoloHolo Ku.

D) Kai Lani: In September 2001, the Company entered into a joint venture with Armstrong Kai Lani Corporation for the development of 116 townhouse units on an 11-acre parcel in the Ko 'Olina Resort on Oahu. Construction on the first building began in July 2002 and 105 units were sold in 2003. By the first quarter of 2004, the remaining 11 units had been sold. The average price of all 116 units was $495,000. The Company has a 50 percent voting interest in Kai Lani.

E) Kai Malu at Wailea: In April 2004, the Company entered into a joint venture with Armstrong Builders, Ltd. for development of the 25-acre MF-8 parcel at Wailea on Maui. The project is planned to consist of 150 duplex units with an average size of 1,800 square feet and an average price of over $1 million. In November 2004, the Planning Commission approved the issuance of a County Special Management Area ("SMA") permit for the project and a preliminary public condominium report was approved by the Hawaii Real Estate Commission for the initial 34-unit phase, enabling marketing to commence in December 2004. As of January 31, 2005, all of the 34 units in Phase I were sold under non-binding contracts at an average price of $1.1 million. Final public condominium reports for Phase I (34 units) and Phase II (54 units) were approved in February 2005, enabling binding contracts to be secured. The Company has a 50 percent voting interest in Kai Malu at Wailea.

F) Kukui`ula: Kukui`ula is a 1,000-acre master planned resort residential community located in Poipu, Kauai. In April 2002, an agreement was signed with an affiliate of DMB Associates, Inc., an Arizona-based developer of master planned communities, for the joint development of Kukui`ula. The project will consist of between 1,200 to 1,500 high-end residential units. During 2003, the Company contributed to the venture title to 846 acres, a waste water treatment plant, and other improvements totaling approximately $28 million in value. The balance of the land, approximately 165 acres, is expected to be transferred to the venture in the first quarter of 2005. In July 2003, the State Land Use Commission ("SLUC") granted Urban designation for the project's remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. In July 2004, the Kauai County Council gave final zoning and visitor designation area approvals for the entire project. In August 2004, the Company exercised its option to contribute to the joint venture up to 40 percent of the project's future capital requirements. The additional investment is expected to range from $50 million to $75 million and occur over the next three to four years. Design, engineering and construction activity to date include: preparation of construction plans for onsite and offsite infrastructure, preparation and submittal to government agencies of subdivision maps for the initial phases of the project, development of potable water wells, and permitting of a new electrical substation. Design work is progressing on a sales center/model home complex, which will be constructed in 2005. For the initial phase of development, SMA approvals were secured and permit applications were submitted for improvements. Marketing of the initial phase is expected to commence in March 2005 and infrastructure construction is scheduled to commence in mid-2005. The total project cost, excluding vertical home construction, is projected to be approximately $725 million, although the maximum cash outlay will be much lower due to phasing of the project. With its additional equity investment, the Company will likely receive between 50 percent and 60 percent of the venture's returns. The Company has a 50 percent voting interest, for significant decisions of Kukui`ula.

G) Mauna Lani: In April 2004, the Company entered into a joint venture with Brookfield Homes Hawaii Inc. ("Brookfield") to acquire and develop a 30.5-acre residential parcel in the Mauna Lani Resort on the island of Hawaii. In May 2004, the property was acquired by the joint venture for $6.6 million. The conceptual plan for the project consists of 137 single-family and duplex units. An SMA amendment was submitted in October 2004 and was approved in November 2004. Site planning was completed and submitted to the Mauna Lani Design Review Committee in January 2005. Product design, site planning, grading, drainage, utility and roadway design work are being finalized. Groundbreaking is scheduled to commence in mid-2005. The Company has a 50 percent voting interest in the venture.

H) Rye Canyon: In October 2004, the Company acquired 5.4 acres of commercial-zoned land in Valencia, California for $1.5 million for the development, with a joint venture partner, of an 85,000-square-foot office building. Design and site planning are complete and design approvals are being sought. Marketing and pre-leasing efforts commenced in February 2005. Groundbreaking is expected to commence in mid-2005. As of December 31, 2004, the joint venture agreement had not been signed.

I) Westridge LLC: In January 2003, the Company signed a joint venture agreement with Westridge Executive Building, LLC, for the development of a 63,000-square-foot office building. The Company has a 50 percent voting interest in Westridge LLC. Construction was completed in 2004 and the property was 91 percent leased at the end of 2004.

J) SSA Terminals: Matson is part owner, with SSA Marine Inc., of SSA Terminals, LLC ("SSAT"), which provides stevedoring and terminal services at five terminals in three West Coast ports to the Company and other shipping lines. Matson's ownership interest in SSAT is 35 percent.

K) Sea Star Line: In August 2004, Matson sold its investment in Sea Star Line, LLC for approximately $7 million and recognized a gain of approximately $1 million. Concurrent with the sale, Matson was relieved of its $11 million guarantee obligation of Sea Star's debt.

L) C&H: The Company owns approximately 36 percent of C&H's common voting stock, 40 percent of its junior preferred stock, and 100 percent of its senior preferred stock. Approximately 92 percent of the Company's Maui sugar production is sold to C&H through an intermediary raw sugar marketing and transportation cooperative, HS&TC. The carrying value of this investment is currently $3.8 million. In 2004, C&H's board of directors approved the hiring of an advisor to assist in selling the business. The expected proceeds from the possible sale of C&H are expected to recover the carrying value of the investment.

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

Notes 4 and 5 in Item 8 of the Company's 2004 Form 10-K provide additional information about the Company's investments.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

Contractual Obligations: At December 31, 2004, the Company had the following contractual obligations (in millions):

		Payment due by period			
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations	$ 245	$ 31	$ 48	$ 50	$ 116
Purchase obligations	31	31	--	--	--
Post-retirement obligations	33	3	6	6	18
Non-qualified benefit obligations	26	4	5	3	14
Capital lease obligations	--	--	--	--	--
Operating lease obligations	129	19	18	10	82
Total	$ 464	$ 88	$ 77	$ 69	$ 230

Long-term debt obligations and lease obligations are described in Notes 8 and 9, respectively, of Item 8 of the Company's 2004 Form 10-K.

Off Balance Sheet Arrangements: Commitments and financing arrangements that are not recorded on the Company's balance sheet at December 31, 2004, other than operating lease obligations that are shown above, in effect at the end of

2004 and 2003 included the following (in millions):

Arrangement		2004
Capital appropriations	(a)	$ 158
Guarantee of HS&TC debt	(b)	$ 15
Guarantee of Hokua debt	(c)	$ 15
Standby letters of credit	(d)	$ 18
Bonds	(e)	$ 14
Benefit plan withdrawal obligations	(f)	$ 65

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

(a) At December 31, 2004, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $158 million. These expenditures are primarily for vessel maintenance, real estate investments, real estate developments, containers and operating equipment and vessel modifications. There are, however, no contractual obligations to spend the entire amount. For 2005, internal cash flows and existing credit lines are expected to be sufficient to finance working capital needs, dividends, capital expenditures, and debt service.

(b) The Company guarantees up to $15 million of HS&TC's $30 million revolving credit line. This agreement expires in April 2006, but is currently expected to be renewed. The HS&TC credit line is used primarily to fund purchases of raw sugar from the Hawaii growers and is fully secured by the inventory, receivables and transportation assets of the cooperative. The amount that may be drawn by HS&TC under the facility is limited to 95 percent of its inventory value plus up to $15 million of HS&TC's current receivables. The Company's guarantee is limited to the lesser of $15 million or the actual amounts drawn. Although the amount drawn by HS&TC on its credit line varies, as of December 31, 2004, the amount drawn was $15 million. The Company has not recorded a liability for its obligation under the guarantee because it believes that the likelihood of making any payment is remote.

(c) A&B Properties, Inc. ("Properties") has a limited guarantee equal to the lesser of $15 million or 15.5 percent of the outstanding balance of the construction loan that could be triggered if the purchasers of condominium apartments become entitled to rescind their purchase obligations. This could occur if, for example, Hokua breaches covenants contained in its sales contracts or violates the Interstate Land Sales Practices Act, the Hawaii Condominium Act, the Securities Act of 1933 or the Securities Exchange Act of 1934. The outstanding balance of the venture's construction loan at December 31, 2004 was $12 million.

(d) The Company has arranged for standby letters of credit totaling $18 million. This includes letters of credit, totaling approximately $12 million, which enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of $3 million for workers' compensation claims incurred by C&H employees prior to December 24, 1998. The letter of credit is for the benefit of the State of California Department of Industrial Relations ("CDIR"). The Company only would be called upon by the CDIR to honor this letter of credit in the event of C&H's non-payment of workers' compensation claims or insolvency. The agreement with C&H to provide this letter of credit expired on December 24, 2003 but has been extended until December 31, 2005. The remaining letters of credit, totaling $3 million, are for routine insurance-related operating matters, principally in the real estate businesses.

(e) Of the $14 million in bonds, $7 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required by either state or county governments to ensure that certain infrastructure work required as part of real-estate development is completed as required. The Company has the financial ability and intention to complete these improvements. Also included in the total are $6 million of customs bonds. The remaining $1 million of bonds are for transportation-related matters.

(f) The withdrawal liabilities for multiemployer pension plans, in which Matson is a participant, aggregated approximately $65 million as of the most recent valuation dates. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

Certain of the businesses in which the Company holds non-controlling investments have long-term debt obligations. Other than obligations described above, those investee obligations do not have recourse to the Company and the

Company's "at-risk" amounts are limited to its investment. These investments are described above and in Notes 5 and 13 in Item 8 of the Company's 2004 Form 10-K.

Charter Agreements Related to Guam Service: Matson and American President Lines, Ltd. ("APL") are parties to a Successor Alliance Slot Hire and Time Charter Agreement ("APL Agreement") that expires in February 2006. The APL Agreement provides the structure of an alliance through which Matson provides a weekly service to Guam. Pursuant to the APL Agreement, Matson time charters three C-9 class vessels to APL and APL reserves a designated number of container slots on each C-9 vessel as well as two additional APL vessels for Matson's exclusive use. Matson's annual time charter revenues arising from the APL Agreement are approximately $35 million, and Matson generates substantial additional revenues from its Guam trade. Taken together, such revenues contribute a significant portion of the Ocean Transportation segment's total operating profit. The APL Agreement will not be renewed after February 2006.

Matson will replace the existing Guam service with an integrated Hawaii/Guam/China service beginning in February 2006. The service will employ three existing Matson containerships along with two new containerships to be purchased from the Kvaerner Philadelphia Shipyard in a five-ship string that carries cargo to Honolulu from the U.S. West Coast, continues to Guam and then on to China. In China, the vessels will be loaded with eastbound cargo destined for the U.S. West Coast. This service will be unique among trans-Pacific services because it will combine a secure and growing base of westbound freight to Hawaii and Guam with eastbound freight from the robust Asia market. This strategy also involves re-deploying into the Hawaii service three C-9 class vessels that currently serve Guam. The Hawaii service will benefit from this change due to fuel economies, increased cargo capacity and a deferral of expenditures for vessel replacement.

The new Hawaii/Guam/China service will bring many operational benefits as described above, and is expected, in the long term, to present greater earnings potential than the present Guam service. The new service will, however, require a large capital investment, currently estimated at about $365 million. This includes $289 million for the new vessels, $26 million for other vessel related costs and $50 million to acquire additional containers and to make terminal improvements. Matson also will face a start-up period in the trans-Pacific eastbound trade as it makes the operational transition to a new fleet deployment, establishes a marketing organization and builds customer relationships. As with any new service, the duration and economics of the start-up period are difficult to estimate and depend on factors both within and outside the control of Matson including eastbound rate levels and growth in China-US trade. The anticipated reduction in operating profit in 2006 resulting from this operational transition is expected to be in the range of $20-25 million. This earnings gap would be expected to narrow significantly in subsequent years, with the earnings of the new service eventually exceeding the current Guam service. These figures do not reflect the impact of general market growth trends and cost reduction, business growth, and yield management initiatives separate from the Guam service, all of which would be expected to enhance earnings. Additionally, in 2006, the Company will incur interest expense in the range of approximately $12 million as a result of these capital expenditures.

Environmental Matters: As with most industrial and land development companies of its size, the Company's shipping, real estate, and agricultural businesses have certain risks that could result in expenditures for environmental remediation. The Company believes that it is in compliance, in all material respects, with applicable environmental laws and regulations, and works proactively to identify potential environmental concerns. In addition, the Company has emergency response and crisis management programs.

After HC&S self-reported, in 2001, to the State of Hawaii Department of Health ("DOH") possible violations of state and federal air pollution control regulations relating to a boiler at its Maui sugar mill, the DOH issued a notice of violation and proposed penalty of approximately $2 million in September 2003. Although the Company operated in accordance with the requirements of permits issued by the DOH in 1974, the permit conditions may not have reflected the federal standards fully. Upon identifying and self-reporting the matter in late 2001, the Company immediately took corrective action to comply with the regulations. The amount of the penalty is being contested. The Company believes that the resolution of this matter will not have a material effect on the Company's consolidated financial statements and that appropriate accruals for this matter have been recorded.

Additionally, in late 2003 the Company paid $1.6 million to settle a claim for payment of environmental remediation costs incurred by the current owner of a sugar refinery site in Hawaii that previously was sold by the Company in 1994. In connection with this settlement, the Company assumed responsibility to remediate certain parcels of the site. The Company has accrued approximately $2.3 million for the estimated remediation cost.

Other Contingencies: In January 2004, a petition was filed by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources ("BLNR") declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar-growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company objected to the petition, asked the BLNR to conduct administrative hearings on the matter and requested that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license.

Since the filing of the petition, the Company has been working to make improvements to the water systems of the petitioner's four clients so as to improve the flow of water to their taro patches. An interim agreement was entered into during the first quarter of 2004 between the parties to allow the improvements to be completed, deferring the administrative hearing process. That agreement, however, has since expired without renewal by the petitioners. Nevertheless, the Company has continued to make improvements to the water systems.

The administrative hearing process on the petition is continuing, and the Company continues to object to the petition. The effect of this claim on the Company's sugar-growing operations cannot currently be estimated. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar-growing operations.

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

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

CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are more fully described in Note 1 of the Consolidated Financial Statements included in Item 8. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those estimates. These differences could be material.

The most significant accounting estimates inherent in the preparation of A&B's financial statements are described below.

Asset Impairments: The Company's properties and investments are reviewed for impairment if changing events or circumstances indicate that the carrying amount of the assets may not be recoverable. This evaluation is based on historical experience with similar assets and the assets' expected use in the Company's business. The identification of impairment indicators of assets and investments subsequent to acquisition and the estimates used in valuing these amounts could result in different amounts recorded for property or investments and, accordingly, the related depreciation and equity in earnings of unconsolidated affiliates could be different.

Depreciation: Depreciation requires an estimate by management of the useful life of each property item as well as an allocation of the costs associated with a property to its various components. These assessments are based on industry information as well as the Company's experience with similar assets. If the Company changed its allocation of costs or changed the estimates of useful lives of property, depreciation expense could be different.

Valuation of Purchased Leases and Contracts: Upon acquisition of real estate, the Company assesses the fair value of acquired assets (including land, buildings, tenant improvements and acquired above and below market leases and the origination cost of acquired in-place leases in accordance with SFAS No. 141) and acquired obligations, and allocates the purchase price based on these assessments. Different assessments could result in the carrying values of the asset and the amortization charges being different.

Unconsolidated Affiliates: The Company accounts for its investments in unconsolidated affiliates under the equity method when the Company's ownership interest is more than 20 percent but less than 50 percent and the Company does not exercise direct or indirect control over the investee. Factors that are considered in determining whether or not the Company exercises control include rights of partners regarding significant business decisions, including dispositions and acquisitions of assets, board and management representation, financing decision making, operating and capital budget approvals and contractual rights of partners. To the extent that the Company is deemed to control these entities, the entities would have to be consolidated. This would affect the balance sheet, operations, and debt covenants.

Revenue Recognition and Collectibility: The Company has a wide range of revenue types, including, for example, rental income, property sales, shipping revenue, intermodal and logistics revenue and sales of raw sugar, molasses and coffee. Before recognizing revenue, the Company assesses the underlying terms of the transaction to ensure that recognition meets the requirements of relevant accounting standards. Among these requirements is that the amount is collectible. If assessments regarding collectibility are different, revenue and assets could be different.

Voyage Revenue: The Company recognizes voyage revenue using the percentage completion method that is based on the relative transit times between reporting periods. These transit times are very predictable, but if the Company incorrectly estimates transit times due to unforeseen delays in transit, revenue could be over or under stated.

Environmental Reserves: The estimated costs for environmental remediation are recorded by the Company when the obligation is known and can be estimated. If a range of probable loss is determined, the Company will record the obligation at the low end of the range unless another amount in the range better reflects the expected loss. These analyses are performed, depending on the circumstances, by internal analysis or the use of third-party specialists. The assumptions used in these analyses as well as the extent of the known remediation can have an impact on the resulting valuation and that difference could be material.

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

Pension income (expense) related to the Company's qualified pension plans were $(2) million, $2 million, and $1 million for 2004, 2003, and 2002, respectively. The Company expects that, in 2005, the qualified plan expense will not be significant.

The valuation assumptions used for the Company's pension plans for each of the three years were as follows:

	Pension Benefits		
	2004	2003	2002
Discount rate	6.00%	6.25%	6.50%
Expected return on plan assets	8.50%	8.50%	9.00%
Rate of compensation increase	4.00%	4.00%	4.25%

The expected return on plan assets is based on the Company's historical returns combined with long-term expectations, based on the mix of plan assets, asset class returns, and long-term inflation assumptions, after consultation with third-party firms used by the Company for pension management and actuarial valuations. One-, three-, and five-year pension returns were 11.5 percent, 5.1 percent, and 0.5 percent, respectively. Since 1989, the average return has been approximately 10 percent. These returns have approximated benchmark returns used by the Company to evaluate performance of its fund managers. The Company's weighted-average asset allocations at December 31, 2004 and 2003, and 2004 year-end target allocation, by asset category, were as follows:

	Target	2004	2003
Domestic equity securities	60%	61%	60%
International equity securities	10%	15%	13%
Debt securities	15%	14%	16%
Real Estate	15%	10%	10%
Other and cash	--	--	1%
Total	100%	100%	100%

The Company bases its determination of pension expense or income on Statement of Financial Accounting Standards No. 87, which reduces year-to-year volatility. Investment gains and losses are the difference between actual returns on plan assets and expected returns. The cumulative investment gains or losses are recognized over periods ranging from four to 16 years. The Company uses shorter amortization periods for certain plans because the benefits offered under these plans are re-negotiated and updated more frequently than those under the other benefit plans.

The discount rate used for determining the year-end benefit plan obligation was calculated by the Company's actuary using a weighting of expected benefit payments and rates associated with high-quality corporate bonds for each year of expected payment to derive an estimated rate at which the benefits could be effectively settled at December 31, 2004, rounded to the nearest quarter percent.

Lowering the expected long-term rate of return on the Company's qualified plan assets from 8.5 percent to 8.0 percent would have reduced pre-tax pension income for 2004 by approximately $1 million. Lowering the discount rate assumption by one-half of one percentage point would have increased pre-tax pension expense by approximately $2 million.

The value of qualified plan assets increased from $274 million at the beginning of 2004 to $295 million at the end of the year. The 2004 net increase was primarily the result of an actual return of $30 million, plus $4.7 million of Company contributions to the pension plan, and less benefit payments of $14 million. At 2004 year end the projected benefit obligation was $274 million. Plan funding was 108 percent at 2004 year-end compared with 105 percent at 2003 year-end. The Company does not expect to make any cash funding into its qualified plans during 2005.

OTHER MATTERS

Stock Options: Information regarding the accounting for and pro forma effect of options to purchase shares of the Company's stock is included in Note 1 and Note 12 to the Consolidated Financial Statements included in Item 8.

Dependence on Information Technology Systems: The Company is highly dependent on information technology systems to support its ability to conduct business. These dependencies primarily include accounting, billing, disbursement, cargo booking, vessel scheduling and stowage, banking, payroll and employee communication systems. All of these systems are vulnerable to reliability issues, integration and compatibility concerns, and security-threatening intrusions. The Company has had no significant instances of interruption to these systems.

Management believes that its information technology and systems are adequate to meet the requirements of its business and operations. It continues to make investments of capital for infrastructure, system development and maintenance, system security and staffing and staff development. However, there can be no assurances that future incidents, whether accidental or malicious, could not affect adversely the function of the Company's information systems and operations.

Management Changes: The following management changes occurred during 2004 and through February, 2005:

- Christopher J. Benjamin was promoted to vice president and chief financial officer of A&B effective February 9, 2004.

- John F. Gasher, A&B vice president, retired effective January 1, 2005.

- Yolanda V. Gonzalez joined Matson Navigation Company as vice president, human resources effective June 14, 2004.

- Paul W. Hallin was promoted to senior vice president, development of A&B Properties, Inc. effective January 1, 2004.

- David I. Haverly was promoted to vice president, asset management at A&B Properties, Inc. effective January 1, 2005.

- Merle A. K. Kelai, Matson vice president, retired effective February 1, 2005.

- Charles W. Loomis was promoted to associate general counsel of A&B effective February 9, 2004. Mr. Loomis is also a vice president of A&B Properties, Inc.

- Diane M. Shigeta was promoted to vice president of A&B Properties, Inc. effective July 1, 2004.

- Richard B. Stack, Jr. was promoted to vice president, development at A&B Properties, Inc. effective January 1, 2005.

- Thomas A. Wellman was promoted to vice president, treasurer and controller effective February 9, 2004. Mr. Wellman is also vice president, treasurer and controller of A&B Properties, Inc.

- Michael G. Wright was promoted to senior vice president, acquisitions and investments of A&B Properties, Inc. effective January 1, 2004.

- Ruthann S. Yamanaka joined A&B as vice president, human resources effective September 1, 2004.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A&B, in the normal course of doing business, is exposed to the risks associated with fluctuations in the market value of certain financial instruments. A&B maintains a portfolio of investments, pension fund investments and, through its Capital Construction Fund, an investment in mortgage-backed securities. Details regarding these financial instruments are described in Notes 1, 4, 5, 7 and 10 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data."

A&B is exposed to changes in U.S. interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. In order to manage its exposure to changes in interest rates, A&B utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. The nature and amount of A&B's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions, and other factors.

The Company periodically uses derivative financial instruments such as interest rate and foreign currency hedging products to mitigate risks. The Company's use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate or currency agreements that are accounted for as hedges. The Company does not hold or issue derivative instruments for trading or other speculative purposes nor does it use leveraged financial instruments. Hedge accounting requires a high correlation between changes in fair value of cash flows of the derivative instrument and the specific item being hedged, both at inception and throughout the life of the hedge. The Company discontinues hedge accounting prospectively when it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is discontinued as a hedge investment because it is unlikely that a forecasted transaction will occur.

All derivatives are recognized in the consolidated balance sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a fair value or a cash flow hedge. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair value hedge, are recorded in current period earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, are recorded in Other Comprehensive Income (Loss) and are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of hedges is recognized in earnings in the current period.

At December 31, 2004 the Company's interest rate lock agreement that reduced the exposure to interest rate risk associated with future debt issuances for the financing of a new vessel, had been settled. This is described under the caption "Interest Rate Hedging" in Note 8 of Item 8. A&B believes that, as of December 31, 2004, its exposure to market risk fluctuations for its financial instruments is not material.

The following table summarizes A&B's debt obligations at December 31, 2004, presenting principal cash flows and related interest rates by the expected fiscal year of repayment. Variable interest rates represent the weighted-average rates of the portfolio at December 31, 2004. A&B estimates that the carrying value of its debt is not materially different from its fair value.

	Expected Fiscal Year of Repayment as of December 31, 2004						
	2005	2006	2007	2008	2009	Thereafter	Total
	(dollars in millions)						
Fixed rate	$ 23.9	$ 23.9	$ 23.9	$ 24.9	$ 24.9	$ 116.7	$ 238.2
Average interest rate	6.77%	6.78%	6.80%	6.06%	6.06%	5.07%	
Variable rate	$ 7.0	--	--	--	--	--	$ 7.0
Average interest rate	2.83%	--	--	--	--	--	

A&B's sugar plantation, HC&S, has a contract to sell its raw sugar production through 2008 to Hawaiian Sugar & Transportation Cooperative ("HS&TC"), an unconsolidated sugar and marketing cooperative, in which A&B has an ownership interest. Under that contract, the price paid will fluctuate with the New York No. 14 Contract settlement price for domestic raw sugar, less a fixed discount. A&B also has an agreement with C&H Sugar Company, Inc., the primary purchaser of sugar from HS&TC, which allows A&B to forward price, with C&H, a portion of its raw sugar deliveries to HS&TC. That agreement has a provision that permits, under certain circumstances, the sales of sugar at a floor price.

A&B has no direct material exposure to foreign currency risks, although it is indirectly affected by changes in currency rates to the extent that this ffects tourism in Hawaii.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORTS

MANAGEMENT'S RESPONSIBILITY ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of Alexander & Baldwin, Inc. has the responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting only provides reasonable assurance with respect to financial statement presentation and preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its assessments, Management believes that, as of December 31, 2004, the Company's internal control over financial reporting is effective. The Company's independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), has issued an audit report on Management's assessment of the Company's internal control over financial reporting. That report appears on page 48 of this Form 10-K.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is also responsible for preparing the accompanying consolidated financial statements and related notes accurately and objectively. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America, consistently applied, and necessarily include amounts based on judgments and estimates made by Management. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

The Company's consolidated financial statements have been audited by Deloitte and its report appears on page 47 of this Form 10-K. Management has made available to Deloitte all of the Company's financial records and related data. Furthermore, Management believes that all representations made to Deloitte during its audit were valid and appropriate.

The Board of Directors, through its Audit Committee (composed solely of independent directors), oversees Management's responsibilities in the preparation of the consolidated financial statements. The Audit Committee appoints the independent auditors, subject to shareholder ratification. The Audit Committee meets regularly with the external and internal auditors to evaluate the effectiveness of their work in discharging their respective responsibilities and to assure their independent and free access to the Committee.

/s/ W. Allen Doane	/s/ Christopher J. Benjamin
W. Allen Doane	Christopher J. Benjamin
President and Chief Executive Officer	Vice President and Chief Financial Officer
February 24, 2005	February 24, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Alexander & Baldwin, Inc.
Honolulu, Hawaii

We have audited the accompanying consolidated balance sheets of Alexander & Baldwin, Inc. and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Honolulu, Hawaii
February 24, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Alexander & Baldwin, Inc.
Honolulu, Hawaii

We have audited management's assessment, included in the accompanying Management's Reports - Management's Responsibility on Internal Control over Financial Reporting, that Alexander & Baldwin, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2004 of the Company and our report dated February 24, 2005 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Honolulu, Hawaii
February 24, 2005

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per-share amounts)

Year Ended December 31,	2004	2003	2002
Operating Revenue:			
Ocean transportation	$ 846	$ 776	$ 687
Logistics services	377	238	195
Property leasing	79	75	61
Property sales	81	27	28
Food products	111	113	113
Total revenue	1,494	1,229	1,084
Operating Costs and Expenses:			
Cost of transportation services	668	601	575
Cost of logistics services	345	215	175
Cost of property sales and leasing services	83	57	50
Cost of agricultural goods and services	105	108	99
Selling, general and administrative	128	124	107
Impairment loss for operating investment	--	8	--
Total operating costs and expenses	1,329	1,113	1,006
Operating Income	165	116	78
Other Income and (Expense)			
Equity in income (loss) of real estate affiliates	3	4	--
Interest income	4	--	--
Interest expense	(13)	(12)	(12)
Income From Continuing Operations Before Income Taxes	159	108	66
Income taxes	60	40	21
Income From Continuing Operations	99	68	45
Income from discontinued operations, net of income taxes (see Notes 2 and 3)	2	13	13
Net Income	101	81	58
Other Comprehensive Income (Loss):			
Minimum pension liability adjustment (net of taxes of $1, $(13) and $16)	(2)	20	(25)
Change in cash flow hedge (net of taxes)	1	(1)	(2)
Comprehensive Income	$ 100	$ 100	$ 31
Basic Earnings per Share of Common Stock:			
Continuing operations	$ 2.32	$ 1.64	$ 1.09
Discontinued operations	0.05	0.31	0.33
Net income	$ 2.37	$ 1.95	$ 1.42
Diluted Earnings per Share of Common Stock:			
Continuing operations	$ 2.29	$ 1.63	$ 1.09
Discontinued operations	0.04	0.31	0.32
Net income	$ 2.33	$ 1.94	$ 1.41
Average Common Shares Outstanding	42.6	41.6	41.0

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Year Ended December 31,	2004	2003	2002
Cash Flows from Operations:			
Net income	$ 101	$ 81	$ 58
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	80	73	71
Deferred income taxes	(11)	(6)	10
Gains on disposal of assets	(12)	(18)	(20)
Equity in (income) loss of affiliates	(9)	(9)	5
Write-down of long-lived assets and investments	--	8	--
Changes in assets and liabilities:			
Accounts and notes receivable	(21)	3	(23)
Inventories	1	(1)	1
Prepaid expenses and other assets	(14)	3	(9)
Deferred drydocking costs	9	1	(11)
Pension and post-retirement assets and obligations	3	(1)	(2)
Accounts and income taxes payable	26	16	(21)
Other liabilities	20	6	(7)
Real Estate Developments Held for Sale:			
Real estate inventory sales	30	15	13
Expenditures for new real estate inventory	(30)	(35)	(9)
Net cash provided by operations	173	136	56
Cash Flows from Investing Activities:			
Capital expenditures for property and developments	(151)	(214)	(45)
Receipts from disposal of income-producing property, investments and other assets	22	8	21
Deposits into Capital Construction Fund	(2)	(4)	(58)
Withdrawals from Capital Construction Fund	142	47	5
Payments for purchases of investments	(39)	(17)	(6)
Proceeds from sale and maturity of investments	7	6	--
Net cash provided by (used in) investing activities	(21)	(174)	(83)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	56	293	73
Payments of long-term debt	(158)	(233)	(31)
Proceeds (payments) from short-term borrowings - net	--	--	(12)
Repurchases of capital stock	(2)	--	--
Proceeds from issuance of capital stock	26	20	16
Dividends paid	(38)	(37)	(37)
Net cash provided by (used in) financing activities	(116)	43	9
Cash and Cash Equivalents:			
Net increase (decrease) for the year	36	5	(18)
Balance, beginning of year	6	1	19
Balance, end of year	$ 42	$ 6	$ 1
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (14)	$ (11)	$ (12)
Income taxes paid, net of refunds	(61)	(45)	(52)
Non-cash Activities:			
Tax-deferred property sales	--	34	68
Tax-deferred property purchases	--	(41)	(60)

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per-share amount)

	December 31 2004	December 31 2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 42	$ 6
Accounts and notes receivable, less allowances of $14 and $12 million	181	160
Sugar and coffee inventories	4	5
Materials and supplies inventories	11	11
Real estate held for sale	35	30
Deferred income taxes	10	15
Prepaid expenses and other assets	20	20
Accrued deposits, net to Capital Construction Fund	(15)	--
Total current assets	288	247
Investments in Affiliates	111	68
Real Estate Developments	82	77
Property - net	1,133	1,079
Capital Construction Fund	40	165
Pension Assets	65	62
Other Assets - net	59	62
Total	$ 1,778	$ 1,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable and current portion of long-term debt	$ 31	$ 15
Accounts payable	115	95
Payrolls and vacation due	19	20
Uninsured claims	16	10
Income taxes payable	6	1
Post-retirement benefit obligations -- current portion	3	3
Accrued and other liabilities	45	39
Total current liabilities	235	183
Long-term Liabilities		
Long-term debt	214	330
Deferred income taxes	339	356
Post-retirement benefit obligations	45	44
Uninsured claims and other liabilities	41	36
Total long-term liabilities	639	766
Commitments and Contingencies		
Shareholders' Equity		
Capital stock - common stock without par value; authorized, 150 million shares ($0.75 stated value per share); outstanding, 43.3 million shares in 2004 and 42.2 million shares in 2003	35	35
Additional capital	150	112
Accumulated other comprehensive loss	(9)	(8)
Deferred compensation	(2)	--
Retained earnings	741	684
Cost of treasury stock	(11)	(12)
Total shareholders' equity	904	811
Total	$ 1,778	$ 1,760

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2004
(In millions, except per-share amounts)

	Capital Stock – Issued – Shares	Capital Stock – Issued – Stated Value	Capital Stock – In Treasury – Shares	Capital Stock – In Treasury – Cost	Additional Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Retained Earnings
Balance, December 31, 2001	44.4	$ 33	3.9	$ (12)	$ 67	--	--	$ 623
Stock options exercised - net	0.7	1	--	--	17	--	--	--
Issued - incentive plans	--	--	--	--	1	--	--	--
Minimum pension liability	--	--	--	--	--	$(25)	--	--
Cash flow hedge	--	--	--	--	--	(2)	--	--
Net income	--	--	--	--	--	--	--	58
Cash dividends	--	--	--	--	--	--	--	(37)
Balance, December 31, 2002	45.1	34	3.9	(12)	85	(27)	--	644
Stock options exercised - net	0.9	1	--	--	26	--	--	(4)
Issued - incentive plans	--	--	(0.1)	--	1	--	--	--
Minimum pension liability	--	--	--	--	--	20	--	--
Cash flow hedge	--	--	--	--	--	(1)	--	--
Net income	--	--	--	--	--	--	--	81
Cash dividends	--	--	--	--	--	--	--	(37)
Balance, December 31, 2003	46.0	35	3.8	(12)	112	(8)	--	684
Shares repurchased	(0.1)	0	--	--	--	--	--	(2)
Stock options exercised - net	1.0	0	--	--	34	--	--	(4)
Issued - incentive plans	0.1	0	(0.1)	1	4	--	$ (2)	--
Minimum pension liability	--	--	--	--	--	(2)	--	--
Cash flow hedge	--	--	--	--	--	1	--	--
Net income	--	--	--	--	--	--	--	101
Cash dividends	--	--	--	--	--	--	--	(38)
Balance, December 31, 2004	47.0	$ 35	3.7	$ (11)	$ 150	$ (9)	$ (2)	$ 741

Note: Certain amounts shown as '0' due to rounding.

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Founded in 1870, Alexander & Baldwin, Inc. ("A&B") is incorporated under the laws of the State of Hawaii. A&B operates primarily in three industries: transportation, real estate and food products. These industries are described below:

Transportation - carrying freight, primarily between various ports on the U.S. Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; arranging intermodal and motor carrier services and providing logistics services in North America; and providing terminal, stevedoring and container equipment maintenance services in Hawaii.

Real Estate - purchasing, developing, selling, managing, leasing and investing in commercial (including retail, office and industrial) and residential properties, in Hawaii and on the U.S. mainland.

Food Products - growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; marketing and distributing roasted coffee and green coffee; providing sugar, petroleum and molasses hauling, general trucking services, mobile equipment maintenance and repair services, and self-service storage in Hawaii; and generating and selling electricity.

Principles of Consolidation: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly owned subsidiaries ("the Company"), after elimination of significant intercompany amounts. Significant investments in businesses, partnerships, and limited liability companies in which the Company does not have control are accounted for under the equity method. Generally, these are investments in businesses in which the Company's ownership is between 20 percent and 50 percent.

Segment Information: The Company has five segments operating in three industries: Transportation, Real Estate, and Food Products. The Transportation industry is comprised of ocean transportation and logistics services segments. The Real Estate industry is comprised of leasing and property sales segments. The Company reports segment information in the same way that management assesses segment performance. For purposes of certain segment disclosures, such as identifiable assets, the Company's development activities are included with the property sales segment. Additional information regarding these segments is found in Note 14.

Cash and Cash Equivalents: Cash equivalents are composed of highly liquid investments with an original maturity of three months or less and which have no significant risk of change in value.

Allowances for Doubtful Accounts: Allowances for doubtful accounts are established by management based on estimates of collectibility. The changes in allowances for doubtful accounts, included on the Balance Sheets as an offset to "Accounts and notes receivable," for the three years ended December 31, 2004 were as follows (in millions):

	Balance at Beginning of year	Expense	Write-offs and Other	Balance at End of Year
2002	$ 7	$ 5	$ (1)	$ 11
2003	$ 11	$ 5	$ (4)	$ 12
2004	$ 12	$ 6	$ (4)	$ 14

Inventories: Raw sugar and coffee inventories are stated at the lower of cost (first-in, first-out basis) or market value. Other inventories, composed principally of materials and supplies, are stated at the lower of cost (principally average cost) or market value.

Drydocking: Under U.S. Coast Guard Rules, administered through the American Bureau of Shipping's alternative compliance program, all vessels must meet specified seaworthiness standards to remain in service carrying cargo between U.S. marine terminals. Vessels must undergo regular inspection, monitoring and maintenance, referred to as "drydocking," to maintain the required operating certificates. These drydocks occur on scheduled intervals ranging from two to five years, depending on the vessel age. Because the drydocks enable the vessel to continue operating in compliance with U.S. Coast Guard requirements, the costs of these scheduled drydocks are deferred and amortized until the next regularly scheduled drydock period. Deferred amounts are included on the Consolidated Balance Sheets in other current and non-current assets. Amortized amounts are charged to operating expenses in the Consolidated Statements of Income. Changes in deferred drydocking costs are included in the Consolidated Statements of Cash Flows in Cash Flows from Operations.

Property: Property is stated at cost, net of accumulated depreciation and amortization. Expenditures for major renewals and betterments are capitalized. Replacements, maintenance, and repairs that do not improve or extend asset lives are charged to expense as incurred. Gains or losses from property disposals are included in the determination of net income. Costs of developing coffee orchards are capitalized during the development period and depreciated over the estimated productive lives of approximately 20 years. Upon acquiring real estate, the Company allocates the purchase price to land, buildings, in-place leases and above and below market leases based on relative fair value.

Capitalized Interest: Interest costs incurred in connection with significant expenditures for real estate developments or the construction of assets are capitalized. Interest expense is shown net of capitalized interest on the Statements of Income, because the amounts are not significant.

Real Estate Development: Expenditures for real estate developments are capitalized during construction and are classified as Real Estate Developments on the Consolidated Balance Sheets. When construction is complete, the costs are reclassified as either Real Estate Held for Sale or Property, based upon the Company's intent to sell the completed asset or to hold it as an investment. Cash flows related to real estate developments are classified as either operating or investing activities, based upon the Company's intention to sell the property or to retain ownership of the property as an investment following completion of construction.

Depreciation: Depreciation is computed using the straight-line method. Estimated useful lives of property are as follows:

Classification	Range of Life (in years)
Buildings	10 to 40
Vessels	10 to 40
Marine containers	2 to 25
Terminal facilities	3 to 35
Machinery and equipment	3 to 35
Utility systems and other	5 to 50
Coffee orchards	20

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term and long-term borrowings approximate their carrying values.

Real Estate Assets: Real estate is carried at the lower of cost or fair value. Fair values generally are determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, market value is determined by reference to the sales of similar property, market studies, tax assessments, and cash flows. For commercial property, market value is determined using recent comparable sales, tax assessments, and cash flows. A large portion of the Company's real estate is undeveloped land located in the State of Hawaii on the islands of Maui and Kauai. This land has a cost basis of about $150 per acre, a value much lower than fair value.

Impairments of Long-Lived Assets: Long-lived assets are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value (see Note 4).

Goodwill and Intangible Assets: Goodwill and intangibles are recorded on the Balance Sheets as other non-current assets. The Company is required to conduct an annual review of goodwill and intangible assets for potential impairment. Goodwill impairment testing requires a comparison between the carrying value and fair value of a reportable goodwill asset. If the carrying value exceeds the fair value, goodwill is considered impaired. The amount of the impairment loss is measured as the difference between the carrying value and the implied fair value of the goodwill, which is determined using estimated discounted cash flows. Impairment testing for non-amortizable intangible assets requires a comparison between fair value and carrying value of the intangible asset. If the carrying value exceeds fair value the intangible asset is considered impaired and is reduced to fair value. In 2004, the Company did not record a charge to earnings for an impairment of goodwill or other intangible assets as a result of its annual review.

Voyage Revenue Recognition: Voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period; commonly referred to as the "percentage of completion" method. Voyage expenses are recognized as incurred. Probable losses on voyages are provided for at the time such losses can be estimated. Freight rates are provided in tariffs filed with the Surface Transportation Board of the U.S. Department of Transportation.

Real Estate Sales Revenue Recognition: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally on closing dates), adequate down payments have been received, and collection of remaining balances is reasonably assured.

Real Estate Leasing Revenue Recognition: Rental revenue is recognized on a straight-line basis over the terms of the related leases, including periods for which no rent is due (typically referred to as "rent holidays".) Differences between revenue recognized and amounts due under respective lease agreements are recorded as increases or decreases, as applicable, to deferred rent receivable. Also included in rental revenue are certain tenant reimbursements and percentage rents determined in accordance with the terms of the leases. Income arising from tenant rents that are contingent upon the sales of the tenant exceeding a defined threshold are recognized in accordance with Staff Accounting Bulletin 101, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).

Sugar and Coffee Revenue Recognition: Revenue from bulk raw sugar sales is recorded when delivered to the cooperative of Hawaiian producers, based on the estimated net return to producers in accordance with contractual agreements. Revenue from coffee is recorded when the title to the product and risk of loss passes to third parties (generally this occurs when the product is shipped or delivered to customers) and when collection is reasonably assured.

Non-voyage Ocean Transportation Costs: Depreciation, charter hire, terminal operating overhead, and general and administrative expenses are charged to expense as incurred.

Agricultural Costs: Costs of growing and harvesting sugar cane are charged to the cost of production in the year incurred and to cost of sales as raw sugar is delivered to the cooperative of Hawaiian producers, as permitted by Statement of Position No. 85-3, "Accounting by Agricultural Producers and Agricultural Cooperatives." Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

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

Employee Benefit Plans: Certain ocean transportation subsidiaries are members of the Pacific Maritime Association ("PMA") and the Hawaii Stevedoring Industry Committee, which negotiate multiemployer pension plans covering certain shoreside bargaining unit personnel. The subsidiaries directly negotiate multiemployer pension plans covering other bargaining unit personnel. Pension costs are accrued in accordance with contribution rates established by the PMA, the parties to a plan or the trustees of a plan. Several trusteed, noncontributory, single-employer defined benefit plans and defined contribution plans cover substantially all other employees.

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

Pro forma information regarding net income and earnings per share, using the fair value method and reported below, has been estimated using a Black-Scholes option-pricing model. This model was developed for use in estimating the fair value of traded options which do not have vesting requirements and which are fully transferable. The Company's options have characteristics significantly different from those of traded options. The following assumptions were used in determining the pro forma amounts:

	2004	2003	2002
Stock volatility	22.8%	24.4%	23.4%
Expected term from grant date (in years)	5.8	5.2	5.5
Risk-free interest rate	3.6%	3.3%	2.8%
Forfeiture discount	6.4%	4.9%	2.9%
Dividend yield	2.1%	2.7%	3.4%

Based upon the above assumptions, the computed annual weighted average fair values of employee stock options granted during 2004, 2003, and 2002 were $7.44, $5.21, and $4.44 , respectively, per option.

Had compensation cost for the stock options been based on the estimated fair values at grant dates, the Company's pro forma net income and net income per share in each of the three years ended December 31, 2004, would have been as follows (in millions, except per share amounts):

	2004	2003	2002
Net Income:			
As reported	$ 101	$ 81	$ 58
Stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(2)	(1)	(1)
Pro forma	$ 99	$ 80	$ 57

Net Income Per Share:			
Basic, as reported	$ 2.37	$ 1.95	$ 1.42
Basic, pro forma	$ 2.33	$ 1.93	$ 1.38
Diluted, as reported	$ 2.33	$ 1.94	$ 1.41
Diluted, pro forma	$ 2.30	$ 1.91	$ 1.38
Effect on average shares outstanding of assumed exercise of stock options (in millions of shares):			
Average number of shares outstanding	42.6	41.6	41.0
Effect of assumed exercise of outstanding stock options	0.6	0.3	0.2
Average number of shares outstanding after assumed exercise of stock options	43.2	41.9	41.2

Basic Earnings per Share is determined by dividing Net Income by the weighted-average common shares outstanding during the year. The calculation of Diluted Earnings per Share includes the dilutive effect of unexercised options to purchase the Company's stock. Total shares considered antidilutive and that were not included in the computation of diluted earnings per share for 2003 and 2002 were 508,000 and 1,682,000, respectively. The shares for 2004 were not significant.

The pro forma disclosures of net income and earnings per share are not necessarily representative of the pro forma effects on future net income or earnings per share, because the number of future shares which may be issued is not known, shares vest over several years, and assumptions used to determine the fair value can vary significantly. Additional information about stock-based compensation is included in Note 12.

Income Taxes: The Company estimates its current tax due. The provision is based upon revenues and expenses in the accompanying Consolidated Statements of Income. Significant judgment is required in determining the Company's tax liabilities in the multiple jurisdictions in which the Company operates.

Income taxes are accounted for in accordance with SFAS 109, "Accounting for Income Taxes." Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred income tax liabilities and assets are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes in tax regulations, and changes due to audit adjustments by Federal and State tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the statement of operations and/or balance sheet.

The Company has not recorded a valuation allowance. A valuation allowance would be established if, based on the weight of available evidence, management believes that it is more likely than not that some portion or all of a recorded deferred tax asset would not be realized in future periods.

The Company's income tax provision is based on calculations and assumptions that are subject to examination by different tax authorities. The Company establishes accruals for certain tax contingencies and interest when, despite the Company's belief that its tax return provisions are fully supported, the Company believes certain positions are likely to be challenged and that the Company's positions may not be fully sustained. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law, and the expiration of statutes of limitations. If events occur and the payment of these amounts proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Derivative Financial Instruments: The Company periodically uses derivative financial instruments such as interest rate and foreign currency hedging products to mitigate risks. The Company's use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate or currency agreements that are accounted for as hedges. The Company does not hold or issue derivative instruments for trading or other speculative purposes nor does it use leveraged financial instruments. Hedge accounting requires a high correlation between changes in fair value of cash flows of the derivative instrument and the specific item being hedged, both at inception and throughout the life of the hedge. The Company discontinues hedge accounting prospectively when it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is discontinued as a hedge investment because it is unlikely that a forecasted transaction will occur.

All derivatives are recognized in the consolidated balance sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a fair value or a cash flow hedge. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair value hedge, are recorded in current period earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, are recorded in Other Comprehensive Income (Loss) and are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of hedges is recognized in earnings in the current period.

Comprehensive Income: Comprehensive Income includes all changes in Stockholders' Equity, except those resulting from capital stock transactions. Other Comprehensive Income (Loss) includes the minimum pension liability adjustments (see Note 10) and gains or losses on certain derivative instruments used to hedge interest rate risk (see Note 8). Comprehensive Income is not used in the calculation of Earnings per Share.

Environmental Costs: Environmental expenditures are recorded as a liability and charged to operating expense when the obligation is probable and the remediation cost is estimable. Certain costs, however, are capitalized in Property when the obligation is recorded, if the cost (1) extends the life, increases the capacity or improves the safety and efficiency of property owned by the Company, (2) mitigates or prevents environmental contamination that has yet to occur and that otherwise may result from future operations or activities, or (3) is incurred or discovered in preparing for sale property that is classified as "held for sale." The amounts of capitalized environmental costs were not material at December 31, 2004 or 2003.

Use of Estimates: The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Future actual amounts could differ from those estimates.

Impact of Newly Issued and Proposed Accounting Standards: The Company has adopted the amended Statement of Financial Accounting Standards ("SFAS") No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." Certain portions of this amendment that were adopted in the Company's 2003 financial statement disclosures included disclosures related to market values of plan assets, a discussion of investment strategies and target allocations percentages, additional discussion of how the estimated rate of return assumption was developed, information about the accumulated benefit obligations, the measurement date, an estimate of the expected contributions for the next fiscal year and significant changes to previously disclosed expected contributions. The portions of the amendment that were adopted with the Company's 2004 financial statement disclosures included a table of expected benefit payments for five years and, in total, for the subsequent five-year period. Additionally, as required by the Standard, the Company is disclosing in quarterly financial statements, the components of the net benefit cost.

In December 2004, the FASB issued revised SFAS No. 123 "Share-Based Payment." SFAS No. 123 (revised) requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant-date. This cost is then recognized over the period during which an employee is required to provide service in exchange for the award. Adoption is required for interim and annual reporting periods that begin after June 15, 2005. The Company intends to adopt the new requirements during the third quarter of 2005. The after-tax annual effect of adopting this standard would have been approximately $2 million for 2004. The future impact, however, will be dependent upon the number of options to purchase shares of the Company's stock that are issued each year.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4." This standard clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage, requiring that, under some circumstances, these costs should be treated as period charges. This standard is effective for reporting periods beginning after June 15, 2005. The adoption of this standard is not expected to have an effect on the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions." This standard clarifies the accounting for complex real estate time-sharing transactions. The standard is effective for fiscal years beginning after June 15, 2005. The Company does not believe that it has any transactions that would be affected by this new standard.

In December 2004, the FASB issued FASB No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29." This standard addresses the accounting for reciprocal transfers of non-monetary assets and is effective for reporting periods beginning after June 15, 2005. Although the Company is reviewing its potential application, the adoption of the standard is not expected to have an effect on its consolidated financial statements.

During the first quarter of 2004, the Company adopted Financial Interpretation No ("FIN") 46, "Consolidation of Variable Interest Entities." FIN 46 defines variable interest entities and addresses consolidation of such entities by the primary beneficiary of the entity. The adoption of FIN 46 had no effect on the Company's consolidated financial statements.

Reclassifications and Rounding: Certain amounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform to the 2004 presentation. This includes the revenue and costs of real estate assets designated as discontinued operations in subsequent periods. This is further discussed in Note 3. Amounts in the Consolidated Financial Statements and Notes are rounded to millions, but per-share calculations and percentages were calculated based on un-rounded amounts. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different than the more accurate amounts included herein.

2. SUBSEQUENT EVENTS AND ACQUISITIONS

Subsequent Events: On February 24, 2005, Matson announced that it will replace its existing Guam service with an integrated Hawaii/Guam/China service beginning in February 2006. The service will employ three existing Matson containerships along with two new containerships to be purchased from Kvaerner Philadelphia Shipyard, Inc. ("Kvaerner") in a five-ship string that carries cargo from the U.S. West Coast to Honolulu, then to Guam, and eventually to China. In China, the vessels will be loaded with cargo destined for the U.S. West Coast. The Guam service strategy involves re-deploying into the Hawaii service three C-9 class vessels that currently serve Guam.

On February 24, 2005 Matson entered into agreements with Kvaerner to purchase two containerships at a cost of $144.4 million each. The cost is expected to be funded with the Capital Construction Fund, surplus cash, and external borrowings. The first ship is expected to be delivered in June 2005, with the second ship in May 2006. Payment in full is required upon the delivery of each ship. Matson has the right to assign the agreements to a third party. Matson expects that any such assignment would be made in conjunction with its time chartering the use of such vessels.

In connection with the two purchase agreements Matson entered into a right of first refusal agreement with Kvaerner, which provides that, after the second containership is delivered to Matson, Matson has the right of first refusal to purchase each of the next four containerships of similar design built by Kvaerner that are delivered before June 30, 2010. Matson may either purchase the ship at an eight percent discount off of a third party's proposed contract price, or be paid eight percent of such price. Notwithstanding the above, if Matson and Kvaerner agree to a construction contract for a vessel to be delivered before June 30, 2010, Matson shall receive an eight percent discount.

Acquisitions: In December 2004, Matson Integrated Logistics, Inc. ("MIL"), a subsidiary of Matson Navigation Company, Inc., acquired certain assets, obligations and contracts of Aquitaine Assets LLC, ("AQ") for approximately $3 million plus a percentage of annual earnings over five years. Headquartered in Houston, Texas, AQ provides comprehensive highway, intermodal and logistics services. The purchase agreement contains an earn-out provision based on the EBITDA generated by the acquired assets though 2009. This transaction added $3 million of intangible assets to the consolidated balance sheet at December 31, 2004. No debt was assumed in connection with the acquisition.

In December 2003, MIL acquired certain assets, obligations and contracts of TransAmerica Transportation Services ("TTS," which is not affiliated with the Transamerica entity that is a subsidiary of AEGON N.V.) Headquartered in Akron, Ohio, TTS provides comprehensive truckload, less than truckload, and logistics services. The transaction added $12 million of assets to the consolidated balance sheet at December 31, 2003, including goodwill of approximately $1 million. During 2004, goodwill was increased by an additional $1 million due to an earn-out provision. No debt was assumed in connection with the acquisition.

3. DISCONTINUED OPERATIONS

During 2004, the sale of a Maui property was classified as a discontinued operation. In addition, two office and one light industrial properties met the criteria for classification as discontinued operations even though the Company had not sold the property by the end of 2004. Two of these properties were sold in January 2005.

During 2003, the sales of a Nevada commercial property and five commercial properties on Maui met the criteria for classification as discontinued operations.

During 2002, the sales of a shopping center and an industrial complex in California, a seven-building distribution complex in Texas, a shopping center in Colorado, four commercial properties on Maui and the planned sale, within the next 12 months, of a Nevada commercial property, met the criteria for classification as discontinued operations.

The revenue, operating profit, and after-tax effects of these transactions for the three years ended December 31, 2004, were as follows (in millions, except per share amounts):

	2004	2003	2002
Sales Revenue	$ 1	$ 37	$ 65
Leasing Revenue	4	6	11
Sales Operating Profit	2	18	15
Leasing Operating Profit	2	3	7
After-tax Earnings	2	13	13
Basic Earnings Per Share	0.05	0.31	0.33

The revenue and operating profit generated from these properties in prior years were reclassified from continuing operations to discontinued operations for consistency with the current treatment. Consistent with the Company's intention to reinvest the sales proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

Income Taxes: The income tax expense (benefit) relating to discontinued operations was $2 million in 2004 and $8 million in 2003 and $9 million in 2002.

4. IMPAIRMENT OF LONG-LIVED ASSETS AND INVESTMENTS

As described in Note 5, the Company holds common and preferred stock holdings in C&H Sugar Company Inc. ("C&H"). As a result of operating losses and declining cash flows at C&H, combined with adverse market changes, the Company concluded in 2003 that C&H's estimated future earnings and cash flows would not allow recovery of the carrying value of the investments. This loss in value was considered an "other than temporary" impairment condition; accordingly, the carrying values of the investments were written down by $8 million during the fourth quarter of 2003. The write-down was based on information the Company had as a minority shareholder and included an estimate of probability-weighted discounted cash flows available at C&H to pay the dividends on the Company's senior preferred stock. The impairment charge was recorded as a separate line item in Operating Costs and Expenses in the Consolidated Statements of Income.

5. INVESTMENTS IN AFFILIATES

At December 31, 2004 and 2003, investments consisted principally of equity in affiliated companies, limited liability companies, and limited partnership interests. These investments are summarized, by industries, as follows (in millions):

	2004	2003
Equity in Affiliated Companies:		
Real Estate	$ 84	$ 41
Transportation	23	23
Food Products	3	3
Other	1	1
Total Investments	$ 111	$ 68

Real Estate: The Company uses the equity method of accounting for each of its real estate investments described below:

A) Crossroads Plaza: In June 2004, the Company signed a joint venture agreement with Intertex Hasley, LLC, for the development of a 62,000-square-foot mixed-use neighborhood retail center on 6.5 acres of commercial land in Valencia, California, called Crossroads Plaza Development Partners, LLC ("Crossroads Plaza"). The property was acquired in August 2004 for $3.5 million. Site planning and design have been completed and pre-leasing has commenced. Groundbreaking is expected in mid-2005. The Company has a 50 percent voting interest in the Crossroads Plaza.

B) Hokua: In July 2003, the Company entered into an operating agreement with MK Management LLC, for the joint development of "Hokua at 1288 Ala Moana" ("Hokua"), a 40-story luxury residential condominium in Honolulu. The Company's total investment in the venture is expected to be $40 million. Approximately $36 million has been funded through December 2004. The joint venture has loan commitments totaling $130 million, of which the Company guarantees a maximum of $15 million. The Company has a 50 percent voting interest in Hokua.

C) HoloHolo Ku: In October 2001, the Company entered into a joint venture with Kamuela Associates, LLC for the development of 44 detached single-family homes under a Condominium Property Regime, on an 8.5-acre parcel in Kamuela on the island of Hawaii. Construction began in December 2001, and was completed in October 2003. Five homes were sold in 2002, 36 homes were sold in 2003, and the remaining three homes were sold in 2004. The average price of the 44 homes was $395,000. The Company has a 50 percent voting interest in HoloHolo Ku.

D) Kai Lani: In September 2001, the Company entered into a joint venture with Armstrong Kai Lani Corporation for the development of 116 townhouse units on an 11-acre parcel in the Ko 'Olina Resort on Oahu. Construction on the first building began in July 2002 and 105 units were sold in 2003. By the first quarter of 2004, the remaining 11 units had been sold. The average price of all 116 units was $495,000. The Company has a 50 percent voting interest in Kai Lani.

E) Kai Malu at Wailea: In April 2004, the Company entered into a joint venture with Armstrong Builders, Ltd. for development of the 25-acre MF-8 parcel at Wailea on Maui. The project is planned to consist of 150 duplex units with an average size of 1,800 square feet and an average price of over $1 million. In November 2004, the Planning Commission approved the issuance of a County Special Management Area ("SMA") permit for the project and a preliminary public condominium report was approved by the Hawaii Real Estate Commission for the initial 34-unit phase, enabling marketing to commence in December 2004. As of January 31, 2005, all of the 34 units in Phase I were sold under non-binding contracts at an average price of $1.1 million. Final public condominium reports for Phase I (34 units) and Phase II (54 units) were approved in February 2005, enabling binding contracts to be secured. The Company has a 50 percent voting interest in Kai Malu at Wailea.

F) Kukui`ula: Kukui`ula is a 1,000-acre master planned resort residential community located in Poipu, Kauai. In April 2002, an agreement was signed with an affiliate of DMB Associates, Inc., an Arizona-based developer of master planned communities, for the joint development of Kukui`ula. The project will consist of between 1,200 to 1,500 high-end residential units. During 2003, the Company contributed to the venture title to 846 acres, a waste water treatment plant, and other improvements totaling approximately $28 million in value. The balance of the land, approximately 165 acres, is expected to be transferred to the venture in the first quarter of 2005. In July 2003, the State Land Use Commission ("SLUC") granted Urban designation for the project's remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. In July 2004, the Kauai County Council gave final zoning and visitor designation area approvals for the entire project. In August 2004, the Company exercised its option to contribute to the joint venture up to 40 percent of the project's future capital requirements. The additional investment is expected to range from $50 million to $75 million and occur over the next three to four years. Design, engineering and construction activity to date include: preparation of construction plans for onsite and offsite infrastructure, preparation and submittal to government agencies of subdivision maps for the initial phases of the project, development of potable water wells, and permitting of a new electrical substation. Design work is progressing on a sales center/model home complex, which will be constructed in 2005. For the initial phase of development, SMA approvals were secured and permit applications were submitted for improvements. Marketing of the initial phase is expected to commence in March 2005 and infrastructure construction is scheduled to commence in mid-2005. The total project cost, excluding vertical home construction, is projected to be approximately $725 million, although the maximum cash outlay will be much lower due to phasing of the project. With its additional equity investment, the Company will likely receive between 50 percent and 60 percent of the venture's returns. The Company has a 50 percent voting interest, for significant decisions of Kukui`ula.

G) Mauna Lani: In April 2004, the Company entered into a joint venture with Brookfield Homes Hawaii Inc. ("Brookfield") to acquire and develop a 30.5-acre residential parcel in the Mauna Lani Resort on the island of Hawaii. In May 2004, the property was acquired by the joint venture for $6.6 million. The conceptual plan for the project consists of 137 single-family and duplex units. An SMA amendment was submitted in October 2004 and was approved in November 2004. Site planning was completed and submitted to the Mauna Lani Design Review Committee in January 2005. Product design, site planning, grading, drainage, utility and roadway design work are being finalized. Groundbreaking is scheduled to commence in mid-2005. The Company has a 50 percent voting interest in the venture.

H) Rye Canyon: In October 2004, the Company acquired 5.4 acres of commercial-zoned land in Valencia, California for $1.5 million for the development, with a joint venture partner, of an 85,000-square-foot office building. Design and site planning are complete and design approvals are being sought. Marketing and pre-leasing efforts commenced in February 2005. Groundbreaking is expected to commence in mid-2005. As of December 31, 2004, the joint venture agreement had not been signed.

I) Westridge LLC: In January 2003, the Company signed a joint venture agreement with Westridge Executive Building, LLC, for the development of a 63,000-square-foot office building. The Company has a 50 percent voting interest in Westridge LLC. Construction was completed in 2004 and the property was 91 percent leased at the end of 2004.

The equity in earnings (losses) of unconsolidated real estate affiliates is reported separately in the Consolidated Statements of Income under "Other Income and (Expense)."

Transportation: Matson, a wholly owned subsidiary of the Company, is part owner of an LLC with SSA Marine Inc., named SSA Terminals, LLC ("SSAT"), which provides stevedoring and terminal services at five terminals in three West Coast ports to the Company and other shipping lines. Matson's 35 percent minority interest is accounted for under the equity method of accounting. The "Cost of transportation services" included approximately $135 million, $110 million, and $96 million for 2004, 2003, and 2002, respectively, paid to this unconsolidated affiliate for terminal services.

In August 2004, Matson sold its 19.5 percent investment in Sea Star Line, LLC ("Sea Star") to another owner of Sea Star for approximately $7 million and recognized a gain of approximately $1 million. Concurrent with the sale, Matson was relieved of its $11 million guarantee obligation of Sea Star's debt. In January 2002, two vessels that had previously been chartered to Sea Star were sold to the venture for an aggregate sales price of $17 million, which was the approximate carrying value of the vessels when they were sold.

The Company's equity in earnings or (loss) of unconsolidated transportation affiliates of $6 million, $4 million and $(5) million for 2004, 2003, and 2002, respectively, was included on the consolidated income statements with costs of transportation services because the affiliates are integrally related to the Company's ocean transportation operations since SSAT provides all terminal services to Matson for the U. S. West Coast and Sea Star was formed, in part, to charter vessels from the Company.

Food Products: The Company owns an equity interest in C&H, comprising approximately 36 percent of the common stock, 40 percent of the junior preferred stock and all of the senior preferred stock of C&H. Dividends on the senior and junior preferred stocks are cumulative. Through December 2003, dividends on the senior preferred stock were payable either in cash or by issuance of additional shares of senior preferred stock. C&H has not issued additional shares of senior preferred stock to the Company but has accrued the dividends. C&H must redeem from the Company, at one thousand dollars per share, the outstanding senior preferred stock in December 2009 and the outstanding junior preferred stock in December 2010. The Company accounts for its investment in C&H under the equity method. Because the Company believes there is significant uncertainty regarding realization of the cumulative dividend amounts, it has established a valuation reserve approximately equal to the cumulative dividend amounts. In 2003, the Company recorded an impairment loss related to this investment that resulted from an "other than temporary" decline in value. As described in Note 13, the Company has an obligation to provide a security deposit for self-insurance workers' compensation claims incurred by C&H employees prior to December 24, 1998. In 2004, C&H's board of directors approved the hiring of an advisor to assist in selling the business. The expected proceeds from the possible sale of C&H are expected to recover the carrying value of the investment. The Company's equity in earnings (loss) of C&H was included on the Consolidated Statements of Income with "costs of agricultural goods and services" because the affiliate is integrally related to the Company's food products operations as the customer for approximately 92 percent of the Company's sugar production. The equity in losses of C&H was not material.

Other: Other investments are principally investments in limited partnerships that are recorded at the lower of cost or fair value. The values of these investments are assessed annually.

6. PROPERTY

Property on the Consolidated Balance Sheets includes the following (in millions):

	2004	2003
Vessels	$ 848	$ 745
Machinery and equipment	504	489
Buildings	337	355
Land	138	135
Water, power and sewer systems	99	93
Other property improvements	70	71
Total	1,996	1,888
Less accumulated depreciation and amortization	863	809
Property - net	$ 1,133	$ 1,079

7. CAPITAL CONSTRUCTION FUND

Matson is party to an agreement with the United States government that established a Capital Construction Fund ("CCF") under provisions of the Merchant Marine Act, 1936, as amended. The agreement has program objectives for the acquisition, construction, or reconstruction of vessels and for repayment of existing vessel indebtedness. Deposits to the CCF are limited by certain applicable earnings. Such deposits are tax deductions in the year made; however, they are taxable, with interest payable from the year of deposit, if withdrawn for general corporate purposes or other non-qualified purposes, or upon termination of the agreement. Qualified withdrawals for investment in vessels and certain related equipment do not give rise to a current tax liability, but reduce the depreciable bases of the vessels or other assets for income tax purposes.

Amounts deposited into the CCF are a preference item for calculating federal alternative minimum taxable income. Deposits not committed for qualified purposes within 25 years from the date of deposit will be treated as non-qualified withdrawals over the subsequent five years. As of December 31, 2004, the oldest CCF deposits date from 2001. Management believes that all amounts on deposit in the CCF at the end of 2004 will be used or committed for qualified purposes prior to the expiration of the applicable 25-year periods.

Under the terms of the CCF agreement, Matson may designate certain qualified earnings as "accrued deposits" or may designate, as obligations of the CCF, qualified withdrawals to reimburse qualified expenditures initially made with operating funds. Such accrued deposits to, and withdrawals from, the CCF are reflected on the Consolidated Balance Sheets either as obligations of the Company's current assets or as receivables from the CCF. At December 31, 2004, the Company has accrued a $15 million deposit to the CCF.

The Company has classified its investments in the CCF as "held-to-maturity" and, accordingly, has not reflected temporary unrealized market gains and losses on the Consolidated Balance Sheets or Consolidated Statements of Income. The long-term nature of the CCF program supports the Company's intention to hold these investments to maturity.

At December 31, 2004 and 2003, the balances on deposit in the CCF are summarized as follows (in millions):

	2004			2003		
	Amortized Cost	Fair Value	Unrealized Gain	Amortized Cost	Fair Value	Unrealized Gain

Mortgage-backed securities	$ 3	$ 3	$ --	$ 4	$ 5	$ 1
Cash and cash equivalents	22	22	--	161	161	--
Accrued deposits, net	15	15	--	--	--	--
Total	$ 40	$ 40	$ --	$ 165	$ 166	$ 1

Fair value of the mortgage-backed securities was determined by an outside investment management company, based on experience trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter. The Company earned $0.3 million in 2004, $1 million in 2003, and $2 million in 2002, on its investments in mortgage-backed securities. The fair values of other CCF investments are based on quoted market prices. These other investments matured on or before February 10, 2005. No securities classified as "held-to-maturity" were sold during 2004; one such security was sold during 2003 for approximately the carrying value, and one such security was sold during 2002 for a loss of $375,000. Those two securities were sold because they no longer met the Company's authorized credit requirements. The reduction in the CCF from 2003 to 2004 was due to qualified withdrawals.

8. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 2004 and 2003, notes payable and long-term debt consisted of the following (in millions):

	2004	2003
Commercial Paper, repaid in 2004	--	$ 100
Revolving Credit loans, due after 2004, 2004 high 3.05%, low 1.65%	$ 7	32
Title XI Bonds:		
5.27%, payable through 2029	55	--
5.34%, payable through 2028	53	55
Term Loans:		
4.10%, payable through 2012	35	35
7.41%, payable through 2007	22	30
7.42%, payable through 2010	17	20
4.31%, payable through 2010	15	15
7.43%, payable through 2007	15	15
7.55%, payable through 2009	15	15
7.57%, payable through 2009	11	13
8.33%, repaid in 2004	--	15
Total	245	345
Less current portion	31	15
Long-term debt	$ 214	$ 330

Company Credit Rating: In January 2005, Standard & Poor's issued an A- corporate credit rating for A&B. Matson's credit rating of A- was reaffirmed in September 2004, following the retirement of the Company's commercial paper program.

Long-term Debt Maturities: At December 31, 2004, maturities of all long-term debt during the next five years are $31 million in 2005, $24 million in each of 2006 and 2007, $25 million in each of 2008 and 2009.

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

Revolving Credit Facilities: During 2004, the Company increased its revolving credit and term loan agreement with six commercial banks to $200 million from $185 million. The term of the facility was also extended to January 2008. Any revolving loan outstanding on that date may be converted into a term loan that would be payable in four equal quarterly installments. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2004 no amounts were drawn on the facility. At December 31, 2003, $25 million was outstanding under this agreement. The amounts drawn on this facility are classified as non-current because the Company has the intent and ability to refinance the facility beyond twelve months.

The Company has an uncommitted short-term revolving credit agreement with a commercial bank that was increased from $70 million in 2003 to $78.5 million in 2004. The agreement extends to January 2006, but may be canceled by the bank or the Company at any time. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $200 million multi-bank facility, in which it is a participant, and by letters of credit issued under the $78.5 million uncommitted facility. The outstanding balance under this credit facility was $7 million at each of December 31, 2004 and 2003. These amounts are classified as current because the Company uses the line for working capital purposes. Under the borrowing formula for this facility, the Company could have borrowed an additional $70 million at December 31, 2004. For sensitivity purposes, if the $200 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2004 year-end would have been $16 million.

Matson has two revolving credit agreements totaling $80 million with commercial banks. The first facility is a $50 million two-year revolving credit agreement that expires in December 2006. Outstanding letters of credit that were issued against the facility reduced the available credit by $2 million. The second facility is a $30 million revolving credit agreement that expires in September 2005. Both of these facilities have one-year term options. No amounts were outstanding on either facility at December 31, 2004 or 2003.

The unused borrowing capacity under all variable rate credit facilities as of December 31, 2004 totaled $294 million.

Title XI Bonds: In August 2004, Matson partially financed the delivery of the MV Maunawili with $55 million of 5.27 percent fixed-rate, 25-year term, U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds. These bonds are payable in semiannual payments of $1.1 million beginning in March 2005. In September 2003, Matson partially financed the delivery of the MV Manukai with $55 million of 5.34 percent fixed-rate, 25-year term, Title XI bonds. These bonds are payable in semiannual payments of $1.1 million.

Private Shelf Agreements: The Company has a private shelf agreement for $75 million that expires in November 2006. No amount had been drawn on this facility at December 31, 2004. Additionally, Matson has a $65 million private shelf offering that expires in July 2007 against which $15 million was drawn during 2003.

Interest Rate Hedging: To hedge the interest rate risk associated with obtaining financing for two vessels, the Company entered into two interest rate lock agreements with settlements corresponding to the 2003 and 2004 vessel delivery schedules. Under an interest rate lock agreement, the Company agrees to pay or receive an amount equal to the difference between the net present value of the cash flows for a notional principal amount of indebtedness based on the existing yield of a U.S. treasury bond at the date when the agreement is established and the date when the agreement is settled.

The interest rate lock agreements were reflected at fair value in the Company's 2003 and 2002 consolidated financial statements and the related gain or loss on the agreement was deferred in shareholders' equity as a component of Accumulated Other Comprehensive Loss. The first interest rate lock agreement with a notional amount of $55 million was settled in August 2003, concurrent with the delivery of the MV Manukai. The second agreement, also with a notional amount of $55 million, was settled in August 2004, concurrent with the delivery of the MV Maunawili. The deferred gains or losses associated with the settlement are being amortized as an adjustment to interest expense over the 25-year term of the underlying debt. These amounts are not material to consolidated interest expense.

9. LEASES

The Company as Lessee: Principal operating leases include land, office and terminal facilities, containers and equipment, leased for periods that expire between 2005 and 2052. Management expects that, in the normal course of business, most operating leases will be renewed or replaced by other similar leases. Rental expense under operating leases totaled $29 million, $29 million and $22 million for the years ended December 31, 2004, 2003, and 2002, respectively. Rental expense for operating leases that provide for future escalations are accounted for on a straight-line basis. Future minimum payments under operating leases as of December 31, 2004 were as follows (in millions):

	Operating Leases
2005	$ 19
2006	10
2007	8
2008	5
2009	5
Thereafter	82
Total minimum lease payments	$ 129

The Company as Lessor: The Company leases land, buildings, land improvements, and three vessels under operating leases. The historical cost of and accumulated depreciation on leased property at December 31, 2004 and 2003 were as follows (in millions):

	2004	2003
Leased property	$ 668	$ 659
Less accumulated amortization	153	133
Property under operating leases--net	$ 515	$ 526

Total rental income under these operating leases for the three years ended December 31, 2004 was as follows (in millions):

	2004	2003	2002
Minimum rentals	$ 109	$ 107	$ 105
Contingent rentals (based on sales volume)	2	2	2
Total	$ 111	$ 109	$ 107

Future minimum rentals on non-cancelable leases at December 31, 2004 were as follows (in millions):

	Operating Leases
2005	$ 104
2006	51
2007	37
2008	27
2009	21
Thereafter	105
Total	$ 345

10. EMPLOYEE BENEFIT PLANS

The Company has funded single-employer defined benefit pension plans that cover substantially all non-bargaining unit employees and certain bargaining unit employees. In addition, the Company has plans that provide certain retiree health care and life insurance benefits to substantially all salaried and to certain hourly employees. Employees are generally eligible for such benefits upon retirement and completion of a specified number of years of credited service. The Company does not pre-fund these benefits and has the right to modify or terminate certain of these plans in the future. Certain groups of retirees pay a portion of the benefit costs.

The measurement date for the Company's benefit plans is January 1st of each year. For 2004, mid-year bargaining unit negotiations were reflected in the net periodic benefit cost.

The Company's weighted-average asset allocations at December 31, 2004 and 2003, and 2004 year-end target allocation, by asset category, were as follows:

	Target	2004	2003
Domestic equity securities	60%	61%	60%
International equity securities	10%	15%	13%
Debt securities	15%	14%	16%
Real estate	15%	10%	10%
Other and cash	--	--	1%
Total	100%	100%	100%

The Company has an Investment Committee that meets regularly with investment advisors to establish investment policies, direct investments and select investment options. The Investment Committee is also responsible for appointing trustees and investment managers. The Company's investment policy permits investments in marketable securities, such as domestic and foreign stocks, domestic and foreign bonds, venture capital, real estate investments, and cash equivalents. Equity investments in the defined benefit plan assets do not include any direct holdings of the Company's stock but may include such holdings to the extent that the stock is included as part of certain mutual fund holdings.

The assets of the defined benefit pension plans consist principally of listed stocks and bonds. Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the maximum deductible contribution allowed for tax purposes. For the plans covering employees who are members of collective bargaining units, the benefit formulas are determined according to the collective bargaining agreements, either using career average pay as the base or a flat dollar amount per year of service. The benefit formulas for the remaining defined benefit plans are based on final average pay. The Company contributed approximately $5 million to its defined benefit pension plans in 2004. No contributions are expected to be required in 2005.

The status of the funded defined benefit pension plan, the unfunded accumulated post-retirement benefit plans, the accumulated benefit obligation, and assumptions used to determine benefit information at December 31, 2004, 2003, and 2002, is shown below (dollars in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2004	2003	2002	2004	2003	2002
Change in Benefit Obligation						
Benefit obligation at beginning of year	$ 262	$ 289	$ 257	$ 49	$ 47	$ 41
Service cost	6	6	5	1	1	1
Interest cost	16	19	18	3	3	3
Plan participants' contributions	--	--	--	2	2	1
Actuarial (gain) loss	4	7	24	4	1	5
Benefits paid	(14)	(16)	(15)	(5)	(5)	(4)
Amendments	--	17	--	--	--	--
Settlements	--	(60)	--	--	--	--
Benefit obligation at end of year	274	262	289	54	49	47
Change in Plan Assets						
Fair value of plan assets at beginning of year	274	254	315			
Actual return on plan assets	30	58	(46)			
Employer contribution	5	--	--			
Benefits paid	(14)	(16)	(15)			
Settlements	--	(22)	--			
Fair value of plan assets at end of year	295	274	254			
Prepaid (Accrued) Benefit Cost						
Funded status - Plan assets greater than benefit obligation	21	12	(35)	(54)	(49)	(47)
Unrecognized net actuarial (gain) loss	46	52	92	6	2	1
Unrecognized prior service cost	2	3	8	--	--	--
Intangible asset	--	1	8	--	--	--
Minimum pension liability	(4)	(6)	(45)	--	--	--
Prepaid (Accrued) benefit cost	$ 65	$ 62	$ 28	$ (48)	$ (47)	$ (46)
Accumulated Benefit Obligation	$ 248	$ 234	$ 260			
Weighted Average Assumptions:						
Discount rate	6.00%	6.25%	6.50%	6.00%	6.25%	6.50%
Expected return on plan assets	8.50%	8.50%	9.00%			
Rate of compensation increase	4.00%	4.00%	4.25%	4.00%	4.00%	4.25%
Initial health care cost trend rate				9.00%	8.50%	9.00%
Ultimate rate				5.00%	5.00%	5.00%
Year ultimate rate is reached				2009	2008	2006

The expected return on plan assets is based on the Company's historical returns combined with long-term expectations, based on the mix of plan assets, asset class returns, and long-term inflation assumptions, after consultation with the firm used by the Company for actuarial calculations. One, three, and five-year pension returns were 11.5 percent, 5.1 percent, and 0.5 percent, respectively. Since 1989, the average return has been approximately 10 percent. The actual returns have approximated the benchmark returns used by the Company to evaluate performance of its fund managers.

The information for qualified pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2004 and 2003 is shown below (in millions):

	2004	2003
Projected benefit obligation	$ 53	$ 56
Accumulated benefit obligation	$ 47	$ 49
Fair value of plan assets	$ 45	$ 47

Components of the net periodic benefit cost for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 2004, 2003, and 2002, are shown below (in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2004	2003	2002	2004	2003	2002
Components of Net Periodic Benefit Cost/(Income)						

Service cost	$ 6	$ 6	$ 5	$ 1	$ 1	$ 1
Interest cost	16	19	18	3	3	3
Expected return on plan assets	(23)	(22)	(27)	--	--	--
Recognition of net (gain) loss	2	7	--	--	--	(2)
Amortization of prior service cost	1	5	3	--	--	--
Recognition of settlement (gain)/loss	--	(17)	--	--	--	--
Net periodic benefit cost/(income)	$ 2	$ (2)	$ (1)	$ 4	$ 4	$ 2

Unrecognized gains and losses of the post-retirement benefit plans are amortized over five years. Although current health costs are increasing, the Company attempts to mitigate these increases by maintaining caps on certain of its benefit plans, using lower cost health care plan options where possible, requiring that certain groups of employees pay a portion of their benefit costs, self-insuring for certain insurance plans, encouraging wellness programs for employees, and implementing measures to mitigate future benefit cost increases.

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2004, 2003 and 2002, and the net periodic post-retirement benefit cost for 2004, 2003 and 2002, would have increased or decreased as follows (in millions):

	Other Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2004	2003	2002	2004	2003	2002
Effect on total of service and interest cost components	$ --	$ --	$ --	$ --	$ --	$ --
Effect on post-retirement benefit obligation	$ 6	$ 5	$ 4	$ (5)	$ (4)	$ (4)

The Company has non-qualified supplemental pension plans covering certain employees and retirees, which provide for incremental pension payments from the Company's general funds, so that total pension benefits would be substantially equal to amounts that would have been payable from the Company's qualified pension plans if it were not for limitations imposed by income tax regulations. The obligation, included with other non-current liabilities, relating to these unfunded plans, totaled $19 million and $13 million at December 31, 2004 and 2003, respectively. These amounts include the additional minimum pension liability described below. A five percent discount rate was used to determine the 2004 obligation. The expense associated with the non-qualified plans was $3 million, $7 million, and $3 million for 2004, 2003 and 2002, respectively. The 2003 expense included settlement and special termination losses totaling $3 million. The 2004 expense included settlement losses totaling $600,000.

Estimated future benefit payments are as follows (in millions):

Year	Pension Benefits	Non-qualified Plan Benefits	Post-retirement Benefits
2005	$ 15	$ 4	$ 3
2006	15	1	3
2007	16	4	3
2008	16	1	3
2009	16	2	3
2010-2014	91	14	18

The Company has recorded minimum pension liabilities for its qualified and nonqualified plans as required by SFAS No. 87 representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. The change in the unfunded accumulated benefit obligations was attributed primarily to fluctuations in the values of pension assets combined with a reduction in the discount rate assumption. The components for 2003 and 2004 were as follows (in millions):

	Other Non-current Asset (unrecognized prior service cost)1	Other Non-current Liabilities (additional minimum liability1	Deferred Tax Asset	Accumulated Other Comprehensive Loss
December 31, 2002	$ 8	$ (49)	$ 16	$ 25
Change	(7)	40	(13)	(20)

December 31, 2003	1	(9)	3	5
Change	(1)	(3)	2	2
December 31, 2004	$ --	$ (12)	$ 5	$ 7

1 The year-end balance is included in the total pension asset on the balance sheet.

Matson participates in 13 multiemployer plans and has an estimated withdrawal obligation with respect to four of these plans that totals $65 million. Management has no present intention of withdrawing from and does not anticipate termination of any of these plans. Total contributions to the multiemployer pension plans covering personnel in shoreside and seagoing bargaining units were $6 million in 2004, $6 million in 2003, and $4 million in 2002.

In December 2003, Matson Terminals, Inc., a subsidiary of Matson, and two other Hawaii marine terminal operators formed the Hawaii Terminals Multiemployer Plan. The transfer of two of the Company's defined benefit plans' benefit obligations to the new multiemployer plan resulted in a settlement gain of $17 million. Approximately $22 million of assets were transferred to the multiemployer plan in December 2003 in connection with this matter.

Union collective bargaining agreements provide that total employer contributions during the terms of the agreements must be sufficient to meet the normal costs and amortization payments required to be funded during those periods. Contributions are generally based on union labor paid or cargo volume. A portion of such contributions is for unfunded accrued actuarial liabilities of the plans being funded over periods of 25 to 40 years, which began between 1967 and 1976.

The multiemployer plans are subject to the plan termination insurance provisions of ERISA and are paying premiums to the Pension Benefit Guaranty Corporation ("PBGC"). The statutes provide that an employer who withdraws from, or significantly reduces its contribution obligation to, a multiemployer plan generally will be required to continue funding its proportional share of the plan's unfunded vested benefits.

Under special rules approved by the PBGC and adopted by the Pacific Coast longshore plan in 1984, Matson could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. Accordingly, no withdrawal obligation for this plan is included in the total estimated withdrawal obligation.

11. INCOME TAXES

The income tax expense on income from continuing operations for the three years ended December 31, 2004 consisted of the following (in millions):

	2004	2003	2002
Current:			
Federal	$ 65	$ 43	$ 14
State	6	3	(3)
Current	71	46	11
Deferred	(11)	(6)	10
Income tax expense	$ 60	$ 40	$ 21

Income tax expense for the three years ended December 31, 2004 differs from amounts computed by applying the statutory federal rate to income from continuing operations before income taxes, for the three years ended December 31, 2004 for the following reasons (in millions):

	2004	2003	2002
Computed federal income tax expense	$ 56	$ 38	$ 23
State income taxes	2	3	(2)
Prior years' tax settlement	--	--	(1)
Other--net	2	(1)	1
Income tax expense	$ 60	$ 40	$ 21

State taxes include credits for capital goods excise tax, enterprise zone, investments in qualified high-tech businesses and research activities, net of related federal taxes.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 2004 and 2003 were as follows (in millions):

	2004	2003
Property basis and equipment basis differences	$ 223	$ 177
Tax-deferred gains on real estate transactions	118	121
Capital Construction Fund	15	61
Benefit plans	(5)	(6)
Insurance reserves	(11)	(10)
Joint ventures and other investments	(7)	(3)
Other--net	(4)	1
Total	$ 329	$ 341

Examinations of the Company's federal and California income tax returns have been completed through 1999. Examinations of the Company's Hawaii income tax returns have been completed through 1998. The Internal Revenue Service may audit the Company's federal income tax returns for years subsequent to 2000. Additionally, the Company is routinely involved in state and local income tax audits. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax have been provided for adjustments that may be expected to result for these years.

In 2002, the Internal Revenue Service completed its audit of the Company's 1998 and 1999 tax returns and the State of California completed its audit of the Company's 1996-1999 California income tax returns. This resulted in a one-time reduction of income tax expense of $1 million, due to the reversal of previously accrued income tax liabilities. The Company's 2002 effective tax rate on continuing operations would have been 33.6 percent, excluding this item.

In 2003, the Company received non-taxable death benefit proceeds of approximately $1.4 million resulting in a one-time reduction of income tax expense. The Company's 2003 effective tax rate on continuing operations would have been 37.3 percent, excluding this item.

For each of 2004, 2003 and 2002, the Company received approximately $1 million of Hawaii tax credits, net of federal tax, from investments in qualified high-tech businesses. In 2004, 2003, and 2002, income tax benefits attributable to employee stock option transactions of $6 million, $2 million and $1 million, respectively, were not included in the tax provision, but were allocated directly to stockholders' equity.

12. STOCK OPTIONS AND RESTRICTED STOCK

Employee Stock Option Plans: The Company has two stock option plans under which key employees are granted options to purchase shares of the Company's common stock.

Adopted in 1998, the Company's 1998 Stock Option/Stock Incentive Plan ("1998 Plan") provides for the issuance of non-qualified stock options to employees of the Company. Under the 1998 Plan, option prices may not be less than the fair market value of the Company's common stock on the dates of grant and the options become exercisable over periods determined, at the dates of grant, by the Compensation Committee of the A&B Board of Directors that administers the plan. Generally, options vest ratably over three years and expire ten years from the date of grant. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for such number of shares as is equal to the number surrendered, with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price.

Adopted in 1989, the Company's 1989 Stock Option/Stock Incentive Plan ("1989 Plan") is substantially the same as the 1998 Plan, except that each option is generally exercisable in full one year after the date granted. The 1989 Plan terminated in January 1999, but options granted through 1998 remain exercisable.

Restricted Stock: The 1998 and 1989 Plans also permit the issuance of shares of the Company's common stock as a reward for past service rendered to the Company or one of its subsidiaries or as an incentive for future service with such entities. The recipients' interest in such shares may be vested fully upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee that administers the plans. During 2004, 66,100 shares were issued at a value of $33.51 per share. These shares vest ratably over five years. Compensation expense is being recognized in earnings during the vesting period. All 66,100 shares were outstanding at December 31, 2004.

Director Stock Option Plans: The Company has two Directors' stock option plans. Under the 1998 Non-Employee Director Stock Option Plan ("1998 Directors' Plan"), each non-employee Director of the Company, elected at an Annual Meeting of Shareholders, is automatically granted, on the date of each such Annual Meeting, an option to purchase 8,000 shares of the Company's common stock at the fair market value of the shares on the date of grant. Each option to purchase shares generally becomes exercisable ratably over three years following the date granted.

The 1989 Non-Employee Directors Stock Option Plan ("1989 Directors' Plan") is substantially the same as the 1998 Directors' Plan, except that each option generally becomes exercisable in-full one year after the date granted. This plan terminated in January 1999, but options granted through termination remain exercisable.

Changes in shares and the weighted average exercise prices for the three years ended December 31, 2004, were as follows (shares in thousands):

	Employee Plans: 1998 Plan	Employee Plans: 1989 Plan	Directors' Plans: 1998 Directors' Plan	Directors' Plans: 1989 Directors' Plan	Total Shares	Weighted Average Exercise Price
December 31, 2001	1,627	2,142	72	147	3,988	$ 24.99
Granted	431	--	24	--	455	$ 26.56
Exercised	(263)	(410)	--	(21)	(694)	$ 23.65
Canceled	(56)	(522)	--	--	(578)	$ 28.67
December 31, 2002	1,739	1,210	96	126	3,171	$ 24.84
Granted	426	--	24	--	450	$ 26.16
Exercised	(274)	(690)	(24)	(27)	(1,015)	$ 24.48
Canceled	(54)	(61)	(3)	(12)	(130)	$ 24.61
December 31, 2003	1,837	459	93	87	2,476	$ 25.23
Granted	351	--	64	--	415	$ 33.47
Exercised	(759)	(363)	(6)	(28)	(1,156)	$ 24.78
Canceled	(11)	(1)	--	--	(12)	$ 24.02
December 31, 2004	1,418	95	151	59	1,723	$ 27.61
Exercisable	671	95	64	59	889	$ 25.50

As of December 31, 2004, the Company had reserved 1,182,363 and 299,000 shares of its common stock for the issuance of options under the 1998 Plan and 1998 Directors' Plan, respectively. Additional information about stock options outstanding as of 2004 year-end is summarized below (shares in thousands):

Range of Exercise Price	Shares Outstanding as of 12/31/2004	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Shares Exercisable as of 12/31/2004	Weighted Average Price of Exercisable Options
$20.01 - 23.00	250	4.3	$ 21.35	--	--
$23.01 - 26.00	62	2.8	24.05	250	$ 21.35
$26.01 - 29.00	972	6.6	26.88	62	24.05
$29.01 - 32.00	28	5.4	30.47	561	27.39
$32.01 - 35.00	410	9.0	33.47	16	29.85
$35.01 - 45.45	1	6.2	42.51	--	--
$ 0.00 - 45.45	1,723	6.7	$ 27.61	889	$ 25.50

13. COMMITMENTS, GUARANTEES, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

Commitments, Guarantees and Contingencies: Commitments, excluding the operating and capital lease commitments that are described in Note 9, that were in effect at December 31, 2004 included the following (in millions):

Arrangement		2004
Capital appropriations	(a)	$ 158
Guarantee of HS&TC debt	(b)	$ 15
Guarantee of Hokua debt	(c)	$ 15
Standby letters of credit	(d)	$ 18
Bonds	(e)	$ 14
Benefit plan withdrawal obligations	(f)	$ 65

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

(a) At December 31, 2004, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $158 million. These expenditures are primarily for vessel maintenance, real estate investments, real estate developments, containers and operating equipment and vessel modifications. There are, however, no contractual obligations to spend the entire amount. For 2005, internal cash flows and existing credit lines are expected to be sufficient to finance working capital needs, dividends, capital expenditures, and debt service.

(b) The Company guarantees up to $15 million of HS&TC's $30 million revolving credit line. This agreement expires in April 2006, but is currently expected to be renewed. The HS&TC credit line is used primarily to fund purchases of raw sugar from the Hawaii growers and is fully secured by the inventory, receivables and transportation assets of the cooperative. The amount that may be drawn by HS&TC under the facility is limited to 95 percent of its inventory value plus up to $15 million of HS&TC's current receivables. The Company's guarantee is limited to the lesser of $15 million or the actual amounts drawn. Although the amount drawn by HS&TC on its credit line varies, as of December 31, 2004, the amount drawn was $15 million. The Company has not recorded a liability for its obligation under the guarantee because it believes that the likelihood of making any payment is remote.

(c) A&B Properties, Inc. ("Properties") has a limited guarantee equal to the lesser of $15 million or 15.5 percent of the outstanding balance of the construction loan that could be triggered if the purchasers of condominium apartments become entitled to rescind their purchase obligations. This could occur if, for example, Hokua breaches covenants contained in its sales contracts or violates the Interstate Land Sales Practices Act, the Hawaii Condominium Act, the Securities Act of 1933 or the Securities Exchange Act of 1934. The outstanding balance of the venture's construction loan at December 31, 2004 was $12 million.

(d) The Company has arranged for standby letters of credit totaling $18 million. This includes letters of credit, totaling approximately $12 million, which enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of $3 million for workers' compensation claims incurred by C&H employees prior to December 24, 1998 (see Note 5 of the Consolidated Financial Statements included in Item 8). The letter of credit is for the benefit of the State of California Department of Industrial Relations ("CDIR"). The Company only would be called upon by the CDIR to honor this letter of credit in the event of C&H's non-payment of workers' compensation claims or insolvency. The agreement with C&H to provide this letter of credit expired on December 24, 2003 but has been extended until December 31, 2005. The remaining letters of credit, totaling $3 million, are for routine insurance-related operating matters, principally in the real estate businesses.

(e) Of the $14 million in bonds, $7 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required by either state or county governments to ensure that certain infrastructure work required as part of real-estate development is completed as required. The Company has the financial ability and intention to complete these improvements. Also included in the total are $6 million of customs bonds. The remaining $1 million of bonds are for transportation-related matters.

(f) The withdrawal liabilities for multiemployer pension plans, in which Matson is a participant, aggregated approximately $65 million as of the most recent valuation dates. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

In January 2004, Matson settled its claim with the State of Hawaii Department of Taxation regarding the applicability of the Public Service Company tax and its successor, the General Excise tax, to a portion of its ocean transportation revenue, for approximately $4.7 million. This amount was accrued as a cost of transportation services on the Consolidated Statement of Income during 2003.

In January 2004, a petition was filed by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources ("BLNR") declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar-growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company objected to the petition, asked the BLNR to conduct administrative hearings on the matter and requested that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license.

Since the filing of the petition, the Company has been working to make improvements to the water systems of the petitioner's four clients so as to improve the flow of water to their taro patches. An interim agreement was entered into during the first quarter of 2004 between the parties to allow the improvements to be completed, deferring the administrative hearing process. That agreement, however, has since expired without renewal by the petitioners. Nevertheless, the Company has continued to make improvements to the water systems.

The administrative hearing process on the petition is continuing, and the Company continues to object to the petition. The effect of this claim on the Company's sugar-growing operations cannot currently be estimated. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar-growing operations.

In October 2004, two community-based organizations filed a Citizen Complaint and a Petition for a Declaratory Order with the Commission on Water

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

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

Related Party Transactions: Note 5 includes additional information about transactions with unconsolidated affiliates, which affiliates are also related parties, due to the Company's minority interest investments.

C&H is a party to a sugar supply contract with Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar to C&H. Under the terms of this contract, which expires with the 2008 crop, C&H (an unconsolidated entity in which the Company has a minority ownership equity interest - see Notes 4 and 5) is obligated to purchase, and HS&TC is obligated to sell, all of the raw sugar delivered to HS&TC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. The price that the Hawaii sugar growers receive for the sale of raw sugar is C&H contract price, reduced for the operating, transportation and interest costs incurred by HS&TC, net of revenue generated by HS&TC for charter voyages. Revenue from raw sugar sold to HS&TC was $63 million, $71 million and $72 million during 2004, 2003 and 2002, respectively. At December 31, 2004 and 2003, the Company had amounts receivable from HS&TC of $10 million and $9 million, respectively.

14. INDUSTRY SEGMENTS

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is made up of the president and lead executives of the Company and each of the Company's segments. The lead executive for each operating segment manages the profitability, cash flows, and assets of his or her respective segment's various product or service lines and businesses. The operating segments are managed separately, because each operating segment represents a strategic business unit that offers different products or services and serves different markets. The Company has five segments that operate in three industries: Transportation, Real Estate and Food Products.

The Transportation industry is comprised of two segments. Ocean Transportation carries freight between various U.S. West Coast, major Hawaii ports, Guam and other Pacific ports; holds investments in ocean transportation entities that are considered integral to its operations and terminal service businesses (see Note 5); and provides terminal, stevedoring and container equipment management services in Hawaii. Logistics Services (formerly Intermodal Systems) provides intermodal and motor carrier services and provides logistics services in North America.

The Real Estate industry is comprised of two segments operating in Hawaii and on the U.S. mainland. Property Leasing owns, operates, and manages commercial properties. Property Development and Sales develops and sells commercial and residential properties.

The Food Products segment grows sugar cane and coffee in Hawaii; produces bulk raw sugar, specialty food-grade sugars, molasses and green coffee; markets and distributes roasted coffee and green coffee; provides sugar, petroleum and molasses hauling, general trucking services, mobile equipment maintenance and repair services, and self-service storage in Hawaii; and generates and sells, to the extent not used in the Company's operations, electricity.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Reportable segments are measured based on operating profit, exclusive of non-operating or unusual transactions, interest expense, general corporate expenses, and income taxes.

Industry segment information for each of the three years ended December 31, 2004 is summarized below (in millions):

For the Year	2004	2003	2002
Revenue:			
Transportation:			
Ocean transportation	$ 850.1	$ 776.3	$ 686.9
Logistics services	376.9	237.7	195.1
Real Estate:			
Leasing	83.8	80.3	73.1
Sales	82.3	63.8	93.0
Less amounts reported in discontinued operations1	(5.1)	(42.5)	(76.9)
Food Products	112.8	112.9	112.7
Reconciling items 2	(6.5)	--	--

Total revenue	$ 1,494.3	$ 1,228.5	$ 1,083.9
Operating Profit:			
Transportation:			
Ocean transportation	$ 108.3	$ 93.2	$ 42.4
Logistics services	8.9	4.3	3.1
Real Estate:			
Leasing	38.8	37.0	32.9
Sales	34.6	23.9	19.4
Less amounts reported in discontinued operations1	(3.3)	(20.9)	(21.2)
Food Products	4.8	5.1	13.8
Total operating profit	192.1	142.6	90.4
Write-down of long-lived assets3	--	(7.7)	--
Interest expense, net4	(12.7)	(11.6)	(11.6)
General corporate expenses	(20.3)	(15.2)	(13.2)
Income from continuing operations before income taxes and accounting changes	$ 159.1	$ 108.1	$ 65.6
Identifiable Assets:			
Transportation6	$ 953.4	$ 981.9	$ 880.1
Real Estate7	661.0	612.8	500.3
Food Products	152.8	154.4	163.4
Other	11.0	10.5	8.9
Total assets	$ 1,778.2	$ 1,759.6	$ 1,552.7
Capital Expenditures:			
Transportation6	$ 128.7	$ 133.4	$ 10.5
Real Estate5,7	10.9	107.7	83.7
Food Products	10.2	12.6	9.9
Other	1.4	1.7	0.9
Total capital expenditures	$ 151.2	$ 255.4	$ 105.0
Depreciation and Amortization:			
Transportation6	$ 58.0	$ 51.9	$ 51.0
Real Estate1, 7	12.3	11.3	9.1
Food Products	9.0	8.2	8.5
Other	0.4	0.3	0.4
Total depreciation and amortization	$ 79.7	$ 71.7	$ 69.0

See Note 1 for information regarding changes in presentation for certain revenues and expenses.

1 Prior year amounts restated for amounts treated as discontinued operations. See Notes 1 and 3 for additional information.
2 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.
3 The 2003 write-down was for an "other than temporary" impairment in the Company's investment in C&H.
4 Includes Ocean Transportation interest expense of $5.7 million for 2004, $2.6 million for 2003, and $2.4 million for 2002.
5 Includes tax-deferred property purchases that are considered non-cash transactions in the Consolidated Statements of Cash Flows; excludes capital expenditures for real estate developments held for sale.
6 Includes both Ocean Transportation and Integrated Logistics because the amounts for Integrated Logistics are not material.
7 Includes Leasing, Sales and Development activities because of a shared asset base.

15. QUARTERLY INFORMATION (Unaudited)

Segment results by quarter for 2004 are listed below (in millions, except per-share amounts):

	2004			
	Q1	Q2	Q3	Q4
Revenue:				
Transportation:				
Ocean transportation	$ 196.5	$ 208.1	$ 215.0	$ 230.5
Logistics services	74.1	93.5	99.5	109.8
Real Estate:				
Leasing	20.8	20.4	20.9	21.7
Sales	40.1	28.3	11.6	2.3
Less amounts reported in discontinued operations 1	(1.0)	(2.1)	(1.0)	(1.0)
Food Products	13.4	28.9	38.3	32.2
Reconciling items 2	(1.5)	(1.7)	(1.8)	(1.5)
Total revenue	$ 342.4	$ 375.4	$ 382.5	$ 394.0
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 18.6	$ 31.4	$ 33.0	$ 25.3
Logistics services	1.0	2.6	2.2	3.1

Real Estate:				
Leasing	9.5	9.2	10.1	10.0
Sales	19.0	13.4	2.5	(0.3)
Less amounts reported in discontinued operations1	(0.7)	(1.5)	(0.5)	(0.6)
Food Products	2.6	0.3	0.6	1.3
Total operating profit	50.0	55.4	47.9	38.8
Interest Expense	(3.3)	(3.2)	(3.1)	(3.1)
General Corporate Expenses	(4.1)	(4.8)	(5.3)	(6.1)
Income From Continuing Operations before Income Taxes	42.6	47.4	39.5	29.6
Income taxes	(16.0)	(18.2)	(15.0)	(11.2)
Income From Continuing Operations	26.6	29.2	24.5	18.4
Discontinued Operations1	0.5	0.9	0.3	0.3
Net Income	$ 27.1	$ 30.1	$ 24.8	$ 18.7
Earnings Per Share:				
Basic	$ 0.64	$ 0.71	$ 0.58	$ 0.44
Diluted	$ 0.63	$ 0.70	$ 0.58	$ 0.42

1 See Note 3 for discussion of discontinued operations.
2 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.

Segment results by quarter for 2003 are listed below (in millions, except per-share amounts):

	2003			
	Q1	Q2	Q3	Q4
Revenue:				
Transportation:				
Ocean transportation	$ 186.1	$ 199.3	$ 191.6	$ 199.3
Logistics services	51.0	57.4	60.8	68.5
Real Estate:				
Leasing	19.1	20.6	20.3	20.3
Sales	16.7	26.4	10.4	10.3
Less amounts reported in discontinued operations	(15.4)	(25.1)	(1.0)	(1.0)
Food Products	14.9	35.1	33.6	29.3
Total revenue	$ 272.4	$ 313.7	$ 315.7	$ 326.7
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 12.1	$ 23.2	$ 25.1	$ 32.8
Logistics services	0.5	1.4	1.4	1.0
Real Estate:				
Leasing	8.6	9.5	9.1	9.8
Sales	11.6	6.9	2.6	2.8
Less amounts reported in discontinued operations	(11.6)	(7.5)	(0.5)	(1.3)
Food Products	1.9	2.3	0.4	0.5
Total operating profit	23.1	35.8	38.1	45.6
Write-down of long-lived assets1	--	--	--	(7.7)
Interest Expense	(2.6)	(2.4)	(3.1)	(3.5)
General Corporate Expenses	(4.1)	(4.1)	(2.0)	(5.0)
Income From Continuing Operations before Income Taxes	16.4	29.3	33.0	29.4
Income taxes	(6.0)	(10.8)	(11.6)	(11.4)
Income From Continuing Operations	10.4	18.5	21.4	18.0
Discontinued Operations2	7.2	4.7	0.3	0.8
Net Income	$ 17.6	$ 23.2	$ 21.7	$ 18.8
Earnings Per Share:				
Basic	$ 0.43	$ 0.56	$ 0.52	$ 0.44
Diluted	$ 0.42	$ 0.56	$ 0.52	$ 0.44

1 See Note 4 for discussion of the write-down of long-lived assets and investments in 2003.
2 See Note 3 for discussion of discontinued operations.

Significant events for the Fourth Quarter of 2003 include the $17 million settlement gain due to Matson's joining the Hawaii Terminals Multiemployer Plan and the $8 million impairment loss related to the Company's investment in C&H.

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Set forth below are the unconsolidated condensed financial statements of Alexander & Baldwin, Inc. ("Parent Company"). The significant accounting policies used in preparing these financial statements are substantially the same as those used in the preparation of the consolidated financial statements as described in Note 1, except that, for purposes of the tables presented in this footnote, subsidiaries are carried under the equity method.

The following table presents the Parent Company's condensed Balance Sheets as of December 31, 2004 and 2003 (in millions):

	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1	--
Accounts and notes receivable, net	13	$ 11
Real estate held for sale	6	--
Prepaid expenses and other	11	15
Total current assets	31	26
Investments:		
Subsidiaries consolidated, at equity	829	584
Property, at Cost	378	378
Less accumulated depreciation and amortization	182	176
Property -- net	196	202
Due from Subsidiaries	45	239
Other Assets	29	29
Total	$ 1,130	$ 1,080
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 24	$ 13
Accounts payable	5	6
Income taxes payable	7	8
Other	18	16
Total current liabilities	54	43
Long-term Debt	98	147
Other Long-term Liabilities	22	17
Deferred Income Taxes	52	62
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	35	35
Additional capital	150	112
Accumulated other comprehensive loss	(9)	(8)
Deferred compensation	(2)	--
Retained earnings	741	684
Cost of treasury stock	(11)	(12)
Total shareholders' equity	904	811
Total	$ 1,130	$ 1,080

The following table presents the Parent Company's condensed Statements of Income for the years ended December 31, 2004, 2003 and 2002 (in millions):

	2004	2003	2002
Revenue:			
Food products	$ 86	$ 90	$ 91
Property leasing	21	19	18
Property sales	5	2	4
Interest and other	5	13	15
Total revenue	117	124	128
Costs and Expenses:			
Cost of agricultural goods and services	86	87	81
Cost of property sales and leasing services	9	8	10
Selling, general and administrative	20	16	13
Interest and other	10	13	13
Income taxes	(11)	--	1

Total costs and expenses	114	124	118
Income from Continuing Operations	3	--	10
Discontinued Operations, net of income taxes	--	--	2
Income Before Equity in Income of Subsidiaries Consolidated	3	--	12
Equity in Income from Continuing Operations of Subsidiaries Consolidated	96	68	35
Equity in Income from Discontinued Operations of Subsidiaries Consolidated	2	13	11
Net Income	101	81	58
Other Comprehensive Income (Loss), net of income taxes	(1)	19	(27)
Comprehensive Income	$ 100	$ 100	$ 31

The following table presents the Parent Company's condensed Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002 (in millions):

	2004	2003	2002
Cash Flows from Operations	$ 34	$ 19	$ (35)
Cash Flows from Investing Activities:			
Capital expenditures	(12)	(14)	(11)
Proceeds from disposal of property and investments	6	2	1
Dividends received from subsidiaries	40	40	40
Net cash provided by investing activities	34	28	30
Cash Flows from Financing Activities:			
Decrease in intercompany payable	(15)	(62)	(3)
Proceeds from (repayments of) long-term debt, net	(38)	32	13
Proceeds from issuance of capital stock	26	20	16
Repurchases of capital stock	(2)	--	--
Dividends paid	(38)	(37)	(37)
Net cash used in financing activities	(67)	(47)	(11)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	1	--	(16)
Balance, beginning of year	--	--	16
Balance, end of year	$ 1	$ --	$ --
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (9)	$ (9)	$ (9)
Income taxes paid	(61)	(45)	(52)
Other Non-cash Information:			
Depreciation expense	(12)	(11)	(12)
Tax-deferred property sales	--	--	27
Tax-deferred property purchases	--	--	(27)

General Information: The Parent Company is headquartered in Honolulu, Hawaii and is engaged in the operations that are described in Note 14, "Industry Segments." Additional information related to the Parent Company is described in the foregoing notes to the consolidated financial statements.

Long-term Debt: At December 31, 2004 and 2003, long-term debt consisted of the following (in millions):

	2004	2003
Revolving credit loans, due after 2004, 2004 high 3.05%, low 1.65%	$ 7	$ 32
Term Loans:		
4.10%, payable through 2012	35	35
7.38%, payable through 2007	22	30
7.42%, payable through 2010	17	20
7.43%, payable through 2007	15	15

7.55%, payable through 2009	15	15
7.57%, payable through 2009	11	13
Total	122	160
Less current portion	24	13
Long-term debt	$ 98	$ 147

During 2004, the Company increased its revolving credit and term loan agreement with six commercial banks to $200 million from $185 million. The term of the facility was also extended to January 2008. Any revolving loan outstanding on that date may be converted into a term loan that would be payable in four equal quarterly installments. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2004 no amounts were drawn on the facility. At December 31, 2003, $25 million was outstanding under this agreement. The amounts drawn on this facility are classified as non-current because the Company has the intent and ability to refinance the facility beyond twelve months.

The Company has an uncommitted short-term revolving credit agreement with a commercial bank that was increased from $70 million in 2003 to $78.5 million in 2004. The agreement extends to January 2006, but may be canceled by the bank or the Company at any time. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $200 million multi-bank facility, in which it is a participant, and by letters of credit issued under the $78.5 million uncommitted facility. The outstanding balance under this credit facility was $7 million at each of December 31, 2004 and 2003. These amounts are classified as current because the Company uses the line for working capital purposes. Under the borrowing formula for this facility, the Company could have borrowed an additional $70 million at December 31, 2004. For sensitivity purposes, if the $200 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2004 year-end would have been $16 million.

The Company has a private shelf agreement for $75 million that expires in November 2006. No amount had been drawn on this facility at December 31, 2004.

At December 31, 2004, maturities and planned prepayments of all long-term debt during the next five years are $24 million in 2005 and $17 million annually for 2006 through 2008.

Other Long-term Liabilities: Other Long-term Liabilities at December 31, 2004 and 2003 consisted principally of deferred compensation, executive benefit plans, additional minimum pension liability, and self-insurance liabilities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

B. Internal Control over Financial Reporting

(a) See page 46 for management's annual report on internal control over financial reporting.

(b) See page 48 for attestation report of the independent registered public accounting firm.

(c) There have not been any changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. Directors

For information about the directors of A&B, see the section captioned "Election of Directors" in A&B's proxy statement dated March 7, 2005 ("A&B's 2005 Proxy Statement"), which section is incorporated herein by reference.

B. Executive Officers

The name of each executive officer of A&B (in alphabetical order), age (in parentheses) as of March 31, 2005, and present and prior positions with A&B and business experience for the past five years are given below.

Generally, the term of office of executive officers is at the pleasure of the Board of Directors. For a discussion of compliance with Section 16(a) of the Securities Exchange Act of 1934 by A&B's directors and executive officers, see the subsection captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in A&B's 2005 Proxy Statement, which subsection is incorporated herein by reference. For a discussion of severance agreements between A&B and certain of A&B's executive officers, see the subsection captioned "Severance Agreements" in A&B's 2005 Proxy Statement, which subsection is incorporated herein by reference.

James S. Andrasick (61)
President and Chief Executive Officer of Matson, 7/02-present; Executive Vice President of A&B, 4/02-4/04; Chief Financial Officer and Treasurer of A&B, 6/00-2/04; Senior Vice President of A&B, 6/00-4/02; President and Chief Operating Officer, C. Brewer and Company, Limited, 9/92-3/00.

Christopher J. Benjamin (41)
Vice President and Chief Financial Officer of A&B, 2/04-present; Vice President (Corporate Development & Planning) of A&B, 4/03-2/04; Director (Corporate Development & Planning) of A&B, 8/01-4/03; Vice President, ChannelPoint, Inc., 10/99-6/01.

Meredith J. Ching (48)
Vice President (Government & Community Relations) of A&B, 10/92-present; Vice President (Government & Community Relations) of A&B-Hawaii, Inc. ("ABHI"), 10/92-12/99; first joined A&B or a subsidiary in 1982.

Nelson N. S. Chun (52)
Vice President and General Counsel of A&B, 11/03-present; Partner, Cades Schutte LLP, 10/83-11/03.

Matthew J. Cox (43)
Senior Vice President and Chief Financial Officer of Matson, 6/01-present; Controller of Matson, 6/01-1/03; Executive Vice President and Chief Financial Officer, Distribution Dynamics, Inc., 8/99-6/01.

W. Allen Doane (57)
President and Chief Executive Officer of A&B, and Director of A&B and Matson, 10/98-present; Chairman of Matson, 7/02-1/04; Vice Chairman of Matson, 12/98-7/02, 1/04-present; Executive Vice President of A&B, 8/98-10/98; Director of ABHI, 4/97-12/99; Chief Executive Officer of ABHI, 1/97-12/99; President of ABHI, 4/95-12/99; first joined A&B or a subsidiary in 1991.

G. Stephen Holaday (60)
Plantation General Manager, Hawaiian Commercial & Sugar Company, 1/97-present; Vice President of A&B, 12/99-4/04; Senior Vice President of ABHI, 4/89-12/99; Vice President and Controller of A&B, 4/93-1/96; first joined A&B or a subsidiary in 1983.

John B. Kelley (59)
Vice President (Investor Relations) of A&B, 8/01-present; Vice President (Corporate Planning & Investor Relations) of A&B, 10/99-8/01; Vice President (Investor Relations) of A&B, 1/95-10/99; Vice President of ABHI, 9/89-12/99; first joined A&B or a subsidiary in 1979.

Stanley M. Kuriyama (51)
Chief Executive Officer and Vice Chairman of A & B Properties, Inc., 12/99-present; Vice President (Properties Group) of A&B, 2/99-4/04; Executive Vice President of ABHI, 2/99-12/99; first joined A&B or a subsidiary in 1992.

Alyson J. Nakamura (39)
Secretary of A&B, 2/99-present; Assistant Secretary of A&B, 6/94-1/99; Secretary of ABHI, 6/94-12/99; first joined A&B or a subsidiary in 1994.

Thomas A. Wellman (46)
Vice President of A&B, 2/04-present; Controller of A&B, 1/96-present; Assistant Treasurer of A&B, 1/96-12/99, 6/00-2/04; Treasurer of A&B, 1/00-5/00, 2/04-present; Vice President of ABHI, 1/96-12/99; Controller of ABHI, 11/91-12/99; first joined A&B or a subsidiary in 1989.

Ruthann S. Yamanaka (51)
Vice President (Human Resources) of A&B, 9/04-present; Senior Vice President of Hawaiian Airlines, Inc., 3/98-8/04.

C. Audit Committee Financial Experts

For information about the Audit Committee Financial Experts, see the section captioned "Audit Committee Report" in A&B's 2005 Proxy Statement, which section is incorporated herein by reference.

D. Code of Ethics

For information about A&B's Code of Ethics, see the subsection captioned "Code of Ethics" in A&B's 2005 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" in A&B's 2005 Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See the section captioned "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" in A&B's 2005 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the subsection captioned "Certain Relationships and Transactions" in A&B's 2005 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services appears in the section captioned "Ratification of Appointment of Independent Auditors" in A&B's 2005 Proxy Statement, which section is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements

The financial statements are set forth in Item 8 of Part II above.

B. Financial Statement Schedules

All schedules are omitted because of the absence of the conditions under which they are required or because the information called for is included in the financial statements or notes thereto.

C. Exhibits Required by Item 601 of Regulation S-K

Exhibits not filed herewith are incorporated by reference to the exhibit number and previous filing shown in parentheses. All previous exhibits were filed with the Securities and Exchange Commission in Washington, D.C. Exhibits filed pursuant to the Securities Exchange Act of 1934 were filed under file number 0-565. Shareholders may obtain copies of exhibits for a copying and handling charge of $0.15 per page by writing to Alyson J. Nakamura, Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawaii 96801.

3. Articles of incorporation and bylaws.

3.a. Restated Articles of Association of Alexander & Baldwin, Inc., as restated effective May 5, 1986, together with Amendments dated April 28, 1988 and April 26, 1990 (Exhibits 3.a.(iii) and (iv) to A&B's Form 10-Q for the quarter ended March 31, 1990).

3.b. Revised Bylaws of Alexander & Baldwin, Inc. (as Amended through February 24, 2005).

4. Instruments defining rights of security holders, including indentures.

4.a. Equity.

4.a. Rights Agreement, dated as of June 25, 1998 between Alexander & Baldwin, Inc. and ChaseMellon Shareholder Services, L.L.C. and Press Release of Alexander & Baldwin, Inc. (Exhibits 4 and 99 to A&B's Form 8-K dated June 25, 1998).

4.b. Debt.

4.b. (i) Third Amended and Restated Revolving Credit and Term Loan Agreement, dated November 19, 2001, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent (Exhibit 4.b. to A&B's Form 10-K for the year ended December 31, 2001).

(ii) First Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of February 4, 2004, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent (Exhibit 4.b.(ii) to A&B's Form 10-Q for the quarter ended March 31, 2004).

(iii) Second Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of October 1, 2004, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent (Exhibit 4.b.(iii) to A&B's Form 10-Q for the quarter ended September 30, 2004).

10. Material contracts.

10.a. (i) Issuing and Paying Agent Agreement between Matson Navigation Company, Inc. and U.S. Bank National Association, as successor-in-interest to Security Pacific National Trust (New York), with respect to Matson Navigation Company, Inc.'s $150 million commercial paper program dated September 18, 1992 (Exhibit 10.b.1.(xxviii) to A&B's Form 10-Q for the quarter ended September 30, 1992).

(ii) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xiii) to A&B's Form 8-K dated June 4, 1993).

(iii) Amendment dated as of May 20, 1994 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xviv) to A&B's Form 10-Q for the quarter ended June 30, 1994).

(iv) Amendment dated as of June 30, 1995 to the Note Agreement, among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(v) Amendment dated as of November 29, 1995 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1995).

(vi) Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xx) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(vii) Amendment dated August 31, 1994 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank dated December 30, 1993 (Exhibit 10.a.(xxi) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(viii) Second Amendment dated March 29, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xxiii) to A&B's Form 10-Q for the quarter ended March 31, 1995).

(ix) Third Amendment dated November 30, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1996).

(x) Fourth Amendment dated November 25, 1996 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 1996).

(xi) Fifth Amendment dated November 28, 1997 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xix) to A&B's Form 10-K for the year ended December 31, 1997).

(xii) Sixth Amendment dated November 30, 1998 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xiv) to A&B's Form 10-K for the year ended December 31, 1998).

(xiii) Seventh Amendment dated November 23, 1999 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xv) to A&B's Form 10-K for the year ended December 31, 1999).

(xiv) Eighth Amendment dated May 3, 2000 to the Revolving Credit Agreement ("Agreement") between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (A&B-Hawaii, Inc., an original party to the Agreement, was merged into Alexander & Baldwin, Inc. effective December 31, 1999) (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 2000).

(xv) Ninth Amendment dated November 16, 2000 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 2000).

(xvi) Tenth Amendment dated November 30, 2001 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 2001).

(xvii) Eleventh Amendment dated November 21, 2002 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xix) to A&B's Form 10-K for the year ended December 31, 2002).

(xviii) Twelfth Amendment dated November 12, 2003 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 2003).

(xix) Thirteenth Amendment dated October 19, 2004 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvix) to A&B's Form 10-Q for the quarter ended September 30, 2004).

(xx) Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xxxiii) to A&B's Form 10-Q for the quarter ended September 30, 1996).

(xxi) First Amendment, dated as of February 5, 1999, to the Private

Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).

(xxii) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001 (Exhibit 10.a.(xlvii) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxiii) Amendment, dated as of April 25, 2001, to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993, and the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xlviii) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxiv) Private Shelf Agreement between Matson Navigation Company, Inc. and Prudential Insurance Company of America, dated as of June 29, 2001 (Exhibit 10.a.(xlix) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxv) First Amendment dated July 12, 2004 to the Private Shelf Agreement between Matson Navigation Company, Inc. and Prudential Insurance Company of America, dated as of June 29, 2001 (Exhibit 10.a.(xxiv) to A&B's Form 10-Q for the quarter ended June 30, 2004).

(xxvi) Security Agreement between Matson Navigation Company, Inc. and the United States of America, with respect to $55 million of Title XI ship financing bonds, dated July 29, 2004 (Exhibit 10.a.(xxvi) to A&B's Form 10-Q for the quarter ended September 30, 2004).

(xxvii) Credit Agreement between Matson Navigation Company, Inc. and Bank of America, N.A., dated October 25, 2002.

(xxviii) First Loan Modification Agreement dated December 15, 2004 to the Credit Agreement between Matson Navigation Company, Inc. and Bank of America. N.A., dated October 25, 2002.

(xxix) Loan Agreement between Matson Navigation Company, Inc. and Wells Fargo Bank, National Association, dated as of October 3, 2003.

(xxx) First Amendment to Loan Agreement and Second Modification to Promissory Note between Matson Navigation Company, Inc. and Wells Fargo Bank, National Association, dated as of September 30, 2004.

(xxxi) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Investment Management, Inc., dated as of November 25, 2003 (Exhibit 10.a.(xxiv) to A&B's Form 10-K for the year ended December 31, 2003).

(xxxii) Letter Amendment dated as of November 25, 2003 to the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996, and the Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001, among The Prudential Insurance Company of America, Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey and Alexander & Baldwin, Inc. (Exhibit 10.a.(xxv) to A&B's Form 10-K for the year ended December 31, 2003).

(xxxiii) Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporation (without exhibits or schedules) (Exhibit 10.a.1.(xxxvi) to A&B's Form 8-K dated December 24, 1998).

(xxxiv) Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (without exhibits) (Exhibit 10.a.1.(xxxvii) to A&B's Form 8-K dated December 24, 1998).

(xxxv) Pro forma financial information relative to the Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporation, and the Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (Exhibit 10.a.1.(xxxviii) to A&B's Form 8-K dated December 24, 1998).

(xxxvi) Vessel Construction Contract between Matson Navigation Company, Inc. and Kvaerner Philadelphia Shipyard Inc., dated May 29, 2002 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 2002).

(xxxvii) Vessel Purchase and Sale Agreement between Matson Navigation Company, Inc. and Kvaerner Shipholding, Inc., dated May 29, 2002 (Exhibit 10.a.(xxviii) to A&B's Form 10-Q for the quarter ended June 30, 2002).

(xxxviii) Waiver of Cancellation Provisions Vessel Construction Contracts among Matson Navigation Company, Inc., Kvaerner Philadelphia Shipyard Inc. and Kvaerner Shipholding Inc., dated December 30, 2002 (Exhibit 10.a.(xxx) to A&B's Form 10-K for the year ended December 31, 2002).

(xxxix) Shipbuilding Contract (Hull 003) between Kvaerner Philadelphia

Shipyard Inc. and Matson Navigation Company, Inc., dated February 14, 2005.

(xl) Amendment No. 1 dated February 18, 2005, to Shipbuilding Contract (Hull 003) between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., dated February 14, 2005.

(xli) Shipbuilding Contract (Hull BN460) between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., dated February 14, 2005.

(xlii) Amendment No. 1 dated February 18, 2005, to Shipbuilding Contract (Hull BN460) between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., dated February 14, 2005.

(xliii) Right of First Refusal Agreement between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., dated February 14, 2005.

*10.b.1. (i) Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.c.1.(ix) to A&B's Form 10-K for the year ended December 31, 1988).

(ii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxvi) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(iii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(iv) to A&B's Form 10-Q for the quarter ended March 31, 1994).

(iv) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 1994).

(v) Amendment No. 4 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(v) to A&B's Form 10-K for the year ended December 31, 2000).

(vi) Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.c.1.(x) to A&B's Form 10-K for the year ended December 31, 1988).

(vii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxiv) to A&B's Form 10-K for the year ended December 31, 1991).

(viii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(ix) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 2000).

(x) Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxxii) to A&B's Form 10-Q for the quarter ended March 31, 1998).

(xi) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 2000).

(xii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xlvi) to A&B's Form 10-Q for the quarter ended March 31, 2002).

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*All exhibits listed under 10.b.1. are management contracts or compensatory plans or arrangements.

(xiii) Forms of Non-Qualified Stock Option Agreement and Restricted Stock Issuance Agreement pursuant to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xiii) to A&B's Form 10-Q for the quarter ended September 30, 2004).

(xiv) Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-Q for the quarter ended March 31, 1998).

(xv) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xiii) to A&B's Form 10-K for the year ended December 31, 2000).

(xvi) Amendment No. 2 to the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan, dated February 26, 2004 (Exhibit 10.b.1.(xiv) to A&B's Form 10-Q for the quarter ended March 31, 2004).

(xvii) Amendment No. 3 to the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan, dated June 23, 2004 (Exhibit 10.b.1.(xvi) to A&B's Form 10-Q for the quarter ended June 30, 2004).

(xviii) Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxiv) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xix) Amendment No. 1 to Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, effective December 9, 1999 (Exhibit

10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 1999).

(xx) Settlement Agreement and General Release of Claims among C. Bradley Mulholland, Matson Navigation Company, Inc. and Alexander & Baldwin, Inc. dated December 31, 2003 (Exhibit 10.b.1.(xvi) to A&B's Form 10-K for the year ended December 31, 2003).

(xxi) A&B Deferred Compensation Plan for Outside Directors (Exhibit 10.c.1.(xviii) to A&B's Form 10-K for the year ended December 31, 1985).

(xxii) Amendment No. 1 to A&B Deferred Compensation Plan for Outside Directors, effective October 27, 1988 (Exhibit 10.c.1.(xxix) to A&B's Form 10-Q for the quarter ended September 30, 1988).

(xxiii) A&B Excess Benefits Plan, Amended and Restated effective February 1, 1995 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1994).

(xxiv) Amendment No. 1 to the A&B Excess Benefits Plan, dated June 26, 1997 (Exhibit 10.b.1.(xxxi) to A&B's Form 10-Q for the quarter ended June 30, 1997).

(xxv) Amendment No. 2 to the A&B Excess Benefits Plan, dated December 10, 1997 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1997).

(xxvi) Amendment No. 3 to the A&B Excess Benefits Plan, dated April 23, 1998 (Exhibit 10.b.1.(xxxv) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xxvii) Amendment No. 4 to the A&B Excess Benefits Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xxviii) Amendment No. 5 to the A&B Excess Benefits Plan, dated December 9, 1998 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).

(xxix) Amendment No. 6 to the A&B Excess Benefits Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxviii) to A&B's Form 10-K for the year ended December 31, 2000).

(xxx) Amendment No. 7 to the A&B Excess Benefits Plan, dated October 22, 2003 (Exhibit 10.b.1.(xxvii) to A&B's Form 10-K for the year ended December 31, 2003).

(xxxi) Restatement of the A&B Executive Survivor/Retirement Benefit Plan, effective February 1, 1995 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1994).

(xxxii) Amendment No. 1 to the A&B Executive Survivor/Retirement Benefit Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxx) to A&B's Form 10-K for the year ended December 31, 2000).

(xxxiii) Restatement of the A&B 1985 Supplemental Executive Retirement Plan, effective February 1, 1995 (Exhibit 10.b.1.(xxiv) to A&B's Form 10-K for the year ended December 31, 1994).

(xxxiv) Amendment No. 1 to the A&B 1985 Supplemental Executive Retirement Plan, dated August 27, 1998 (Exhibit 10.b.1.(xliii) to A&B's Form 10-Q for the quarter ended September 30, 1998).

(xxxv) Amendment No. 2 to the A&B 1985 Supplemental Executive Retirement Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-K for the year ended December 31, 2000).

(xxxvi) Restatement of the A&B Retirement Plan for Outside Directors, effective February 1, 1995 (Exhibit 10.b.1.(xxvi) to A&B's Form 10-K for the year ended December 31, 1994).

(xxxvii) Amendment No. 1 to the A&B Retirement Plan for Outside Directors, dated July 1, 1998 (Exhibit 10.b.1.(xlii) to A&B's Form 10-Q for the quarter ended September 30, 1998).

(xxxviii) Amendment No. 2 to the A&B Retirement Plan for Outside Directors, dated October 25, 2000 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-K for the year ended December 31, 2000).

(xxxix) Amendment No. 3 to the A&B Retirement Plan for Outside Directors, dated December 9, 2004.

(xl) Amendment No. 4 to the A&B Retirement Plan for Outside Directors, dated February 24, 2005 (A&B's Form 8-K, filed on February 28, 2005).

(xli) Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 24, 2000 (Exhibit 10.b.1.(xli) to A&B's Form 10-Q for the quarter ended September 30, 2000). Schedule to Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 23, 2004 (Exhibit 10.b.1.(xxxix) to A&B's Form 10-Q for the quarter ended June 30, 2004).

(xlii) Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, as restated effective October 22, 1992 (Exhibit 10.b.1.(xxi) to A&B's Form 10-K for the year ended December 31, 1992).

(xliii) Amendment No. 1 to the Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, dated December 13, 2001

(Exhibit 10.b.1.(xxxvii) to A&B's Form 10-K for the year ended December 31, 2001).

(xliv) Amendment No. 2 to the Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, dated February 25, 2004 (Exhibit 10.b.1.(xxxix) to A&B's Form 10-Q for the quarter ended March 31, 2004).

(xlv) Alexander & Baldwin, Inc. Three-Year Performance Improvement Incentive Plan, as restated effective October 22, 1992 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1992).

(xlvi) Alexander & Baldwin, Inc. Deferred Compensation Plan effective August 25, 1994 (Exhibit 10.b.1.(xxv) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(xlvii) Amendment No. 1 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, effective July 1, 1997 (Exhibit 10.b.1.(xxxii) to A&B's Form 10-Q for the quarter ended June 30, 1997).

(xlviii) Amendment No. 2 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvii) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xlix) Amendment No. 3 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated October 25, 2000 (Exhibit 10.b.1.(xliii) to A&B's Form 10-K for the year ended December 31, 2000).

(l) Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, as restated effective April 28, 1988 (Exhibit 10.c.1.(xi) to A&B's Form 10-Q for the quarter ended June 30, 1988).

(li) Amendment No. 1 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, effective December 11, 1997 (Exhibit 10.b.1.(ii) to A&B's Form 10-K for the year ended December 31, 1997).

(lii) Amendment No. 2 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxviii) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(liii) Amendment No. 3 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, dated December 8, 2004.

21. Subsidiaries.

21. Alexander & Baldwin, Inc. Subsidiaries as of February 18, 2005.

23. Consent of Deloitte & Touche LLP dated March 7, 2005 (included as the last page of A&B's Form 10-K for the year ended December 31, 2004).

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

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 7, 2005 By /s/ W. Allen Doane

W. Allen Doane, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ W. Allen Doane W. Allen Doane	President and Chief Executive Officer and Director	March 7, 2005
/s/ Christopher J. Benjamin Christopher J. Benjamin	Vice President and Chief Financial Officer	March 7, 2005
/s/ Thomas A. Wellman	Vice President, Controller and	March 7, 2005

Thomas A. Wellman	Treasurer	
/s/ Charles M. Stockholm - ------------------------------- Charles M. Stockholm	Chairman of the Board and Director	March 7, 2005
/s/ Michael J. Chun - ------------------------------- Michael J. Chun	Director	March 7, 2005
/s/ Walter A. Dods, Jr. - ------------------------------- Walter A. Dods, Jr.	Director	March 7, 2005
/s/ Charles G. King - ------------------------------- Charles G. King	Director	March 7, 2005
/s/ Constance H. Lau - -------------------------------- Constance H. Lau	Director	March 7, 2005
/s/ Carson R. McKissick - ------------------------------- Carson R. McKissick	Director	March 7, 2005
/s/ Maryanna G. Shaw - ------------------------------- Maryanna G. Shaw	Director	March 7, 2005
/s/ Jeffrey N. Watanabe - ------------------------------- Jeffrey N. Watanabe	Director	March 7, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements 33-31922, 33-31923, 33-54825, and 333-69197 on Form S-8 of our reports dated February 24, 2005, relating to the financial statements of Alexander & Baldwin, Inc. and subsidiaries and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Alexander & Baldwin, Inc. and subsidiaries for the year ended December 31, 2004.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Honolulu, Hawaii
March 7, 2005

EXHIBIT 31.1

CERTIFICATION

I, W. Allen Doane, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

By /s/ W. Allen Doane

W. Allen Doane, President and
Chief Executive Officer

Date: March 7, 2005

EXHIBIT 31.2

CERTIFICATION

I, Christopher J. Benjamin, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

By /s/ Christopher J. Benjamin

Christopher J. Benjamin, Vice President
and Chief Financial Officer

Date: March 7, 2005

EXHIBIT 32

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

In connection with the Annual Report on Form 10-K of Alexander & Baldwin, Inc. (the "Company") for the fiscal year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), W. Allen Doane, as President and Chief Executive Officer of the Company, and Christopher J. Benjamin, as Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

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

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

/s/ W. Allen Doane

Name: W. Allen Doane
Title: President and Chief Executive Officer
Date: March 7, 2005

/s/ Christopher J. Benjamin

Name: Christopher J. Benjamin
Title: Vice President and Chief Financial Officer
Date: March 7, 2005

ALEXANDER & BALDWIN, INC.
Subsidiaries as of February 18, 2005

Name of Subsidiary	State or Other Jurisdiction Under Which Organized
A&B Development Company (California)	California
A & B Properties, Inc.	Hawaii
ABHI-Crockett, Inc.	Hawaii
East Maui Irrigation Company, Limited	Hawaii
Kahului Trucking & Storage, Inc.	Hawaii
Kauai Commercial Company, Incorporated	Hawaii
Kukui'ula Development Company, Inc.	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Integrated Logistics, Inc.	Hawaii
Matson Terminals, Inc.	Hawaii
McBryde Sugar Company, Limited	Hawaii
Subsidiary:	
Kauai Coffee Company, Inc.	Hawaii
WDCI, Inc.	Hawaii

NOTE: Certain A&B subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, have been omitted.

REVISED BYLAWS OF

ALEXANDER & BALDWIN, INC.

(As Amended Effective February 22, 2001)

ARTICLE I

PRINCIPAL OFFICE, SEAL

SECTION 1. Principal Office. The principal office of the Corporation shall be in Honolulu, Hawaii; there may be such subordinate or branch offices in such place or places within Hawaii or elsewhere as may be considered necessary or requisite by the Board of Directors to transact the business of the Corporation.

SECTION 2. Seal. The Corporation shall have a corporate seal (and one or more duplicates thereof) of such form and device as the Board of Directors shall determine.

ARTICLE II

STOCKHOLDERS

SECTION 1. Annual Meetings. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time and place as shall be designated from time to time by the Board of Directors or the President. The annual meeting shall be a general meeting and at such meeting any business within the powers of the Corporation may be transacted without special notice of such business, except as may be required by law, by the Articles of Association, or by these Bylaws.

SECTION 2. Special Meetings. Special meetings of the stockholders may be held at any time. Such meetings shall be held upon the call of the Chairman of the Board, if appointed, the President or a majority of the directors then in office and shall not be held upon the call of any other person or persons except as provided by Section 416-73, Hawaii Revised Statutes.

SECTION 3. Notices of Meetings. Notices of every meeting of stockholders, whether annual or special, shall state the place, day, and hour of the meeting, whether it is annual or special, and in the case of any special meeting, shall state briefly the business proposed to be transacted thereat. Such notice shall be given by mailing a written or printed copy thereof, postage prepaid, not less than ten nor more than seventy days before the date assigned for the meeting, to each stockholder entitled to vote at such meeting at his address as it appears on the transfer books of the Corporation. Upon notice being given in accordance with the provisions hereof, the failure of any stockholder to receive actual notice of any meeting shall not, in any way, invalidate the meeting or the proceedings thereat.

SECTION 4. Quorum. At all meetings of stockholders the presence in person or by proxy of stockholders owning a majority of all of the shares of stock issued and outstanding and entitled to vote at said meeting shall constitute a quorum, and the action of the holders of a majority of the shares of stock present or represented at any meeting at which a quorum is present, shall be valid and binding upon the Corporation and its stockholders, except as otherwise provided by law, by the Articles of Association, or by these Bylaws.

SECTION 5. Voting, Proxies. At any meeting of the stockholders, each stockholder, except where otherwise provided by the clauses and terms applicable to the stock held by such stockholder, shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder or his duly authorized attorney and filed with the Secretary, and shall have one vote for each share of voting stock registered in his name at the close of business on such record date as may be fixed by the Board of Directors. In the case of an adjourned meeting, unless otherwise provided by the Board of Directors, the record date for the purpose of voting at such adjourned meeting shall be the same as the original record date fixed for the original meeting. When voting stock is transferred into the name of a pledgee under a pledge agreement, the pledgor shall have the right to vote such stock unless prior to the meeting the pledgee or his authorized representative shall file with the Secretary written authorization from the pledgor authorizing such pledgee to vote such stock. An executor, administrator, guardian, or trustee may vote stock of the Corporation held by him in such capacity at all meetings, in person or by proxy, whether or not such stock shall have been transferred into his name on the books of the Corporation, but if such stock shall have not been so transferred, he shall, if requested as a prerequisite to so voting, file with the Secretary a certified copy of his letters as such executor, administrator or guardian or evidence of his appointment or authority as such trustee. If there be two or more executors, administrators, guardians, or trustees, any one of them may vote the stock in person or by proxy. The instrument appointing a proxy shall be signed by the appointer, or if such appointer is a corporation, by the proper officers thereof, provided that minor variations between such signature and the name of the appointer as it appears upon the stock books of the Corporation, or in the case of a corporation, failure to affix the corporate seal, shall not invalidate the proxy and, provided further, that if a proxy is appointed by telecopy, telex, datagram, cable or radiogram, the typewritten signature of the appointer shall be sufficient. Unless expressly limited by its terms, every instrument appointing a proxy shall continue in full force and effect until a written revocation thereof shall be filed with the Secretary. It is expressly provided that the provisions of Section 416-77 of the Corporation Law of Hawaii, Title 23 of Hawaii Revised Statutes, shall not be applicable to any annual or special meeting of stockholders of the Corporation.

SECTION 6. Election of Directors. Unless otherwise specifically required by law (upon the demand of one or more shareholders or otherwise) or by the Corporation's Articles of Association, there shall be no cumulative voting in the election of directors.

SECTION 7. Action at Meetings of Stockholders. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 7 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 7.

In addition to any other applicable requirements, for business properly to be brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Chairman of the Board, if any, the President, or the Secretary of the Corporation.

To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 7, provided, however, that, once business has been brought properly before the annual meeting in accordance with such procedures, nothing in this Section 7 shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not brought properly before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not brought properly before the meeting and such business shall not be transacted.

The business transacted at any special meeting of stockholders called in the manner set forth in Article II, Section 2 hereof shall be confined to the business stated in the notice of meeting, as determined by the person or persons calling such meeting.

SECTION 8. Adjournment. Any meeting of stockholders, whether annual or special, and whether a quorum be present or not, may be adjourned from time to time by the Chairman thereof, with the consent of the holders of a majority of all of the shares of stock present or represented at such meeting, and entitled to vote thereat, without notice other than the announcement at such meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting as originally called and noticed.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. Number and Term of Office. The Board of Directors shall consist of not less than five directors, the exact number of directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The Directors, except as otherwise in these Bylaws provided, shall hold office until the annual meeting held next after their election and until their respective successors, if any, shall have been elected. The number of directors constituting the Board may be increased by the Board of Directors from time to time during the period between annual meetings.

No person shall be elected as a director at any annual meeting or special meeting who has achieved the age of seventy-two years prior to such annual or special meeting; provided, however, that this provision shall not be applicable to any person who, prior to such annual or special meeting, has served as Chief Executive Officer of the Corporation for a period of not less than five years.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called in the manner set forth in Article II, Section 2 hereof for the purpose of electing directors, (a) by or on behalf of the Board of Directors or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 1 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 1.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Chairman of the Board, if any, the President, or the Secretary of the Corporation.

To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; *provided, however*, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called in the manner set forth in Article II, Section 2 hereof for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 1. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

The directors may, at any time upon the affirmative vote of a majority of the directors then in office, be divided into two or three classes, designated Class I, Class II and, if any, Class III. The aggregate number of directors to be divided into classes shall be fixed by the affirmative vote of a majority of the directors then in office, but shall not be less than five directors, or such higher or lower number as may be permitted by the Articles of Association. Each class shall consist, as nearly as may be possible, of one-half or one-third, as the case may be, of the total number of directors constituting the entire Board. Each initial director in Class I shall hold office until the first annual meeting of stockholders following the director's election; each initial director in Class II shall hold office until the second annual meeting of stockholders following the director's election; and each initial director in Class III, if any, shall hold office until the third annual meeting of stockholders following the director's election. At each succeeding annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected for a two- or three-year term, as the case may be. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which the director's term expires and until the director's successor shall be elected, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors shall be filled by resolution adopted by a majority of the directors then in office. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of the director's predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the terms of the Articles of Association applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Section unless expressly provided by such terms.

SECTION 2. Removal of Directors. At any annual meeting or any special meeting of stockholders duly called in accordance with these Bylaws for the purpose, any director may be removed from office only for cause by the affirmative vote of the holders of a majority of all of the shares of capital stock of the Corporation outstanding and entitled to vote, and another person may be elected in his place to serve for the remainder of his term. In case any vacancy so created shall not be filled by the stockholders at such meeting, such vacancy may be filled by the Board of Directors.

In addition, any director may be removed for cause at any time by the affirmative vote of a majority of the other directors then in office. Any vacancy in the Board of Directors created pursuant to the preceding sentence may be filled by the remaining directors as provided in Section 6 of this Article III.

SECTION 3. Registration, Meetings, Notice.

(a) Each director shall, upon election to such office, register with the Corporation his mailing address.

(b) The Board of Directors shall, without any notice being given, hold a meeting for the purpose of organization as soon as may be after each annual meeting of stockholders.

(c) The Board of Directors may, in its discretion, schedule regular meetings of the Board to be held at a stated time and place and no notice, written or otherwise, of such meetings shall be required. The Board of Directors may, in its discretion, alter the time and place for such regular meetings from time to time.

(d) Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, or in the absence of the Chairman, or if no Chairman shall have been appointed, at the call of the President, and in any case, at the call of any two Directors.

(e) The Secretary shall give notice of every special meeting of the Board of Directors orally or by mailing or delivering a copy of the same to each Director at his registered mailing address, not less than twenty-four hours prior to any such meeting. Such notice shall constitute full legal notice of any special meeting, whether actually received or not. No special meeting and no business transacted at any such meeting shall be invalidated or in any way affected by the failure of the Secretary to give notice of such meeting to any director, or of any director to receive such notice, if a quorum of the directors shall be present at such meeting.

SECTION 4. Quorum, Voting, Adjournment. A majority of the Board of Directors in office from time to time shall constitute a quorum for the transaction of any business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in these Bylaws. In the absence of a quorum, the Chairman or a majority of the Directors present may adjourn the meeting from time to time without further notice until a quorum shall be had.

SECTION 5. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all of the members of the Board of Directors or all of the members of the committee, as the case may be, shall consent in writing to the action taken or to be taken at any time before or after the intended effective date of such action. Such consent shall be filed with the minutes of the meetings of the Board of Directors or committee, as the case may be, and shall have the same effect as a unanimous vote.

SECTION 6. Permanent Vacancies. If any permanent vacancy shall occur in the Board of Directors through death, resignation, removal or other cause, the remaining directors, by the affirmative vote of a majority of directors then in office, may elect a successor director to hold office for the unexpired portion of the term of the director whose place shall be vacant.

SECTION 7. Temporary Vacancies, Substitute Directors. If any temporary vacancy shall occur in the Board of Directors through the absence, sickness or disability of any director, the remaining directors, whether constituting a majority or a minority of the whole Board, may by the affirmative vote of a majority of such remaining directors appoint some person as a substitute director, who shall be a director during such absence, sickness or disability and until such director shall return to duty or the office of such director shall become permanently vacant. The determination of the Board of Directors, as shown on the minutes, of the fact of such absence, sickness or disability shall be conclusive as to all persons and to the Corporation.

SECTION 8. Expenses and Fees. By resolution of the Board of Directors, such compensation, fees and expenses as the Board may from time to time determine shall be allowed and paid to directors for services on the Board of any Committee created by the Board, provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 9. Committees. The Board of Directors may create such committees (including an executive committee or committees) consisting of such members of the Board of Directors as the Board of Directors may designate from time to time. The authorities and powers of each committee shall be as prescribed from time to time by the Board of Directors. Each committee may make its own rules of procedure unless otherwise prescribed by the Board of Directors.

SECTION 10. Election of Persons to Fill Directorships Established During the Period Between Annual Meetings. The election of persons to fill directorships established by the Board of Directors by an increase in the size of the Board shall be either by (a) the affirmative vote of a majority of the directors then in office or (b) a vote of stockholders at a special meeting of stockholders called for such purpose. Persons elected to newly-established directorships shall hold office until the annual meeting of stockholders held next after their election and until their respective successors, if any, shall have been elected.

SECTION 11. Limitations on Number of Directors. The only limitation on the power and authority of the Board of Directors to determine the number of directors is that there shall be not less than five directors. There shall be no other limitations, whether numerical, based on percentage increase or decrease in the number of directors, or otherwise, on the power and authority of the Board of Directors to determine the number of directors.

ARTICLE IV

OFFICERS, MANAGEMENT AND AUDITOR

SECTION 1. Appointment, Term, Removal. The officers of the Corporation shall be the President, one or more vice presidents, the Secretary, the Treasurer, the Controller and in addition thereto, in the discretion of the Board of Directors, a Chairman of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers, with such duties, as the Board of Directors shall from time to time determine. All officers shall be appointed annually by the Board of Directors and, subject to removal as hereinafter provided, shall serve until their respective successors shall have been appointed. Any officer shall be subject to removal at any time, with or without cause, by the affirmative vote of the majority of the whole Board. One person may hold more than one office. The Board of Directors may, in its discretion, appoint acting or temporary officers, and may appoint officers to fill vacancies occurring for any reason whatsoever, and may, in its discretion, from time to time limit or enlarge the duties and powers of any officer appointed by it.

SECTION 2. Chairman of the Board. The Chairman of the Board, if appointed, shall preside at all meetings of the stockholders and the Board of Directors unless otherwise prescribed by the Board. He shall also exercise such powers and perform such other duties as may be assigned to him by the Articles of Association or these Bylaws or by resolution of the Board of Directors.

SECTION 3. The President. The President (in the absence of the Chairman of the Board, if appointed) shall preside at all of the meetings of the stockholders and Board of Directors. He shall be responsible for the general management and supervision of the operations and affairs of the corporation unless otherwise prescribed by the Board of Directors. He shall also exercise such powers and perform such other duties as may be assigned to him by the Articles of Association or these Bylaws or by resolution by the Board of Directors.

SECTION 4. The Vice President or Vice Presidents. The Vice President or Vice Presidents shall, in such order as the Board of Directors shall determine, perform all the duties and exercise all of the powers of the President provided by these Bylaws or otherwise, during the absence or disability of the President or whenever the office of President shall be vacant, and shall perform all other duties assigned to him or them by the Board of Directors.

SECTION 5. The Secretary. The Secretary shall attend all meetings of the stockholders, the Board of Directors, and, if created, the Executive Committee, and shall have responsibility for preparation and custody of the minutes of such meetings and for authenticating records of the Corporation. He shall give notice, in conformity with these Bylaws, of meetings of stockholders and, where required, of the Board of Directors. In the absence of the Chairman of the Board of Directors and of the President and the Vice President or vice presidents, if more than one, he shall have power to call such meetings and shall preside thereat until a president pro tempore shall be chosen.

The Secretary shall keep, or cause to be kept, at the principal office of the Corporation or at the office of the Corporation's stock transfer agent, a share register, or a duplicate share register, showing the names of the stockholders and their addresses, the number and classes of shares held by each, the number and date of cancellation of every certificate surrendered for cancellation. The Secretary shall perform all other duties incident to his office, or which may be assigned to him by the Board of Directors or the President or the Bylaws.

SECTION 6. The Treasurer. The Treasurer shall have custody of all the funds, notes, bonds and other investments of the Corporation. He shall deposit or cause to be deposited in the name of the Corporation all monies and other valuable effects in such banks, trust companies, or other depositories as shall from time to time be designated by the Board of Directors. He shall make such disbursements as the regular course of the business of the Corporation may require or the Board of Directors may order. He shall render to the President and Directors, whenever they request it, an account of all of the transactions as Treasurer, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the President or the Bylaws.

SECTION 7. Assistant Secretary and Assistant Treasurer. The Assistant Secretary or assistant secretaries and the Assistant Treasurer or assistant treasurers, if appointed, shall, in such order as the Board of Directors may determine, perform all of the duties and exercise all of the powers of the Secretary and Treasurer, respectively, during the absence or disability of, and in the event of a vacancy in the office of, the Secretary or Treasurer, respectively, and shall perform all of the duties assigned to him or them by the President, the Secretary in the case of assistant secretaries, the Treasurer in the case of the assistant treasurers, or the Board of Directors.

SECTION 8. Absence of Officers. In the absence or disability of the President and the Chairman of the Board, if appointed, and the Vice President or vice presidents, if more than one, the duties of the President (other than the calling of meetings of the stockholders and the Board of Directors) shall be performed by such persons as may be designated for such purpose by the Board of Directors. In the absence or disability of the Secretary and of the Assistant Secretary or assistant secretaries, if more than one, or of the Treasurer and the Assistant Treasurer or assistant treasurers, if more than one, the duties of the Secretary or of the Treasurer, as the case may be, shall be performed by such person or persons as may be designated for such purpose by the Board of Directors.

SECTION 9. Auditor. The Auditor shall audit the books and accounts of the Corporation at such time or times as may be required by the Board of Directors, but in any event not less often than annually, and shall certify his findings and report thereon in writing to the stockholders. The Auditor shall make such other audits, examinations and reports as the Board of Directors shall determine from time to time.

SECTION 10. Controller. The Controller shall have custody of and supervise and control the keeping of the accounts and books of this Corporation, and shall develop records and procedures for control of costs; maintain proper tax records and supervise the preparation of tax returns, develop procedures for internal auditing and maintain proper relationships with the external auditors designated by the stockholders; administer programs relating to capital expenditure and operating budgets, prepare the financial statements of the Company, and perform such other duties as the President may from time to time determine.

ARTICLE V

EXECUTION OF INSTRUMENTS

SECTION 1. Proper Officers. Except as hereinafter provided, or as required by law, all checks, drafts, notes, bonds, acceptances, deeds, leases, contracts, bills of exchange, orders for the payment of money, licenses, endorsements, stock powers, powers of attorney, proxies, waivers, consents, returns, reports, applications, notices, mortgages, and other instruments or writings of any nature which require execution on behalf of the Corporation, shall be signed or endorsed by such person or persons and in such manner as the Board of Directors may determine from time to time by resolution.

SECTION 2. Facsimile Signatures. The Board of Directors may, from time to time, by resolution provide for the execution of any corporate instrument or document, including, but not limited to, checks, warrants, drafts, and other orders for the payment of money, by a mechanical device or machine or by the use of facsimile signatures under such terms and conditions as shall be set forth in such resolution.

ARTICLE VI

VOTING OF STOCK BY THE CORPORATION

In all cases where the Corporation owns, holds, or represents under power of attorney or by proxy or in any other representative capacity shares of capital stock of any corporation or shares or interests in business trusts, co-partnerships, or other associations, such shares or interest shall be represented or voted in person or by proxy by the Chairman of the Board (if also Chief Executive Officer) or in the absence of the Chairman of the Board (or if such person is not also Chief Executive Officer) by the President, or in his absence by the Vice President, or if there be more than one vice president present, then by such vice president as the Board of Directors shall have designated as Executive Vice President, or failing any such designation, by any vice president, or in the absence of any vice president, by the Treasurer, or in his absence, by the Secretary; provided, however, that any person specifically appointed by the Board of Directors for the purpose shall have the right and authority to represent and vote such shares or interests with precedence over all of the above-named.

ARTICLE VII

CAPITAL STOCK

SECTION 1. Certificates of Stock. The certificates of stock of each class shall be in such form and of such device as the Board of Directors may, from time to time, determine. They shall be signed by the Chairman of the Board, if appointed, or the President or a vice president and by the Treasurer or the Secretary or an assistant treasurer or assistant secretary and shall bear the corporate seal, provided, however, that the Board of Directors in its discretion may provide that any certificate which shall be signed by a transfer agent or by a registrar may be sealed with only the facsimile seal of the Corporation and may be signed with only the facsimile signatures of the officers above designated. In case any officer who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer before such certificate is issued, such certificate may, nevertheless, be issued with the same effect as if such officer had not ceased to be such at the date of its issue. Certificates shall not be issued for nor shall there be registered any transfer of any fraction of a share. In the event that fractional parts of or interests in any share shall result in any manner from any action by the stockholders or directors of the Corporation, the Treasurer may sell the aggregate of such fractional interests under such reasonable terms and conditions as the Treasurer shall determine subject, however, to the control of the Board of Directors, and distribute the proceeds thereof to the person or persons entitled thereto.

SECTION 2. Holder of Record. The Corporation shall be entitled to treat the person whose name appears on the stock books of the Corporation as the owner of any share, as the absolute owner thereof for all purposes, and shall not be under any obligation to recognize any trust or equity or equitable claim to or interest in such share, whether or not the Corporation shall have actual or other notice thereof.

SECTION 3. Transfer of Stock. Transfer of stock may be made in any manner permitted by law, but no transfer shall be valid (except between the parties thereto) until the transfer shall have been duly recorded in the stock books of the Corporation and a new certificate issued. No transfer shall be entered in the stock books of the Corporation, nor shall any new certificate be issued until the old certificate, properly endorsed, shall be surrendered and canceled.

SECTION 4. Closing of Transfer Books. The Board of Directors shall have power for any corporate purpose from time to time to close the stock transfer books of the Corporation for a period not exceeding thirty consecutive business days, provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix a record date for the payment of any dividend or for the allotment of rights or for the effective date of any change, conversion or exchange of capital stock or in connection with obtaining the consent of stockholders in any matter requiring their consent or for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders, and in any such case, only such stockholders as shall be stockholders of record on the record date so fixed shall be entitled to the rights, benefits and privileges incident to ownership of the shares of stock for which such record date has been fixed, notwithstanding any transfer of stock on the books of the corporation after such record date.

SECTION 5. Lost Certificates. The Board of Directors may, subject to such rules and regulations as it may adopt from time to time, order a new certificate or certificates of stock to be issued in the place of any certificate or certificates of stock of the Corporation alleged to have been lost or destroyed, but in every such case, the owner of the lost or destroyed certificate or certificates shall be required to file with the Board of Directors or the stock transfer agent of the Corporation sworn evidence showing the facts connected with such loss or destruction. The Board of Directors may, in its discretion, further require that a notice or notices shall be published not less than once each week for three consecutive weeks or for such other length of time as the Board of Directors may provide in any special case in one or more newspapers of general circulation, which notice shall describe the lost or destroyed certificate, seek its recovery and warn all persons against negotiating, transferring or accepting the same. Unless the Board of Directors shall otherwise direct, the owner of the lost or destroyed certificate shall be required to give to the Corporation a bond or undertaking in such sum, in such form, and with such surety or sureties as the Board of Directors may approve, to indemnify the Corporation against any loss, damage, or liability that the Corporation may incur by reason of the issuance of a new certificate or certificates. Nothing in this section contained shall impair the right of the Board of Directors, in its discretion, to refuse to replace any allegedly lost or destroyed certificate, save upon the order of the court having jurisdiction in the matter.

SECTION 6. Stock Rights and Options. The Corporation may create and issue, whether or not in connection with the issuance and sale of any of its shares or other securities, rights or options entitling the holders thereof to purchase from the Corporation shares of any class or classes. Such rights or options shall be evidenced in such manner as the Board shall approve and, subject to the provisions of the Articles of Association, shall set forth the terms upon which, the time or times within which, and the price or prices at which, such shares may be purchased from the Corporation upon the exercise of any right or option. The documents evidencing such rights or options may include conditions on the exercise of such rights or options, including conditions that preclude the holder or holders, including any subsequent transferees, of at least a specified percentage of the common stock of the Corporation from exercising such rights or options. No approval by the stockholders of the Corporation shall be required for the issuance of such rights or options to directors, officers or employees of the Corporation or any subsidiary, or to the stockholders.

SECTION 7. Consideration for Shares. The Corporation may issue any share of stock, with or without par value, in consideration of any one or any combination of more than one of the following: money paid; labor done; services actually rendered; debts or securities canceled; tangible or intangible property actually received; amounts transferred to capital from any surplus of the Corporation upon the issue of shares as a stock dividend; and such other consideration as may be permitted by Chapter 416, Hawaii Revised Statutes. Except as may be prohibited by Chapter 416, nothing herein is intended to prohibit the issuance of shares of stock held as treasury shares by the Corporation to any officer, director or employee of the Corporation pursuant to any stock bonus plan or plans, in consideration of future services to be performed by such officer, director or employee for the Corporation.

SECTION 8. Voting Record. The officer or agent having charge of the Corporation's stock transfer books shall make a complete record of the stockholders entitled to vote at any meeting of stockholders or adjournment thereof, in accordance with the provisions of Section 415-31, Hawaii Revised Statutes. Such record shall be produced and kept open at the time and place of the stockholders' meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting for the purposes thereof, and such record shall not be produced and kept open for such inspection at any other time and place, or for copying at any time and place, except in either case as may be required pursuant to Section 415-52, Hawaii Revised Statutes.

ARTICLE VIII

AMENDMENT

These Bylaws may be altered, amended or repealed from time to time by the Board of Directors, subject to repeal or change by the affirmative vote of the holders of a majority of all of the shares of capital stock of the Corporation outstanding and entitled to vote.

AMENDMENT TO THE REVISED BYLAWS OF ALEXANDER & BALDWIN, INC.

The Revised Bylaws of Alexander & Baldwin, Inc., as amended effective February 22, 2001 ("Bylaws"), are hereby amended, effective February 24, 2005, as follows:

Article III of the Bylaws is hereby amended by adding the following new Section 12:

> "SECTION 12. Limited One-Year Waiver of Retirement Age. The Board of Directors, by resolution adopted on or before March 7, 2005 by a majority of the directors then in office, may waive, for one or more designated persons who previously have achieved the age of seventy-two years, any prohibition on such person or persons being elected a director at any annual or special meeting after achieving such age; provided, however, that no person to whom such waiver applies shall thereafter be elected as a director at any annual or special meeting if such person has achieved the age of seventy-three years. Subsequent to March 7, 2005, no waivers may be granted by the Board of Directors pursuant to this Section 12."

AMENDMENT NO. 1 TO SHIPBUILDING CONTRACT
(Hull 003)

THIS AMENDMENT NO. 1 TO SHIPBUILDING CONTRACT is made as of February 18, 2005, by and between KVAERNER PHILADELPHIA SHIPYARD INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its principal office at 555 12th Street, Oakland, CA 94607 (the "BUYER").

R E C I T A L S

WHEREAS, the parties entered into that certain Shipbuilding Contract dated as of February 14, 2005 for the purchase one (1) Philadelphia CV 2600 type container vessel, designated as Builder's Hull No. 003 (the "Shipbuilding Contract"); and

WHEREAS, the parties wish to amend the Shipbuilding Contract to correct a few minor technical errors and to incorporate additional language agreed to by the parties.

NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereby agree to amend the Shipbuilding Contract as follows:

1. <u>Description of Vessel</u>. Paragraph 1 of Article I of the Shipbuilding Contract is hereby amended by deleting the reference to "January 21, 2005" in the fifth line and replacing it with "February 3, 2005."

2. <u>Contract Price</u>. Paragraph 1(a) of Article II is hereby deleted in its entirety and replaced with the following text:

> "The purchase price of the VESSEL is ONE HUNDRED FORTY FOUR MILLION THREE HUNDRED AND NINETY-ONE THOUSAND DOLLARS ($144,391,000) plus the cost incurred by the BUILDER with respect to the construction period financing for the VESSEL as provided for in paragraph (c) below, net receivable by the BUILDER, which is exclusive of the BUYER's Supplies as provided in Article XVIII hereof and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called the "Contract Price"). The Contract Price shall be paid upon delivery of the Vessel by wire transfer to an account specified by the BUILDER; provided that such payment shall be subject to (i) deferral of payment of the amounts specified on the PROTOCOL OF DELIVERY AND ACCEPTANCE; (ii) the holdback described in Paragraph 4(f) of Article IX; (iii) disputed amounts deposited in the Disputes Escrow Account (as defined herein); and (iv) less any reduction in the Contract Price pursuant to Article III hereof."

3. <u>Effective Date</u>.

(a) Paragraph 3(d) of Article II of the Shipbuilding Contract is hereby amended by deleting the reference to "Article V" in the second line and replacing it with "Article IV."

(b) Paragraph 3(f) of Article II is hereby deleted in its entirety and replaced with the following text:

> "By February 18, 2005, the BUILDER shall provide the BUYER with a guarantee of Kvaerner ASA of (i) the BUILDER's indemnification obligations under Paragraph 2 of Article XXI hereof, and (ii) the BUILDER's obligation under that certain Right of First Refusal Agreement dated of even date herewith signed by the parties relating to certain rights with respect to future CV 2600 and CV 2500 type container vessel building positions at the Shipyard (the "Right of First Refusal Agreement").

4. <u>Delivery</u>. Paragraph 2 of Article VII of the Shipbuilding Contract references a PROTOCOL OF DELIVERY AND ACCEPTANCE that will be executed by the parties in connection with the delivery of the Vessel. The parties agree that the PROTOCOL OF DELIVERY AND ACCEPTANCE will be substantially in the form of Exhibit A attached hereto.

5. <u>Warranty of Quality</u>. Paragraph 4(f) of Article IX is hereby deleted in its entirety and replaced with the following text:

> "The BUYER may withhold ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) from the delivery payment (the "Guarantee Holdback"). At the time of the delivery of the Vessel, the BUYER shall deposit the full amount of the Guarantee Holdback into an escrow account. The BUYER shall pay to the BUILDER the entire Guarantee Holdback, less any amount to cover any outstanding guarantee deficiency, upon completion of the guarantee period for the VESSEL. Any amounts withheld beyond the end of the guarantee period pursuant to this paragraph shall be paid to the BUILDER upon the correction of all guarantee deficiencies for which such amounts were withheld. Any dispute with respect to the disposition of the Guarantee Holdback shall be settled pursuant to Article XIV of this Contract."

6. <u>Indemnification</u>. Paragraph 2 of Article XXI is hereby deleted in its entirety and replaced with the following text:

"The BUILDER shall defend, indemnify and hold harmless the BUYER, its parent, subsidiaries, affiliates, agents, subcontractors, directors, officers and employees from and against any claims, demands, obligations, liens and suits of every nature whatsoever by OceanBlue Express, Inc. or any of its directors, officers, employees, shareholders, advisors or consultants, or any third party based upon a contractual relationship or binding commitment with OceanBlue Express Inc. or any third party whose claim is made on the basis of its reliance on any representation made by OceanBlue Express Inc. or any of its directors, officers, employees, shareholders, advisors or consultants arising out of or based upon the BUYER's purchase of the VESSEL, provided that this indemnification shall not apply to any claims, liens and suits of every nature whatsoever brought by any governmental entity unless such governmental claim, lien or suit is based upon a contractual relationship or binding commitment with OceanBlue Express, Inc. or is based on such governmental entity's reliance on any representation made by OceanBlue Express, Inc. or any of its directors, officers, employees, shareholders, advisors or consultants. This indemnification shall expire four (4) years from the effective date of this Contract.

7. <u>No Additional Changes</u>. Except as otherwise herein expressly provided, all other provisions of the Shipbuilding Contract shall remain in full force and effect.

8. <u>Capitalized Terms</u>. For all purposes of this Amendment, unless otherwise expressly provided or unless the context otherwise requires, the capitalized terms used herein shall have the meaning specified in the Shipbuilding Contract.

9. <u>Counterparts</u>. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 to Shipbuilding Contract as of the date first set forth above.

KVAERNER PHILADELPHIA SHIPYARD, INC.

By: /s/ David E. Meehan
Name: David E. Meehan
Title: President and Chief Executive Officer

MATSON NAVIGATION COMPANY, INC.

By: /s/ James S. Andrasick
Name: James S. Andrasick
Title: President and Chief Executive Officer

EXHIBIT A

FORM OF PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

Philadelphia	Pennsylvania	_____________
(City)	(State)	(Date)

KVAERNER PHILADELPHIA SHIPYARD INC., a ___________________ corporation (the "BUILDER"), and MATSON NAVIGATION COMPANY, INC. a Hawaii corporation (the "BUYER"), each for itself, does hereby certify:

1. That the Vessel named _____________, BUILDER's Hull No.___, Official No. __________ (the "Vessel"), was, on the ___ day of ___________, 200_ at _______ o'clock (a.m.) (p.m.) __ Time, physically delivered at ________, ________, by the BUILDER to the BUYER pursuant to and in accord with the provisions of that certain Shipbuilding Contract between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., BUILDER's Hull No. __, entered into as of the 14th day of February, 2005, as such contract was amended by Amendments Nos. 1 through __, and Contract Changes No. 1 through __ (the "Shipbuilding Contract"), for the construction of said Vessel under the terms of which the title in and to the Vessel vested in the BUYER.

2. Receipt of physical delivery of the Vessel is acknowledged by the BUYER, and the BUYER accepts the Vessel under and pursuant to the requirements of the Shipbuilding Contract, including the Plans, the Specifications and changes thereto, but subject to (i) completion by the BUILDER of all uncompleted work and correction of all defects, deficiencies, or damage to be completed and corrected by the BUILDER after delivery as set forth in <u>Exhibit 1</u> attached hereto, and (ii) the rights of the BUYER under ARTICLE IX of the Shipbuilding Contract.

3. The BUYER and the BUILDER have agreed that the sum of $_________ represents the amount to be withheld by the BUYER from the Contract Price until the uncompleted work, uncorrected defects, deficiencies and damage set forth in <u>Exhibit 1</u> attached hereto, is completed and corrected, and such sum has been so withheld for later payment by the BUYER to the BUILDER in accordance with the provisions of the Shipbuilding Contract.

4. The BUYER and the BUILDER have agreed that the sum of $_________ represents the amount to be withheld by the BUYER from the BUILDER at delivery of the Vessel in lieu of the completion and correction by the BUILDER of the uncompleted work and uncorrected defects, deficiencies or damage set forth in <u>Exhibit 2</u> attached hereto.

The capitalized terms used herein which are defined in the Shipbuilding Contract, or by reference therein to other documents, shall have the respective meanings stated in the Shipbuilding Contract or such other documents.

KVAERNER PHILADELPHIA SHIPYARD INC. BUILDER	MATSON NAVIGATION COMPANY, INC. BUYER
By ______________________________	By ________________________________
Title ___________________________	Title ______________________________

EXHIBIT 1

TO

PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

DEFICIENCY LIST OF ITEMS TO BE CORRECTED

BUILDER's Hull No. __________ Date: __________, 200_

Official No. _____________

Schedule 1-A, which is attached hereto and is incorporated herein by this reference, contains a list of uncompleted work and uncorrected defects, deficiencies, or damage at the time of delivery to be completed and corrected by the BUILDER after delivery in accordance with the provisions of the Shipbuilding Contract.

KVAERNER PHILADELPHIA SHIPYARD INC.
BUILDER

By

Title

MATSON NAVIGATION COMPANY, INC.
BUYER

By

Title

Authorized Representative

EXHIBIT 2

TO

PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

DEFICIENCY LIST OF ITEMS NOT TO BE CORRECTED

BUILDER's Hull No. __________ Date: __________, 200_

Official No. _____________

Schedule 2-A, which is attached hereto and is incorporated herein by this reference, contains a list of uncompleted work and uncorrected defects, deficiencies, or damage at the time of delivery that will not be completed or corrected by the BUILDER after delivery of the Vessel in lieu of the amount set forth in paragraph 4 of the Protocol of Delivery and Acceptance of Vessel withheld by the BUYER from the BUILDER at the delivery in accordance with the provisions of the Shipbuilding Contract.

KVAERNER PHILADELPHIA
SHIPYARD INC.
BUILDER

By

Title

MATSON NAVIGATION COMPANY, INC.,
BUYER

By

Title

AMENDMENT NO. 1 TO SHIPBUILDING CONTRACT
(Hull BN-460)

THIS AMENDMENT NO. 1 TO SHIPBUILDING CONTRACT is made as of February 18, 2005, by and between KVAERNER PHILADELPHIA SHIPYARD INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (hereinafter called the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its principal office at 555 12th Street, Oakland, CA 94607 (hereinafter called the "BUYER").

R E C I T A L S

WHEREAS, the parties entered into that certain Shipbuilding Contract dated as of February 14, 2005 for the purchase one (1) Independence CV 2500 type container vessel, designated as Builder's Hull No. BN-460 (the "Shipbuilding Contract"); and

WHEREAS, the parties wish to amend the Shipbuilding Contract to correct a few minor technical errors and to incorporate additional language agreed to by the parties.

NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereby agree to amend the Shipbuilding Contract as follows:

1. <u>Contract Price</u>. Paragraph 1(a) of Article II is hereby deleted in its entirety and replaced with the following text:

> "The purchase price of the VESSEL is ONE HUNDRED FORTY FOUR MILLION THREE HUNDRED AND NINETY-ONE THOUSAND DOLLARS ($144,391,000) plus the cost incurred by the BUILDER with respect to the construction period financing for the VESSEL as provided for in paragraph (c) below, net receivable by the BUILDER, which is exclusive of the BUYER's Supplies as provided in Article XVIII hereof and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called the "Contract Price"). The Contract Price shall be paid upon delivery of the Vessel by wire transfer to an account specified by the BUILDER; provided that such payment shall be subject to (i) deferral of payment of the amounts specified on the PROTOCOL OF DELIVERY AND ACCEPTANCE; (ii) the holdback described in Paragraph 4(f) of Article IX; (iii) disputed amounts deposited in the Disputes Escrow Account (as defined herein); and (iv) less any reduction in the Contract Price pursuant to Article III hereof."

2. <u>Effective Date</u>.

(a) Paragraph 3(c) of Article II of the Shipbuilding Contract is hereby amended by deleting the reference to "Article V" in the second line and replacing it with "Article IV."

(b) Paragraph 3(d) of Article II is hereby deleted in its entirety and replaced with the following text:

> "By February 18, 2005, the BUILDER shall provide the BUYER with a guarantee of Kvaerner ASA of (i) the BUILDER's indemnification obligations under Paragraph 2 of Article XXI hereof, and (ii) the BUILDER's obligation under that certain Right of First Refusal Agreement dated of even date herewith signed by the parties relating to certain rights with respect to future CV 2600 and CV 2500 type container vessel building positions at the Shipyard (the "Right of First Refusal Agreement").

3. <u>Delivery</u>. Paragraph 2 of Article VII of the Shipbuilding Contract references a PROTOCOL OF DELIVERY AND ACCEPTANCE that will be executed by the parties in connection with the delivery of the Vessel. The parties agree that the PROTOCOL OF DELIVERY AND ACCEPTANCE will be substantially in the form of Exhibit A attached hereto.

4. <u>Warranty of Quality</u>. Paragraph 4(f) of Article IX is hereby deleted in its entirety and replaced with the following text:

> "The BUYER may withhold ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) from the delivery payment (the "Guarantee Holdback"). At the time of the delivery of the Vessel, the BUYER shall deposit the full amount of the Guarantee Holdback into an escrow account. The BUYER shall pay to the BUILDER the entire Guarantee Holdback, less any amount to cover any outstanding guarantee deficiency, upon completion of the guarantee period for the VESSEL. Any amounts withheld beyond the end of the guarantee period pursuant to this paragraph shall be paid to the BUILDER upon the correction of all guarantee deficiencies for which such amounts were withheld. Any dispute with respect to the disposition of the Guarantee Holdback shall be settled pursuant to Article XIV of this Contract."

5. <u>Indemnification</u>. Paragraph 2 of Article XXI is hereby deleted in its entirety and replaced with the following text:

> "The BUILDER shall defend, indemnify and hold harmless the BUYER, its parent, subsidiaries, affiliates, agents, subcontractors, directors, officers and employees from and against any claims, demands, obligations, liens and suits of every nature whatsoever by OceanBlue Express, Inc. or any of its directors, officers, employees,

shareholders, advisors or consultants, or any third party based upon a contractual relationship or binding commitment with OceanBlue Express Inc. or any third party whose claim is made on the basis of its reliance on any representation made by OceanBlue Express Inc. or any of its directors, officers, employees, shareholders, advisors or consultants arising out of or based upon the BUYER's purchase of the VESSEL, provided that this indemnification shall not apply to any claims, liens and suits of every nature whatsoever brought by any governmental entity unless such governmental claim, lien or suit is based upon a contractual relationship or binding commitment with OceanBlue Express, Inc. or is based on such governmental entity's reliance on any representation made by OceanBlue Express, Inc. or any of its directors, officers, employees, shareholders, advisors or consultants. This indemnification shall expire four (4) years from the effective date of this Contract.

6. No Additional Changes. Except as otherwise herein expressly provided, all other provisions of the Shipbuilding Contract shall remain in full force and effect.

7. Capitalized Terms. For all purposes of this Amendment, unless otherwise expressly provided or unless the context otherwise requires, the capitalized terms used herein shall have the meaning specified in the Shipbuilding Contract.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 to Shipbuilding Contract as of the date first set forth above.

KVAERNER PHILADELPHIA SHIPYARD, INC.

By: /s/ David E. Meehan

Name: David E. Meehan
Title: President and Chief Executive Officer

MATSON NAVIGATION COMPANY, INC.

By: /s/ James S. Andrasick

Name: James S. Andrasick
Title: President and Chief Executive Officer

EXHIBIT A

FORM OF PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

Philadelphia	Pennsylvania	_____________
(City)	(State)	(Date)

KVAERNER PHILADELPHIA SHIPYARD INC., a ___________________ corporation (the "BUILDER"), and MATSON NAVIGATION COMPANY, INC. a Hawaii corporation (the "BUYER"), each for itself, does hereby certify:

1. That the Vessel named _____________, BUILDER's Hull No.___, Official No. __________ (the "Vessel"), was, on the ___ day of ___________, 200_ at _______ o'clock (a.m.) (p.m.) __ Time, physically delivered at ________, ________, by the BUILDER to the BUYER pursuant to and in accord with the provisions of that certain Shipbuilding Contract between Kvaerner Philadelphia Shipyard Inc. and Matson Navigation Company, Inc., BUILDER's Hull No. __, entered into as of the 14th day of February, 2005, as such contract was amended by Amendments Nos. 1 through __, and Contract Changes No. 1 through __ (the "Shipbuilding Contract"), for the construction of said Vessel under the terms of which the title in and to the Vessel vested in the BUYER.

2. Receipt of physical delivery of the Vessel is acknowledged by the BUYER, and the BUYER accepts the Vessel under and pursuant to the requirements of the Shipbuilding Contract, including the Plans, the Specifications and changes thereto, but subject to (i) completion by the BUILDER of all uncompleted work and correction of all defects, deficiencies, or damage to be completed and corrected by the BUILDER after delivery as set forth in Exhibit 1 attached hereto, and (ii) the rights of the BUYER under ARTICLE IX of the Shipbuilding Contract.

3. The BUYER and the BUILDER have agreed that the sum of $_________ represents the amount to be withheld by the BUYER from the Contract Price until the uncompleted work, uncorrected defects, deficiencies and damage set forth in Exhibit 1 attached hereto, is completed and corrected, and such sum has been so withheld for later payment by the BUYER to the BUILDER in accordance with the provisions of the Shipbuilding Contract.

4. The BUYER and the BUILDER have agreed that the sum of $_________ represents the amount to be withheld by the BUYER from the BUILDER at delivery of the Vessel in lieu of the completion and correction by the BUILDER of the uncompleted work and uncorrected defects, deficiencies or damage set forth in Exhibit 2 attached hereto.

The capitalized terms used herein which are defined in the Shipbuilding Contract, or by reference therein to other documents, shall have the respective meanings stated in the Shipbuilding Contract or such other documents.

KVAERNER PHILADELPHIA SHIPYARD INC. BUILDER	MATSON NAVIGATION COMPANY, INC. BUYER
By ------------------------------	By --------------------------------
Title --------------------------	Title -----------------------------

EXHIBIT 1

TO
--
PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

DEFICIENCY LIST OF ITEMS TO BE CORRECTED

BUILDER's Hull No. __________ Date: __________, 200_

Official No. _____________

Schedule 1-A, which is attached hereto and is incorporated herein by this reference, contains a list of uncompleted work and uncorrected defects, deficiencies, or damage at the time of delivery to be completed and corrected by the BUILDER after delivery in accordance with the provisions of the Shipbuilding Contract.

KVAERNER PHILADELPHIA SHIPYARD INC.
BUILDER

By ______________________________________

Title ___________________________________

MATSON NAVIGATION COMPANY, INC.
BUYER

By ______________________________________

Title ___________________________________
Authorized Representative

EXHIBIT 2

TO

PROTOCOL OF DELIVERY AND ACCEPTANCE OF VESSEL

DEFICIENCY LIST OF ITEMS NOT TO BE CORRECTED

BUILDER's Hull No. __________ Date: __________, 200_

Official No. _____________

Schedule 2-A, which is attached hereto and is incorporated herein by this reference, contains a list of uncompleted work and uncorrected defects, deficiencies, or damage at the time of delivery that will not be completed or corrected by the BUILDER after delivery of the Vessel in lieu of the amount set forth in paragraph 4 of the Protocol of Delivery and Acceptance of Vessel withheld by the BUYER from the BUILDER at the delivery in accordance with the provisions of the Shipbuilding Contract.

KVAERNER PHILADELPHIA SHIPYARD INC.
BUILDER

By ______________________________________

Title ___________________________________

MATSON NAVIGATION COMPANY, INC.,
BUYER

By ______________________________________

Title ___________________________________

- --

SHIPBUILDING CONTRACT

(Hull 003)

- --

THIS CONTRACT is made as of this 14th day of February, 2005, by and between KVAERNER PHILADELPHIA SHIPYARD INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (hereinafter called the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its principal office at 555 12th Street, Oakland, CA 94607 (hereinafter called the "BUYER").

WITNESSETH:

In consideration of the mutual covenants herein contained and in the Right of First Refusal Agreement (as defined herein), the BUILDER agrees to design, build, launch, equip and complete at its Philadelphia shipyard (hereinafter called the "Shipyard") and sell and deliver to the BUYER one (1) container VESSEL of the type Philadelphia CV 2600, more fully described in Article 1 hereof (hereinafter called the "VESSEL"), and the BUYER agrees to purchase and take delivery of the VESSEL from the BUILDER and to pay for the same, all upon the terms and subject to the conditions hereinafter set forth. Concurrent with the execution of this Contract, BUYER and BUILDER have executed the Shipbuilding Contract of even date herewith for the purchase of one (1) container VESSEL of the type Independence CV 2500 (hereinafter called the "CV 2500 Shipbuilding Contract") and the Right of First Refusal Agreement.

ARTICLE I - DESCRIPTION AND CLASS

1. Description:

The VESSEL shall have the BUILDER's Hull No. 003 and shall be designed, constructed, equipped and completed in accordance with the provisions of this Contract, and the Specification, as defined herein. The Specification for the construction of the Vessel called "PHILADELPHIA CV2600 - KPSI SHIP 003," Document No. 003-0101-80-202-E, dated January 21, 2005, and the related drawings and plans identified therein, the General Arrangement Plan, Document No. 003-0101-80-203-D, Tank and Manholes Plan, Document No. 003-0101-90-206-C, and Container Stowage Plan, Document No. 003-0315-80-401-D, initialed by the BUILDER on February 3, 2005, are hereby adopted and agreed and made a part of this Contract with the same force and effect as though herein set out in full (herein collectively called the "Specification").

2. Dimensions and Characteristics:

Dimensions:

Overall length:	217.0 m
Length between P.P.:	200.2 m
Breadth moulded:	32.2 m
Depth moulded to uppermost deck:	19.4 m
Design draft:	11.0 m

Cargo Capacity:

The VESSEL's deadweight shall be 29,400 metric tonnes, corresponding to a mean draft in seawater (specific gravity 1.025 metric tons/m3) of 11.0 m (hereinafter the "guaranteed deadweight). The specified deadweight shall include items as listed in the Specification.

Container Carrying Capacity:

The VESSEL's container carrying capacity shall be 1,341 container places, and as otherwise set out in the Specification.

Propulsion Machinery:

Type: Reversible slow speed two stroke diesel engine
Max. Continuous power approx. 28,900 kW at 104 revs. /min

Auxiliary Generators:

Type 4 (four) four stroke MAK diesel generators
Max. continuous power approx. 2 (two) 1360kW @ 900 rpm
2 (two) 1530 kW@900 rpm

Speed:

The VESSEL's average speed on a sea trial undertaken in both directions over a measured distance, with clean hull, in calm weather, wind and sea not exceeding Beaufort 2 and with draft 11.0 m, shall be at least 22.5 knots at 90% MCR and with 20% sea margin.

The speed shall be proved by converting the results of the BUILDER's sea trial under ballast conditions.

Fuel Consumption:

The fuel consumption of the main engine on the test bed shall not exceed 179.55 grams per kW per hour when the engine develops 90% of CMCR under the conditions stipulated in the Specification (hereinafter the "guaranteed fuel consumption").

3. Classification, Rules and Regulations:

The VESSEL, including its machinery, equipment and outfittings shall be constructed in accordance with the rules of and under special survey of American Bureau of Shipping (herein called the "Classification Society"), with the following notation; +A1 "Container CARRIER" E + AMS + ACCU SH (herein referred to as the "Class").

Decisions of the Classification Society as to compliance or non-compliance with the rules thereof shall be final and binding upon both parties hereto.

The VESSEL shall be built and equipped in compliance with all rules and regulations for registration under the flag of the United States of America with a Coastwise endorsement.

The VESSEL shall also comply with the rules, regulations and requirements of other regulatory bodies as described in the Specification.

All fees and charges incidental to the classification and with respect to compliance with the above referred rules, regulations and requirements shall be for account of the BUILDER.

4. Subcontracting:

The BUILDER may in general, at its sole discretion and responsibility, subcontract portions of the construction work of the VESSEL. However, to subcontract more than 150 tonnes of the total hull steel weight, the BUILDER will need the prior written consent of the BUYER. The BUILDER shall nevertheless always be responsible under the contract for the quality, workmanship and materials of the VESSEL. The BUYER's rights hereunder shall not be in any way reduced in respect of such subcontracted work.

If the BUYER requests the BUILDER to order any equipment or machinery from a particular supplier, the BUILDER will take all reasonable steps to comply with such request, but the BUILDER may refuse to comply with the request unless the BUYER assumes the responsibility for the price and schedule impacts and for possible technical deficiencies, if any, compared with the BUILDER nominated supplier.

5. Registration:

The VESSEL shall be registered by the BUYER at its own cost and expense.

6. Financing Documentation:

a. If the BUYER elects to treat the VESSEL as a qualified vessel for purposes of using its capital construction fund pursuant to Section 607 of the Merchant Marine Act, 1936, as amended, the BUILDER will provide the BUYER, promptly upon the BUYER's written request, all documentation reasonably necessary to assist the BUYER with such election.

b. If the BUYER elects to finance the VESSEL by using Title XI of the Merchant Marine Act, 1936, as amended, the BUILDER will provide the BUYER, promptly upon the BUYER's written request, all documentation requested by the U. S. Maritime Administration that may be necessary to support a waiver request by the BUYER under 46 CFR 298.13 (b) (2) (ii).

ARTICLE II - CONTRACT PRICE, TERMS OF PAYMENT AND EFFECTIVE DATE

1. Contract Price:

a. The purchase price of the VESSEL is ONE HUNDRED FORTY FOUR MILLION THREE HUNDRED AND NINETY-ONE THOUSAND DOLLARS ($144,391,000) plus the cost incurred by the BUILDER with respect to the construction period financing for the VESSEL as provided for in paragraph (c) below, net receivable by the BUILDER, which is exclusive of the BUYER's Supplies as provided in Article XVIII hereof and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called the "Contract Price"). The Contract Price is due and payable to the BUILDER upon and concurrent with delivery of the VESSEL to the BUYER. Payment shall be made by wire transfer to Citizens Bank (collectively with any successor thereto, "Builders Bank") for account of the BUILDER.

b. The Contract Price includes a BUYER's allowance of up to ONE MILLION NINE HUNDRED THOUSAND DOLLARS ($1,900,000) for spares and supplies to be selected by the BUYER. Any unexpended amounts shall be paid to the BUYER at delivery of the VESSEL or offset against amounts due the BUILDER.

c. With respect to the cost of the construction period financing, the BUYER shall reimburse the BUILDER for construction financing costs on the portion of the Contract Price set forth below from the respective dates set forth below until the Delivery Date at an interest rate of three-month LIBOR plus 350 basis points:

22.5% of the Contract Price	February 25, 2005
7.5% of the Contract Price	Float out of the VESSEL

2. Terms of Payment:

The BUYER shall pay the BUILDER the full amount of the Contract Price at delivery of the VESSEL.

3. Effective Date of Contract:

This Contract shall be binding with immediate effect upon execution, provided, however, that the occurrence of the following events shall be a condition to the parties' respective obligations to perform hereunder:

a. Written consent of the respective boards of directors of the BUYER and the BUILDER of this Contract and the CV 2500 Shipbuilding Contract, provided that if such consents are not received by February 24, 2005, this Contract shall automatically terminate;

b. All necessary approvals of the Contract by and any required assignments to Caterpillar Financial Services Corporation, who is providing the construction period financing for the VESSEL by February 18, 2005;

c. Written confirmation from the BUILDER by February 18, 2005 that all contractual rights of third parties to acquire the VESSEL have been terminated with appropriate releases;

d. Written confirmation from the BUYER that it has reviewed and accepted the Specification as provided in Paragraph 1(c) of Article V, by February 18, 2005;

e. Agreement by the parties on a list of non-compulsory changes pursuant to Paragraph 2(b) of Article V by February 18, 2005; and

f. By February 18, 2005, the BUILDER shall provide the BUYER with a guarantee of Kvaerner ASA of (i) the BUILDER's obligations to make warranty repairs under Article IX hereof, (ii) the BUILDER's indemnification obligations under Paragraph 2 of Article XXI hereof, and (iii) the BUILDER's obligation under that certain Right of First Refusal Agreement dated of even date herewith signed by the parties relating to certain rights with respect to future CV 2600 and CV 2500 type container vessel building positions at the Shipyard (the "Right of First Refusal Agreement").

g. By February 18, 2005, the BUILDER shall provide to the BUYER an enforceable release agreement, satisfactory to the BUYER, from OceanBlue Express, Inc. and each of its current and former shareholders, obtained in exchange for adequate consideration, fully releasing and forever discharging the BUYER, its parent, subsidiaries, affiliates, agents, subcontractors, directors, officers and employees from any and all claims, demands, obligations, liens and suits of every nature whatsoever arising out of or based on the purchase of the VESSEL by the BUYER.

h. By February 18, 2005, the parties will agree on any necessary amendment to Paragraph 2 of Article XXI.

4. Method of Payment:

Upon receipt of notice from the BUILDER, the BUYER shall remit the amount of the delivery payment by wire transfer to Citizens Bank (collectively with any successor thereto, "Builder's Bank") for the account of the BUILDER.

ARTICLE III - ADJUSTMENT OF CONTRACT PRICE

It is understood and agreed that the damage arising from failure of BUILDER to comply with the terms of the Specification regarding timing of delivery, speed, fuel consumption, carrying capacity, and dead weight (collectively, "Performance Guarantees"), would be difficult to determine.

The Contract Price shall be subject to adjustment, as hereinafter set forth, in the event of the following contingencies (it being understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty). The BUILDER shall pay the BUYER, concurrently with delivery of the VESSEL, liquidated damages upon the occurrence of the following:

1. Delivery:

a. The BUILDER shall not pay liquidated damages for the first fifteen (15) days in delay of the delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof (ending at twelve o'clock midnight of the fifteenth (15th) day of delay.

b. If the delivery of the VESSEL is delayed more than fifteen (15) days after the Delivery Date, then, in such event, beginning at twelve o'clock midnight of the fifteenth (15th) day after the Delivery Date, the BUILDER shall pay liquidated damages to the BUYER as follows:

16th - 210th day US$ 20,000 per day (Twenty Thousand U.S. dollars)

c. But, if the delay in delivery of the VESSEL should continue for a period of one hundred and ninety-five (195) days from the sixteenth (16th) day after the Delivery Date, then in such event, and after such period has expired, the BUYER may at its option terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the expiration of the aforementioned hundred ninety-five (195) and days of delay in delivery, if the BUYER has not served notice of termination as provided in Article X hereof, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within fifteen (15) days after such demand is received by the BUYER, notify the BUILDER of its intention either to terminate this Contract or to consent to the acceptance of the VESSEL at an agreed future date it being understood by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of termination upon the same terms and conditions as hereinabove provided.

2. Container Carrying Capacity:

a. The VESSEL shall be capable of carrying 1,341 container units. Alternate loadings shall be according to the specification.

b. The BUILDER shall not pay liquidated damages by reason of the actual container capacity of the VESSEL being less than 10 containers of the 1,341 container capacity of the VESSEL under conditions according to the VESSEL's Container Stowage Plan as given in the Specification.

c. However, should there be a deficiency in said container capacity of the VESSEL of more than 10 containers (independent of size) i.e. less than 1,331 container units, the BUILDER shall pay liquidated damages in the amount of $10,000 per 20' container, $20,000 per 40' and 45' container, and $25,000 per refrigerated container short of 1,331 container units.

d. Should the container carrying capacity be less than 1,291 container units, then the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of ARTICLE X hereof, or may accept the VESSEL along with the maximum liquidated damages for 1,291 container units only.

3. Deadweight:

a. The BUILDER shall not pay liquidated damages by reason of the actual deadweight of the VESSEL as determined in accordance with the Specification if the difference is less than (300) metric tons of the 29,400 metric tons guaranteed deadweight of the VESSEL.

b. However, in the event that the actual deadweight of the VESSEL as determined in accordance with the Specification is more than 300 metric tons below the guaranteed deadweight of the VESSEL, the BUILDER shall pay liquidated damages in the amount of $500 for each full metric ton of such deficiency being more than 300 metric tons. (disregarding fractions of one (1) metric ton).

c. In the event of such deficiency in the actual deadweight of the VESSEL being 1,000 metric tons or more, the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof or accept the VESSEL at a reduction in the Contract Price, along with the maximum liquidated damages of $350,000.

4. Speed:

a. The BUILDER shall not pay liquidated damages by reason of the actual speed, as determined by the trial run, being less than three-tenths (0.3) of one (1) knot below the guaranteed speed of 22.5 knots.

b. However, commencing with and including such deficiency of three-tenths (0.3) of one (1) knot in actual speed below the guaranteed speed of the VESSEL, the BUILDER shall pay liquidated damages as follows (but disregarding fractions of one-tenth (1/10) of a knot):

For 0.3 knots	$65,000
For 0.4 knots	$130,000
For 0.5 knots	$195,000
For 0.6 knots	$260,000
For 0.7 knots	$325,000
For 0.8 knots	$390,000
For 0.9 knots	$455,000
For 1 full knot	$520,000

If the deficiency in actual speed of the VESSEL, upon trial run is more than one (1) full knot below the guaranteed speed of the VESSEL, then the BUYER at its option, may reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof, or may accept the VESSEL along with maximum liquidated damages of $520,000.

5. Fuel Consumption:

a. The BUILDER shall not pay liquidated damages by reason of the fuel consumption of the main engine on the test bed, as determined per the Specification, being more than the guaranteed fuel consumption of the VESSEL, if such excess is not more than 1 grams over the guaranteed fuel consumption, equaling 179.55 g/kWh (171.0 g/KWh + 5%).

b. However, commencing with an excess of one gram in the actual fuel consumption over the guaranteed fuel consumption, the BUILDER shall pay liquidated damages in the amount of $50,000 for each full gram increase in fuel consumption.

c. If such actual fuel consumption exceeds 189 g/kWh, the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof, or may accept the VESSEL along with maximum liquidated damages of $500,000.

6. Maximum Liquidated Damages and Effect of Termination:

Notwithstanding any other provision of this Article III, it is expressly understood and agreed by the parties hereto that in any case:

a. The aggregate liquidated damages due to be paid by the BUILDER pursuant to this Article III shall not exceed five per cent (5%) of the Contract Price.

b. If the BUYER terminates this Contract under this Article, the BUYER shall notify BUILDER and such termination shall be effective as of the date notice thereof is received by the BUILDER, and the BUYER shall not be entitled to any liquidated damages.

c. If the BUYER terminates this contract in accordance with the provisions of Article X hereof, all obligations, duties and liabilities of each of the parties to the other under this Contract shall be forthwith completely discharged.

ARTICLE IV - SUPERVISION AND INSPECTION AND APPROVAL OF PLANS AND DRAWINGS

1. Approval of Plans and Drawings:

Upon execution of this Contract, the BUILDER represents and the BUYER acknowledges that;

a. the basic design of the vessel has been completed; and

b. all necessary plan approvals have been obtained or are in the process of being obtained from the regulatory bodies; and

c. the Specification reviewed and agreed to by BUYER, and incorporated by reference in this Contract, reflects the current design of the VESSEL upon effective date of this Contract; and

d. the Original Contract Price for the VESSEL has been agreed to on this basis. Included in the Specification is a list of Basic Design Documents that are submitted to the Classification Society and other regulatory bodies for their approval. These plans and drawings shall be regarded as approved by the BUYER. Any request by the BUYER for changes to any of these plans and drawings except those required by regulatory bodies shall be handled as a request for change to the Specification in accordance with Paragraph 1 Article V.

2. Appointment of Project Manager and Buyer's Representative:

The BUYER shall appoint, at his cost, one representative who shall be duly authorized in writing by the BUYER (herein called the "Buyer's Representative") to act on behalf of the BUYER in connections with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance to the tests and inspections relating to the VESSEL, its machinery, equipment and outfitting, and any other matters for which he is specifically authorized by the BUYER. In case the Buyer's Representative is not stationed at the Shipyard, the BUYER shall give clear instructions to the BUILDER regarding the authority of other personnel representing the BUYER at the Shipyard.

The BUILDER shall appoint one representative who shall be duly authorized in writing by the BUILDER (herein called "Builder's Representative") to act on behalf of the BUILDER in connection with changes of the Specification, approval of Change orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment, outfitting and any other matters for which he is specifically authorized by the BUILDER.

Until the Buyer's Representative's arrival at the Shipyard, and during the absence of the Buyer's Representative in the Shipyard, all inspections shall by made by the Classification Society and/or BUILDER, and the BUYER shall be deemed to have inspected the construction work performed by the BUILDER in the above manner in accordance with the Contract and Specification. Such acceptance by the BUYER of inspections made by the Classification Society and/or BUILDER is subject to due notices of inspections being given to the BUYER or the Buyer's Representative.

3. Supervision and Inspection:

a. The necessary inspections of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Classification Society, other regulatory bodies and/or an inspection team of the BUILDER throughout the entire period of construction, in order to ensure that the construction of the VESSEL is duly performed in accordance with the Contract.

b. Prior to the execution of the Contract, the inspections of the VESSEL have been performed by the BUILDER and the Classification Society without the presence of the Buyer's Representative. All inspections performed prior to the execution of the Contract by the BUILDER and the Classification Society, if any, shall be accepted by the BUYER and shall not be repeated at a later stage, subject to Paragraph 10 of Article IV. The BUYER shall be given access to review all such prior inspections of the Classification Society and other regulatory bodies.

c. The Buyer's Representative and his assistants shall have, during the construction of the VESSEL, the right to attend all tests, trials and inspections of the VESSEL and its Materials. The BUILDER shall give a notice to the Buyer's Representative reasonably in advance of the date and place of such tests and inspections to be attended by him for his convenience. Failure of the Buyer's Representative and/or his assistants to be present at such tests and inspections after due notice to him as above provided shall be deemed a waiver of his right to be present.

d. In order to determine that the VESSEL is being constructed in accordance with the terms of the Contract and the Specification the Buyer's Representative and his assistants shall, at all times until delivery and acceptance of the VESSEL, have the right to inspect the VESSEL, her engines and all accessories and all work in progress, or material utilized in connection with the construction of the VESSEL, wherever such work is being done, or such material is stored, including the yards, workshops, stores and offices of the BUILDER. The BUILDER shall seek to arrange with its subcontractors that the Buyer's Representative and his assistants have a similar right of inspection and supervision with respect to the work performed by the subcontractors.

e. In cases requiring approval from Classification Society, such inspections shall, to the extent possible, be carried out as joint inspection by the Buyer's Representative and the representative of the Classification Society.

f. The Buyer's Representative shall, on behalf of the BUYER, make decisions or give advice or suggestions to the BUILDER on all problems arising during the course of or in connection with the construction of the VESSEL with a view to co-operating to the utmost with the BUILDER in the construction process.

g. In the event that the Buyer's Representative discovers any Materials, construction or workmanship which is not deemed to conform to the requirements of the Contract, the Buyer's Representative shall promptly give the Builder's Representative a notice in writing as to such non-conformity. Upon receipt of such notice from the Buyer's Representative, the BUILDER shall correct such non-conformity, if the BUILDER agrees to his view. In the event of difference of opinion between the parties hereto, the BUILDER or the BUYER may request resolution of the matter in accordance with the provisions of Article XIV hereof.

h. Any acceptance or approval of the BUYER or the Buyer's Representative shall in no way alter or diminish the BUILDER's obligation under this Contract.

4. Responsibility of the BUILDER:

a. The BUILDER shall furnish the Buyer's Representative and his assistants with one suitable standard office trailer complete with furniture, telephone, facsimile and computer access and parking space proximate to the location of this trailer. Such office space and amenities shall be equivalent as those provided to the BUYER in connection with the construction of the BUILDER's Hull 001 and Hull 002.

b. The BUILDER shall, at all times, until delivery of the VESSEL, give the Buyer's Representative and his assistants free and ready access to the VESSEL, her engines and accessories, and reasonable access to any other place where work is being done, or materials are being processed or stored, in connection with the construction of the VESSEL, including the yards, workshops and stores of the BUILDER, and the premises of subcontractors of the BUILDER, who are doing work or storing materials in connection with the construction of the VESSEL.

5. Liability of the BUILDER:

The Buyer's Representative, his subcontractors and his assistants shall at all times be deemed to be the employee of the BUYER. The BUILDER shall be under no liability whatsoever for personal injuries to, or death of, such Buyer's Representative or employees or agents of the BUYER, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUILDER and/or subcontractor and/or their employees or agents, while acting within the scope of their employment.

6. Responsibility of the BUYER:

The BUYER shall undertake and assure that the Buyer's Representative shall carry out his duties hereunder in accordance with the normal shipbuilding practices of the BUILDER and in such a way as to avoid any unnecessary increase in building cost, delay in or interference with the design and construction of the VESSEL, and/or any disturbance in the construction schedule of the BUILDER. The BUILDER has the right to request the BUYER to replace the Buyer's Representative and/or his assistants who is deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction. The BUYER shall investigate the situation by sending his representatives to the Shipyard if necessary, and if the BUYER considers that such BUILDER's request is justified, the BUYER shall effect such replacement as soon as practicable.

7. Liability of the BUYER:

The BUILDER and his employees, agents and subcontractors shall at all times be deemed to be employees of the BUILDER. The BUYER shall be under no liability whatsoever for personal injuries to, or death of, such BUILDER's employees, agents, or subcontractors, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUYER, Buyer's Representative and/or subcontractor and/or their employees or agents, while acting within the scope of their employment.

8. Approval by Regulatory Bodies:

a. All plans or data required by the Classification Society or other relevant regulatory bodies in connection with approval of the VESSEL shall be prepared and submitted by the BUILDER or its subcontractors and suppliers, except such data which is explicitly requested by the relevant regulatory body to be submitted by the BUYER.

b. The BUYER shall be informed by the BUILDER about discussions of technical matters related to such approval between the BUILDER and the regulatory bodies.

c. The BUILDER shall facilitate regular status meetings among the BUILDER, the Buyer's Representative and the Classification Society to discuss issues related to approval by the Classification Society of the Vessel.

9. The BUILDER's Master Production Schedule:

The BUYER shall be provided with the latest official version of the Builder's master production schedule showing the main production activities for the Vessel and the main production activities for the final outfitting, mechanical completion and testing.

10. Approval of Previously Completed Work

The BUYER acknowledges that construction of the VESSEL has begun and that any changes requested by the BUYER to parts of the VESSEL that have already been constructed shall be treated as a request for a change under Article V hereof. The BUILDER shall be required, at the BUILDER's cost, to correct any previously completed work that is found not to be in conformity with the Specification.

ARTICLE V - MODIFICATIONS

1. Modifications of Specification:

The Specification may only be modified and/or changed by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the BUILDER's judgment, materially affect the BUILDER's planning or program in relation to the BUILDER's other commitments, and provided, further, that the BUYER shall first agree, in writing, before such modifications and/or changes are carried out, to alterations in the Contract Price, the Delivery Date and other terms and conditions of this Contract and Specification occasioned by or resulting from such modifications and/or changes.

Such agreement may be effected by an exchange of letters signed by the authorized representatives of the parties hereto manifesting agreements of the parties hereto, which shall constitute amendments to this Contract and/or the Specification.

The BUILDER may make minor changes to the Specification, if found necessary to suit the BUILDER'S local facilities, the availability of Materials, introduction of improved production methods or otherwise, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld.

2. Change in Class, etc:

In the event that, after the date of this Contract, any requirements as to class, or as to rules and regulations to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the following provisions shall apply:

a. If such alterations or changes are compulsory for the VESSEL, either of the parties hereto, upon receipt of such information from the Classification Society or such other regulatory bodies, shall promptly transmit the same to the other in writing, and the BUILDER shall thereupon incorporate such alterations or changes in to the construction of the VESSEL. The BUILDER shall present to the BUYER the adjustment required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of the Contract occasioned by the change. The adjustment shall then be agreed on as a Change order in accordance with Paragraph 1 of this Article.

b. If such alterations or changes are not compulsory for the VESSEL, but the BUYER desires to incorporate such alterations or changes into the construction of the VESSEL, then, the BUYER shall notify the BUILDER of such intention. The BUILDER may accept such alterations or changes, provided that such alterations or changes will not, in the judgment of the BUILDER, adversely affect the BUILDER's planning or program in relation to the BUILDER's other commitments, and provided, further, that the BUYER shall first agree to adjustments required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of this Contract and the Specification occasioned by or resulting from such alterations or changes. By February 18, 2005, the BUYER and the BUILDER shall agree on a list of certain non-compulsory changes to conform the VESSEL to the BUILDER's Hull 001 and 002, subject to an agreement on adjustments to the Contract Price, the Delivery Date and other terms and conditions of this Contract and the Specification.

c. Agreements as to such alterations or changes under this Paragraph shall be made in the same manner as provided in Paragraph 1 of this Article for modifications or changes to the Specification.

3. Substitution of Materials:

In the event that any of the materials required by the Specification or otherwise under this Contract for the construction of the VESSEL cannot be procured in time or are in short supply to maintain the Delivery Date of the VESSEL, the BUILDER may, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld, supply other materials capable of meeting the requirements of the Classification Society and of the rules, regulations and requirements with which the construction of the VESSEL must comply. Any agreement as to such substitution of materials shall be effected in the manner provided in Paragraph 1 of this Article, and shall, likewise, include alterations in the Contract Price and other terms and conditions of this contract occasioned by or resulting from such substitution.

ARTICLE VI - TRIALS

1. Notice:

The BUYER shall receive from the BUILDER at least fourteen (14) days prior notice in writing of the time, place of the trial run of the VESSEL, and a description of the trials to be performed, and the BUYER shall give prompt written acknowledgment of the receipt of such notice. The BUYER shall have the right to have a reasonable number of authorized representatives, employees, inspectors and any other person reasonably designated by the BUYER present at the sea trial.

The BUILDER may, after due notice as described here above, conduct trial runs of the VESSEL without the presence of the Buyer's Representative or other authorized representative of the BUYER provided that the Classification Society is present. In such case, the BUYER shall be obligated to accept the results of the trial runs on the basis of a certificate of the BUILDER, confirmed by the Classification Society, stating the results of the runs.

2. Weather Condition:

The trial run shall be carried out under weather conditions deemed favorable enough in the judgment of the BUILDER. In the event of unfavorable weather on the date specified for the trial run, the same shall take place on the first available day thereafter that the weather condition permits. It is agreed that, if during the trial run of the VESSEL, the weather should suddenly become so unfavorable that orderly conduct of the trial run can no longer be continued, the trial run shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent in writing to acceptance of the VESSEL on the basis of the trial run already made before such discontinuance has occurred.

Any delay of trial run caused by such unfavorable weather condition shall operate to postpone the Delivery Date by the period of delay involved and such delay shall be deemed as a permissible delay in the delivery of the VESSEL.

3. How Conducted:

a. All expenses in connection with the trial run are to be for the account of the BUILDER and the BUILDER shall provide at its own expense the necessary crew to comply with conditions of safe navigation. The trial run shall be conducted in the manner prescribed in the Specification, and shall prove fulfillment of the performance requirements for the trial run as set forth in the Specification. The course of trial run shall be determined by the BUILDER.

b. Notwithstanding the foregoing, fuel oil, lubricating oil and greases necessary for the trial run of the VESSEL shall be supplied by the BUILDER at the Shipyard prior to the time of the trial run, and the BUYER shall pay the BUILDER upon delivery of the VESSEL the cost of the quantities of fuel oil, lubricating oil and greases not consumed during the trial run at the original purchase price. In measuring the consumed quantity, lubricating oils and greases remaining in the main engine, other machinery and their pipes, stem tube and the like, shall be excluded. The quantity of fuel oil, lubricating oils and greases supplied by the BUILDER shall be in accordance with the instructions of the BUYER.

4. Method of Acceptance or Rejection:

a. Upon completion of the trial run, the BUILDER shall give the BUYER written notice of completion of the trial run, and if the BUILDER considers that the results of the trial run indicate conformity of the VESSEL to this Contract and the Specification. The BUYER shall, within three (3) days after receipt of such notice from the BUILDER, provide the BUILDER written notice of its intent to accept or reject the VESSEL on the Contract Delivery Date.

b. However, should the results of the trial run indicate that the VESSEL, or any part or equipment thereof, does not conform to the requirements of this Contract and/or the Specification, or if the BUILDER is in agreement as to non-conformity as specified in the BUYER's notice of rejection, then, the BUILDER shall with the written concurrence of the BUYER take the necessary steps to correct such non-conformity. Upon completion of correction of such non-conformity, the BUILDER shall give the BUYER written notice thereof. The BUYER shall, within two (2) days after receipt of such notice from the BUILDER, notify the BUILDER of its acceptance or rejection of the VESSEL. The BUYER may only demand a new trial run if this is the only way the BUILDER can prove that the nonconformities have been corrected. In the event a new trial run takes place, the provisions set forth in Paragraphs 1, 2 and 3 hereof shall govern this trial run except that the BUILDER shall be entitled to give a written notice of two (2) days for such new trial run. Upon completion of the additional trial run, the provisions of Paragraph 4 shall apply.

c. In any event that the BUYER rejects the VESSEL, the BUYER shall specify in its notice of rejection in what respect the VESSEL, or any part or equipment thereof does not conform to the Contract.

d. In event that the BUYER fails to provide the BUILDER written notice of the acceptance of or the rejection together with the reason therefor of the VESSEL within the period as provided in the above subparagraphs (a) or (b), the BUYER shall be deemed to have accepted the VESSEL.

e. The BUILDER may dispute the rejection of the VESSEL by the BUYER under this Paragraph 4, in which case the matter shall be submitted for final decision in accordance with Article XIV hereof.

5. Method of Acceptance or Rejection: Effect of Acceptance:

a. Acceptance of the VESSEL as above provided shall be final and binding and the VESSEL will be deemed to be in conformity with the Contract. The BUYER shall not refuse formal delivery of the VESSEL as hereinafter provided, if the BUILDER complies with all other procedural requirements for delivery as provided in Article VII hereof.

b. If minor work or items on the VESSEL are incomplete or missing when the VESSEL otherwise is ready for delivery and such work or items do not materially affect the operation of the VESSEL nor are likely to cause damage or excessive deterioration to the VESSEL, the BUYER shall not withhold its consent to accept delivery of the VESSEL subject to the right of the BUYER to have such items completed by the BUILDER in a reasonable manner and period of time. The parties shall on delivery execute a protocol of outstanding work and a schedule for completion of such work.

6. Disposition of Surplus Consumable Stores:

Should any fresh water or other consumable stores furnished by the BUILDER for the trial run remain on board the VESSEL at the time of acceptance thereof by the BUYER, the BUYER agrees to buy the same from the BUILDER at the original purchase price thereof, and payment by the BUYER shall be effected upon delivery of the VESSEL.

ARTICLE VII - DELIVERY

1. Time and Place:

The VESSEL shall be delivered by the BUILDER to the BUYER at the Shipyard or at another location acceptable to both Parties hereto. The original Delivery Date for the VESSEL shall be on or before June 15, 2005 (herein called the "Original Delivery Date").

Delays on account of such causes which under the terms of the Contract permit the BUILDER to postpone the delivery of the VESSEL shall be understood to be Permissible Delay (herein called "Permissible Delay"). Permissible Delays are to be distinguished from unauthorized delays on account of which the Contract Price is subject to adjustment as provide for in Paragraph 1 of Article III hereof.

The Original Delivery Date shall be adjusted by the total Permissible Delay and the adjusted date shall be the Delivery Date (herein called the "Delivery Date"). The VESSEL shall be delivered by the BUILDER to the BUYER on or before the Delivery Date.

2. When and How Effected:

Provided that the BUYER shall have fulfilled all of its obligations stipulated under this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto to the other of the PROTOCOL OF DELIVERY AND ACCEPTANCE, acknowledging delivery of the VESSEL by the BUILDER and acceptance thereof by the BUYER.

The BUYER shall take delivery of the VESSEL if it substantially complete. The VESSEL shall not be deemed to be "substantially complete" if the aggregate value of the delivery deficiencies is in excess of ONE MILLION DOLLARS ($1,000,000.00).

To the extent that there is a dispute with respect to the amount that the BUILDER owes to the BUYER for liquidated damages pursuant to ARTICLE III of this Contract or the amount that the BUYER owes the BUILDER for modifications pursuant to ARTICLE V hereof, or any other amounts alleged to be owed by either party pursuant to this Contract, such disputed amounts shall be placed into an interest-bearing escrow account (the "Disputes Escrow Account") prior to the delivery of the VESSEL and released to the appropriate party upon resolution of such dispute pursuant to this Contract. In the case of liquidated damages, the BUYER shall deduct from the delivery payment the amount of liquidated damages it is seeking from the BUILDER and deposit such amount into the Disputes Escrow Account. With respect to disputed amounts resulting from modifications, the BUYER shall make a deposit into the Disputes Escrow Account equal to the amount that the BUILDER is seeking from the BUYER for the modifications. The accrued interest from the Disputes Escrow Account shall be distributed pro rata between the parties based on the final distribution of the amounts held in the Disputes Escrow Account. Provided that the BUYER has complied with the provisions of this Paragraph 2, the BUILDER shall not delay or refuse delivery of the VESSEL by reason of any disputes with respect to such amounts.

3. Documents to be Delivered to the BUYER:

Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER the following documents, which shall accompany the PROTOCOL OF DELIVERY AND ACCEPTANCE:

a. PROTOCOL OF TRIALS of the VESSEL made pursuant to the Specification.

b. PROTOCOL OF INVENTORY of the equipment of the VESSEL, including spare parts and the like, all as specified in the Specification.

c. PROTOCOL OF STORES OF CONSUMABLE NATURE referred to under subparagraphs 3(b) of Article VI hereof, including the original purchase price thereof.

d. ALL CERTIFICATES, clean and free of conditions, including the BUILDER's CERTIFICATE required to be furnished upon delivery of the VESSEL pursuant to this Contract and the Specification. It is agreed that if, through no fault on the part of the BUILDER, the classification and/or other certificates are not available at the time of delivery of the VESSEL, provisional certificates shall be accepted by the BUYER, provided that the BUILDER shall furnish the BUYER with the formal certificates as promptly as possible after such formal certificates have been issued.

e. DECLARATION OF WARRANTY of the BUILDER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages, or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by local or federal authorities, as well as of all liabilities of the BUILDER to its subcontractors, employees and crew, and of all liabilities arising from the operation of the VESSEL in trial runs, or otherwise, prior to delivery.

f. DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specification.

g. COMMERCIAL INVOICE.

h. BILL of SALE.

The BUILDER will cooperate with the BUYER to provide any other documents reasonably required by the BUYER to secure financing for the

VESSEL.

4. Tender of the VESSEL:

If the BUYER fails to take delivery of the VESSEL after completion thereof according to the Contract without any justifiable reason, the BUILDER shall have the right to tender delivery of the VESSEL after compliance with all procedural requirements as above provided.

5. Title and Risk:

Title to and risk of loss of the VESSEL shall pass to the BUYER only upon delivery and acceptance thereof having been completed as stated above; it being expressly understood that, until such delivery is effected, title to and risk of loss of the VESSEL and her equipment shall be in the BUILDER.

The BUILDER warrants that the sale of the VESSEL to BUYER will not result in any violation of or be in conflict with, or result in a breach of or constitute a default under, any term or provision of any agreement, instrument or other restriction to which the BUILDER is a party or by which it is bound.

6. Removal of the VESSEL:

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof and shall remove the VESSEL from the premises of the Shipyard within five (5) days after delivery and acceptance thereof is completed. If the BUYER shall not remove the VESSEL from the premises of the Shipyard within the aforesaid five (5) days, then, in such event the BUYER shall pay to the BUILDER the mooring charges of the VESSEL.

ARTICLE VIII-DELAYS AND EXTENSION OF TIME FOR DELIVERY DUE TO FORCE MAJEURE

1. Causes of Force Majeure:

Force Majeure (herein called "Force Majeure") is any or more of the events defined below:

Acts of God; acts of princes or rulers; requirements of government authorities; war or other hostilities or preparations thereto; blockade; revolution; insurrections; mobilizations; civil war; civil commotion; riots; strikes and other labor disturbances including local strikes affecting the BUILDER; sabotages; acts of terrorists; lockouts; labor shortages; plague; epidemics; fire; flood; typhoons, hurricanes, storms or other weather conditions not included in normal planning; earthquakes; tidal waves; landslides; explosions; collisions; strandings; embargoes; delays in transportation; import restrictions; shortage of Materials or delay in delivery or inability to take delivery thereof, provided that such Materials at the time of ordering could reasonably be expected by the BUILDER to be delivered in time; prolonged failure or restriction of electric current or petroleum; mishaps of casting and/or forging.

2. Notice of Delay:

Within ten (10) days from the date of commencement of the delay on account of which the BUILDER claims that it is entitled under this Contract to a postponement of the Delivery Date of the VESSEL, the BUILDER shall advise the BUYER in writing of the date such delay commences and the reasons therefore.

Likewise within ten (10) days after such delay ends, the BUILDER shall advise the BUYER in writing of the date such delay ended, and also shall specify the period of time by which the Delivery Date is postponed by reason of such delay. Failure of the BUYER to acknowledge the BUILDER's notification of any claim for postponement of the Delivery Date within ten (10) days after receipt of such notification shall be deemed to be a waiver by the BUYER of its right to object to such postponement.

3. Definition of Permissible Delay:

Delays on account of such causes as specified in Paragraph 1 of this Article and any other delays of a nature which under the terms of this Contract permits postponement of the Delivery Date shall be understood to be permissible delays and are to be distinguished from unauthorized delays on account of which the Contract Price is subject to adjustment as provided for in Article III hereof.

4. Right to Terminate for Excessive Delay due to Force Majeure

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of this Article, excluding other types of delays of a nature which, under the terms of this Contract, permit postponement of the Delivery Date, amounts to Two Hundred and Ten (210) days or more, then, in such event, the BUYER may terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the accumulated time of the aforementioned delays justifying rescission by the BUYER, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within twenty (20) days after such demand is received by the BUYER, either notify in writing the BUILDER of its intention to terminate this Contract, or consent to a postponement of the Delivery Date to a specific future date; it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying termination as specified in this Article, the BUYER shall have the same right of termination upon the same terms as hereinabove provided.

ARTICLE IX-WARRANTY OF QUALITY

1. Warranty:

Subject to the provisions hereinafter set forth, the BUILDER undertakes to remedy, free of charge to the BUYER, any defects in the VESSEL which are due to defective material, faulty design and/or bad workmanship on the part of the BUILDER and/or its subcontractors, provided that the defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL and a notice thereof is duly given to the BUILDER as hereinabove provided. For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts for the VESSEL which has been supplied by or on behalf of the BUYER. Upon expiration of the warranty period, and to the extent permitted by vendors, the BUILDER agrees to transfer any guarantees or warranties supplied to it by vendors and subcontractors.

2. Notice of Defects:

The BUYER shall notify the BUILDER in writing of any defects for which claim is made under this guarantee as promptly as possible after discovery thereof. If the defect was discovered during dry-docking of the VESSEL, the BUYER must notify the BUILDER in time for the BUILDER to inspect the defect before the VESSEL leaves the dry-dock if this is necessary for a prudent inspection of the defect. The BUYER's written notice shall in sufficient detail describe the nature and extent of the defects. The BUILDER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the BUILDER not later than thirty (30) days after such expiry date.

3. Remedy of Defects:

a. The BUILDER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Article, by making all necessary repairs or replacements at the Shipyard. Upon having remedied such defects the BUILDER shall give the BUYER a further guarantee period of 6 months for the aforementioned repairs but not longer than 18 months in total.

b. However, if it is impractical to bring the VESSEL to the Shipyard, the BUYER may cause the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose, provided that, in such event, the BUILDER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL. In the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL at any other shipyard or works than the Shipyard, the BUYER shall first, but in all events as soon as possible, give the BUILDER notice in writing of the time and place such repairs will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the BUILDER shall have the right to verify by its own representative(s) the nature and extents of the defects complained of. The BUILDER shall, in such case, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the BUILDER'S acceptance of the defects as justifying remedy under this Article, or upon such final decision by a competent court, the BUILDER shall immediately pay to the BUYER for such repairs or replacements a sum up to a sum equal to the reasonable cost of making the same repairs or replacements in the Shipyard. Subject to a written agreement with the BUILDER, warranty repairs may be made by the crew members of the VESSEL, provided however that BUYER submits documentation for the work performed and BUILDER will not reimburse BUYER at labor rates in excess of $55.00.

c. In any case, the VESSEL shall be taken at the BUYER's cost, risk and responsibility to the place elected, ready in all respects for such repairs or replacements.

d. Any dispute under this Article shall be referred to dispute resolution in accordance with the provisions of Article XIV hereof.

4. Extent of the BUILDER's Responsibility:

a. The BUILDER shall have no responsibility or liability for any other defects whatsoever in the VESSEL than the defects specified in Paragraph 1 of this Article. Nor shall the BUILDER in any circumstances be responsible or liable for any consequential or special losses, damages or expenses including, but not limited to, loss of time, loss or breach of charters or other contractual commitments, loss of profit or earning or demurrage directly or indirectly occasioned to the BUYER by reason of the defects specified in Paragraph 1 of this Article or due to repairs or other works done to the VESSEL to remedy such defects.

b. The BUILDER shall not be responsible for any defects in any part of the VESSEL which may subsequent to delivery of the

VESSEL have been replaced or in any way repaired by any other contractor, or for any defects which have been caused or aggravated by omission or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the BUILDER.

c. A final guaranty survey of the VESSEL shall be conducted by the BUYER at or near the expiration of the guarantee period. Such survey shall be based on the guarantee deficiencies in the contract work appearing or discovered during the guarantee period. In the event that the VESSEL is not available for the guarantee survey on or before the end of the guarantee period, the BUYER promptly shall submit to the BUILDER a list of all of the guarantee deficiencies in the contract work appearing or discovered during the guarantee period and all damage for which the BUILDER is liable under the provisions of this Article IX. The final guarantee survey shall be held at such port in the United States as the BUYER designates and seven (7) days written notice of time and place for such guarantee survey shall be given to the BUILDER by the BUYER. The BUILDER shall have the right to attend the guarantee survey.

d. At the end of the guarantee period, the BUILDER agrees to transfer and assign to the BUYER, as to any item of material installed in the VESSEL, the guarantee rights of the BUILDER against the vendor of such item of material where under the terms of such vendor's guarantee the vendor's obligations extend for a period beyond the guarantee period; provided that the BUILDER may exclude from such assignment any rights against the vendor in favor of the BUILDER for guarantee deficiencies and damages within the guarantee period. The BUILDER shall advise the BUYER of the terms of any such guarantees that are assigned to the BUYER.

e. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL for and to the BUYER. THE BUILDER MAKES NO FURTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE VESSEL, ITS MACHINERY OR EQUIPMENT FOR A PARTICULAR PURPOSE.

f. The BUILDER shall deliver to the BUYER a guarantee from Kvaerner ASA with respect to the BUILDER's performance during the guarantee period.

5. Guarantee Engineer:

The BUILDER shall have the right to appoint a guarantee engineer to serve on the VESSEL as its representative for such portion of the guarantee period as the BUILDER may decide. The BUYER and its employees shall give the guarantee engineer full cooperation in carrying out his duties as the representative of the BUILDER on board the VESSEL. The BUYER shall accord the guarantee engineer the treatment comparable to the VESSEL's chief engineer and shall provide him with accommodations and subsistence at no cost of the BUILDER and/or the guarantee engineer.

Pertaining to the detailed particulars of this Paragraph, an agreement will be made according to this effect between the parties hereto upon delivery of the VESSEL.

The guarantee engineer shall, at all times and in all respects, be deemed to be an employee of the BUILDER. The BUYER shall be under no liability whatsoever to the BUILDER or the guarantee engineer for personal injuries, including death, suffered by the guarantee engineer during the time when he is on board the VESSEL. Nor shall the BUYER be under any liability whatsoever to the guarantee engineer.

ARTICLE X - TERMINATION BY BUYER

1. Notice:

The payments made by the BUYER prior to the delivery of the VESSEL shall be in the nature of advances to the BUILDER. In the event that the BUYER shall exercise its right of termination of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the BUILDER in writing and such termination shall be effective as of the date notice thereof is received by the BUILDER.

2. Refund by the BUILDER:

Thereupon, the BUILDER shall promptly refund to the BUYER the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL (unless the BUILDER proceeds to dispute resolution under the provisions of Article XIV hereof). In such event, the BUILDER shall pay the BUYER interest at the rate of two percent (2%) per annum above the average LIBOR three month rate on the amount required herein to be refunded to the BUYER, computed from the respective dates on which such sums were paid by the BUYER to the BUILDER to the date of remittance by transfer of such refund to the BUYER by the BUILDER, provided, however, that if such rescission by the BUYER is made under the provisions of Paragraph 4 of Article VIII hereof, the BUILDER shall not be required to pay any interest.

3. Discharge of Obligations:

Upon such refund by the BUILDER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

ARTICLE XI-BUYER'S DEFAULT

1. Definition of Default:

The BUYER shall be deemed to be in default of performance of its obligations under this Contract in the following cases:

a. If the BUYER fails to take delivery of the VESSEL, when the VESSEL is duly tendered for delivery by the BUILDER under the provisions of Article VII hereof.

b. If the BUYER fails to make any payment under Article II in this Contract.

c. The BUYER being dissolved or adjudged bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUYER, or the filing by the BUYER of a petition for reorganization or other proceedings with reference to the BUYER, under the Bankruptcy Code of the United States or any similar law, state or federal or in any other jurisdiction in which the BUYER has assets or is registered to do business, or the filing of such petition of creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such a petition admitting insolvency or inability to pay its debts.

2. Interest and Charge:

If the BUYER is in default of a payment as to any installment as provided in Paragraph 1(a) and (b) of this Article, the BUYER shall pay interest on such installment at the rate of the three-month LIBOR plus 2% per annum from the due date thereof to the date of payment to the BUILDER on the full amount including interest; in case the BUYER shall fail to take delivery of the VESSEL as provided in Paragraph 1(a) of this Article, the BUYER shall be deemed in default of the final payment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the BUILDER.

In any event of default by the BUYER, the BUYER shall also pay all charges and expenses incurred by the BUILDER in consequence of such default.

3. Effect of Default:

a. If any default by the BUYER occurs as provided hereinbefore, the Delivery Date shall be automatically postponed for a period of continuance of such default by the BUYER.

b. If any default by the BUYER continues for a period of fifteen (15) days, the BUILDER may, at its option, cancel this Contract by giving notice of such effect to the BUYER in writing. Upon receipt by the BUYER of such notice of cancellation, this Contract shall forthwith become cancelled and any of the BUYER's Supplies shall become the sole property of the BUILDER.

In the event of such cancellation of this Contract, the BUILDER shall be entitled to retain any Installments theretofore paid by the BUYER to the BUILDER on account of this Contract.

4. Sale of the VESSEL:

a. In the event of cancellation of this Contract as above provided, the BUILDER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the BUILDER thinks fit without being answerable for any loss or damage.

b. In the event of the sale of the VESSEL in its completed state, the proceeds of the sale received by the BUILDER shall be applied firstly to the payment of all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default, and then to payment of all unpaid installments of the Contract Price and interest on such installments at the rate of three-month LIBOR plus 2% per annum from the respective due dates thereof to the date of application.

c. In the event of sale of the VESSEL in its incomplete state, the proceeds of sale received by the BUILDER shall be applied firstly to all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default, and then to payment of all costs of construction of the VESSEL less the installments so retained by the BUILDER as compensation to the BUILDER for a reasonable loss of profit due to the rescission of this Contract.

d. In either of the above events of sale, if the proceeds of sale exceeds the total of amounts to which such proceeds are to be applied as aforesaid the BUILDER shall promptly pay the excess to the BUYER without interest, provided, however, that the amount of such payment to the BUYER shall in no event exceed the total amount of installments already paid by the BUYER and the cost of the BUYER's Supplies, if any.

e. If the proceeds of sale are insufficient to pay such total amounts payable as aforesaid, the BUYER shall promptly pay the deficiency to the BUILDER upon request.

ARTICLE XII -BUILDER'S DEFAULT

1. The following shall constitute events of default of the BUILDER under this Contract:

a. The BUILDER being dissolved or adjudged a bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUILDER, or the filing by the BUILDER of a petition for reorganization or other proceedings with reference to the BUILDER, under any of the provisions of the Bankruptcy Code of the United States or any similar law, state or federal or in any jurisdiction in which the Contractor has assets or is registered to do business, or the filing of such petition by creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such petition admitting insolvency or inability to pay its debts.

b. If any default by the BUILDER continues for a period of thirty (30) days, the BUYER may, at its option, terminate this Contract by giving notice of such effect to the BUILDER in accordance with ARTICLE X hereof, which termination shall be effective, without further act or deed immediately upon the receipt of such notice provided, such termination shall not prevent either party from initiating proceedings pursuant to the provisions of Article XIV with respect to any claim it may allege concerning rights and obligations under this Contract. The BUYER, if it so elects, may, notwithstanding the pendency of any such proceedings under ARTICLE XIV require a refund of the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL and, at the BUYER'S option, the BUILDER shall either purchase for their fair market value or return to the BUYER all of the BUYER'S supplies.

ARTICLE XIII-INSURANCE

1. Extent of Insurance Coverage:

From the time of the first Materials destined for inclusion as part of the VESSEL and until the same is completed, delivered to and accepted by the BUYER, the BUILDER shall, at its own cost and expense, keep the VESSEL and all machinery, materials, equipment, appurtenances and outfit delivered to the Shipyard for the VESSEL or built into, or installed in or upon the VESSEL, including the BUYER's Supplies, fully insured with reputable insurance companies with coverage corresponding to the American Institute Builder's Risk Clauses (dated February 8, 1979).

The amount of such insurance coverage shall, up to the date of delivery of the VESSEL, be in an amount at least equal to, but not limited to, the value of the contract work completed to date, including the value of the BUYER's Supplies. The policy referred to hereinabove shall be taken out in the name of the BUILDER and all losses under such policy shall be payable to the BUILDER.

If the BUYER so requests, the BUILDER shall at the BUYER's cost procure insurance on the VESSEL and all parts, materials, machinery and equipment intended therefore against risks of earthquake, strikes, war peril or other risks not heretofore provided and shall make all arrangements to that end. The cost of such insurance shall be reimbursed to the BUILDER by the BUYER upon delivery of the VESSEL.

2. Application of Recovered Amount:

a. Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the BUILDER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society, and the BUYER shall accept the VESSEL under the Contract if completed in accordance with this Contract and Specification.

b. Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the BUILDER shall by the mutual agreement between the parties hereto, either:

i. Proceed in accordance with the terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction of the VESSEL's damage, provided the parties hereto shall have first agreed in writing to such reasonable postponement of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

ii. Refund immediately to the BUYER the amount of all Installments paid to the BUILDER under this Contract without any interest, whereupon this Contract shall be deemed to be terminated and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

If the parties hereto fail to reach such agreement within two (2) months after the VESSEL is determined to be an actual or constructive total loss, the provisions of subparagraphs (b) (ii) as above shall apply.

3. Termination of the BUILDER's Obligation to Insure:

The BUILDER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof and acceptance by the BUYER.

ARTICLE XIV-DISPUTE RESOLUTION

1. Technical Disputes:

Any dispute or any difference of opinion between the parties hereto relating to conformity of the construction of the VESSEL or material used to Classification requirements shall be referred to the Classification Society for settlement by and between the parties and the Classification Society.

In the event that the settlement cannot be reached by the three parties above-mentioned, then such matter shall be referred to arbitration as hereinafter provided.

2. Arbitration:

a. Except for cases which are settled under Paragraph 1 hereof, any dispute arising under or by virtue of this Contract or any difference of opinion between the parties hereto concerning their rights and obligations under this Contract, shall be referred to arbitration in the State of Pennsylvania, of three arbitrators one to be appointed by each party and a third arbitrator to be appointed by both arbitrators. The arbitration shall be conducted in accordance with the procedures set forth by the American Arbitration Association. Either party may demand arbitration of any such dispute or difference of opinion by giving notice in writing to the other party. Any demand for arbitration by either of the parties hereto shall state the name of the arbitrator appointed by such party and shall also state specifically the question or questions as to which such party is demanding arbitration. Within fourteen (14) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator and give notice in writing of such appointment to the party demanding arbitration.

b. If a party fails to appoint an arbitrator as aforementioned within fourteen (14) days following receipt of notice of demand for arbitration by the other party, the party failing to appoint an arbitrator shall be deemed to have accepted and appointed, as its own arbitrator, the arbitrator appointed by the party demanding arbitration and the arbitration shall proceed before this sole arbitrator.

c. All arbitration awards are final and may be entered into any court of competent jurisdiction.

3. Alteration of Delivery Date:

In the event of arbitration of any dispute arising or occurring prior to delivery of the VESSEL, an award of the arbitrators shall include a finding as to whether or not the delivery date of the VESSEL is in any way altered thereby.

ARTICLE XV-ENTIRE AGREEMENT AND ASSSIGNMENT OF CONTRACT

This Contract, including the Specification and Plans and Exhibits, which are incorporated herein and made part of this Contract, contains the entire agreement and understanding between the parties hereto and supersedes all prior negotiations, representations, undertakings and agreements on any subject matter of this Contract. The benefits and obligations of this Contract shall inure to and be binding upon the successors and assigns of the original parties hereto, respectively; provided, however, that no assignment shall be made by either party without the prior written consent of the other. The BUYER consents to the assignment of the Contract to a lender in connection with the construction period financing for the Vessel, provided that such assignment will not diminish the BUILDER'S obligations to perform under this Contract. At delivery, the BUYER shall have the right to assign this Contract to a third party nominee for delivery and final delivery payment purposes, provided the BUYER shall remain responsible for the performance of such assignee.

ARTICLE XVI-TAXES AND DUTIES

The BUILDER shall pay, as a cost of the BUILDER, all United States, States, County, City and other taxes, assessments and duties lawfully assessed or levied prior to delivery and acceptance of the Vessel by the BUYER against the Vessel and material, supplies and equipment to be used or used in the performance of this Contract (excepting, however, material, supplies and equipment furnished to the BUILDER by the BUYER) and any sales, use or excise taxes with respect thereto lawfully assessed or levied prior to or concurrently with delivery and acceptance of the Vessel by the BUYER.

ARTICLE XVII-PATENTS, TRADEMARKS, COPYRIGHTS, ETC.

1. Patents, Trademarks and Copyrights:

   Machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers.

   The BUILDER shall defend and save harmless the BUYER from patent liability or claims of patent infringement of any nature or kind, including costs and expenses for, or on account of any patented or patentable invention made or used in the performance of this Contract and also including costs and expenses of litigation, if any.

   Nothing contained herein shall be construed as transferring any patent or trademark rights or copyrights in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof.

   The BUILDER's warranty hereunder does not extend to the BUYER's Supplies.

2. General Plans, Specification and Working Drawings:

   The BUILDER retains all rights with respect to the Specification, and plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL and the BUYER undertakes therefore not to disclose the same or divulge any information contained therein to any third parties, without the prior written consent of the BUILDER, excepting where it is necessary for usual operation, repair and maintenance of the VESSEL.

ARTICLE XVIII-BUYER'S SUPPLIES

1. Responsibility of the BUYER:

   a. The BUYER shall, at its own risk, cost and expense, supply and deliver to the BUILDER all of the items to be furnished by the BUYER according to an agreed list (herein called the "BUYER's Supplies") at a warehouse or other storage of the Shipyard in the proper condition ready for installation in or on the VESSEL, in accordance with the time scheduled designated by the BUILDER.

   b. In order to facilitate installation by the BUILDER of the BUYER's Supplies in or on the VESSEL, the BUYER shall furnish the BUILDER with necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the rules and regulations. The BUYER, if so requested by the BUILDER, shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplies to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments thereof at the Shipyard.

   c. Any and all of the BUYER's Supplies shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation. However, if so requested by the BUYER, the BUILDER may repair or adjust the BUYER's Supplies without prejudice to the BUILDER's other rights hereunder and without being responsible for any consequences therefrom. In such case, the BUYER shall reimburse the BUILDER for all costs and expenses incurred by the BUILDER in such repair or adjustment and the Delivery Date shall be automatically postponed for a period of time necessary for such repair or replacement.

   d. Should the BUYER fail to delivery any of the BUYER's Supplies within the time designated, the Delivery Date shall be automatically extended for a period of such delay in delivery. In such event, the BUYER shall be responsible for and pay to the BUILDER all losses and damages incurred by the BUILDER by reason of such delay in delivery of the BUYER's Supplies and such payment shall be made upon delivery of the VESSEL. If delay in delivery of any of the BUYER's Supplies exceeds thirty (30) days, then, the BUILDER shall be entitled to proceed with construction of the VESSEL without installation thereof in or on the VESSEL, without prejudice to the BUILDER's other rights as hereinabove provided, and the BUYER shall accept and take delivery of the VESSEL so constructed.

2. Responsibility of BUILDER:

The BUILDER shall be responsible for storing and handling with reasonable care of the BUYER's Supplies after delivery thereof at the Shipyard, and shall, at BUYER's cost and expense, install them in or on the VESSEL, unless otherwise provided herein or agreed by the parties hereto, provided, always, that the BUILDER shall not be responsible for quality, efficiency and/or performance of any of the BUYER's Supplies.

ARTICLE XIX-NOTICE

1. Address:

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the BUYER: Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Senior Vice President and General Counsel
Telephone No.: 510-628-4583
Facsimile No.: 510-628-7331

To the BUILDER: Kvaerner Philadelphia Shipyard Inc.
Philadelphia Naval Business Center
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Telephone No.: 215-875 2600
Facsimile No.: 215-875 2700

Any notice, including any written notice, required hereunder, shall be effected and deemed received only as follows:

In the case of e-mail, at the time of transmission recorded on the message such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, always provided, however, that such notice shall be sent by registered mail or dispatched for delivery by hand or by courier not later than on the day of such transmission.

a. In the case of a letter, whether sent by registered mail or delivered by hand or by courier, at the date and time of its actual delivery if delivered within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business on the next such working day.

b. In the case of a telecopier/photographic facsimile transmission, at the time recorded together with the telephone dialing code of the receiving machine on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, but only if the time of receipt and the said code appear on the received facsimile copy, always provided, however, that such notice shall be sent by registered mail or dispatched for delivery by hand or by courier not later than on the day of such transmission.

2. Language:

Any and all notices and communications in connection with this Contract shall be written in the English language.

ARTICLE XX-INTERPRETATION

1. Laws Applicable:

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part thereof shall be governed by the laws of the United States of America and the State of New York.

2. Discrepancies:

If there is any discrepancy, difference or conflict between the provisions of the Articles of the Contract and the Specification, then to the extent of such discrepancy, difference or conflict only, the Specification shall be ineffectual and the provisions of the Articles of the Contract shall prevail; but in all other aspects, the Specification shall be in full force and effect.

If there is any discrepancy, difference or conflict between the plans of the Specification and the text of the Specification, then to the extent of such discrepancy, difference or conflict the text of the Specification shall prevail; provided, however, any work called for by the text of the Specification and not shown on the plans of the Specification and any work shown on the plans of he Specification but not called for in the text of the Specification shall be performed by the BUILDER as part of the Contract work.

Any discrepancy, difference or conflict described hereabove discovered by one of the parties hereto shall be brought to the attention of the other party hereto promptly in writing.

3. Counterparts:

This Contract may executed and delivered, including execution and delivery by facsimile transmission, in counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

ARTICLE XXI - LIMITATION OF LIABILITY; INDEMNIFICATION AND NO BROKERAGE

1. Limitation of Liability:

The parties confirm that the express remedies and measures of damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy therefore. If no remedy or measure of damages is expressly herein provided, the obligor's liability shall be limited to direct actual damages only; such direct actual damages shall be the sole and exclusive remedy. The parties confirm and agree that under this Contract, no party shall be required to pay or be liable for special, consequential, incidental, punitive, exemplary or indirect damages, lost profit or business interruption damages, by statute, in tort, contract or otherwise. To the extent any damages required to be paid hereunder are liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine, otherwise obtaining an adequate remedy is inconvenient and the liquidated damages constitute a reasonable approximation of the harm and loss.

2. Indemnification by the BUILDER

The BUILDER shall defend, indemnify and hold harmless the BUYER, its parent, subsidiaries, affiliates, agents, subcontractors, directors, officers and employees from and against any claims, demands, obligations, liens and suits of every nature whatsoever by OceanBlue Express, Inc. or any of its directors, officers, employees, shareholders, advisors or consultants, or any third-party with whom OceanBlue Express, Inc. has a contractual relationship, arising out of or based upon the BUYER's purchase of the VESSEL.

3. Brokerage

No third party shall be entitled to receive any brokerage commissions, finder's fees, fees for financial advisory services or similar compensation in connection with the transaction contemplated by this Contract based on any arrangement or agreement made by or on behalf of neither the BUYER nor the BUILDER.

ARTICLE XXII - CONFIDENTIALITY

The parties agree that they will maintain confidential the execution of this agreement and the discussions relating thereto until after the conclusion of the meeting of the Board of Directors of the BUYER scheduled to take place on February 24, 2005.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed the day and year first above written.

KVAERNER PHILADELPHIA SHIPYARD INC.	MATSON NAVIGATION COMPANY, INC.
By:/s/ David E. Meehan	By:/s/ James S. Andrasick
David E. Meehan President and Chief Executive Officer	James S. Andrasick President and Chief Executive Officer

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SHIPBUILDING CONTRACT
(Hull BN460)

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THIS CONTRACT is made as of this 14th day of February, 2005, by and between KVAERNER PHILADELPHIA SHIPYARD INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (hereinafter called the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its principal office at 555 12th Street, Oakland, CA 94607 (hereinafter called the "BUYER").

WITNESSETH:

In consideration of the mutual covenants herein contained, the BUILDER agrees to design, build, launch, equip and complete at its Philadelphia shipyard (hereinafter called the "Shipyard") and sell and deliver to the BUYER one (1) container VESSEL of the type Independence CV 2500, more fully described in Article 1 hereof (hereinafter called the "VESSEL"), and the BUYER agrees to purchase and take delivery of the VESSEL from the BUILDER and to pay for the same, all upon the terms and subject to the conditions hereinafter set forth. Concurrent with the execution of this Contract, BUYER and BUILDER have executed a Shipbuilding Contract of even date herewith for the purchase of one (1) container VESSEL of the type Philadelphia CV 2600 (hereinafter called the "CV 2600 Shipbuilding Contract").

ARTICLE I - DESCRIPTION AND CLASS

1. Description:

The VESSEL shall have the BUILDER's Hull No. BN460 and shall be designed, constructed, equipped and completed in accordance with the provisions of this Contract, and the Specification, as defined herein. The Specification for the construction of the Vessel called "INDEPENDENCE CV2500 - KPSI SHIP 460," Document No. 460-0101-80-101 V3, dated January 21, 2005, and the related drawings and plans identified therein, the General Arrangement Plan, Document No. 460-0101-80-120-B, Tank Plan, Document No. 460-0101-80-121-B, and Container Stowage Plan, Document No. 460-0315-80-420-B, initialed by the BUILDER on February 3, 2005, are hereby adopted and agreed and made a part of this Contract with the same force and effect as though herein set out in full (herein collectively called the "Specification").

2. Dimensions and Characteristics:

Dimensions:

Overall length:	207.6 m
Length between P.P.:	195.4 m
Breadth moulded:	29.8 m
Depth moulded to uppermost deck:	16.4 m
Design draft:	10.1 m

Cargo Capacity:

The VESSEL's deadweight shall be 27,300 metric tonnes, corresponding to a mean draft in seawater (specific gravity 1.025 metric tons/m3) of 10.1 m (hereinafter the "guaranteed deadweight). The specified deadweight shall include items as listed in the Specification.

Container Carrying Capacity:

The VESSEL's container carrying capacity shall be 1,110 container places, and as otherwise set out in the Specification.

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Propulsion Machinery:

Type: Reversible slow speed two stroke diesel engine
Max. Continuous power approx. 21,770 kW.

Auxiliary Generators:

Type:	4 (four stroke) MAK diesel generators
Max. continuous power approx.	2 (two) 1360kWm @ 900 rpm
	2 (two) 1020 kWm @ 900 rpm

Speed:

The VESSEL's average speed on a sea trial undertaken in both directions over a measured distance, with clean hull, in calm weather, wind and sea not exceeding Beaufort 2 and with draft 10.1 m, shall be at least 22.1 knots at 90% MCR and with 15% sea margin.

The speed shall be proved by converting the results of the BUILDER's sea trial under ballast conditions.

Fuel Consumption:

The fuel consumption of the main engine on the test bed shall not exceed 176.0 grams per kW per hour when the engine develops 90% of CMCR under the conditions stipulated in the Specification (hereinafter the "guaranteed fuel consumption").

3. Classification, Rules and Regulations:

The VESSEL, including its machinery, equipment and outfittings shall be constructed in accordance with the rules of and under special survey of

Germanischer Lloyd (herein called the "Classification Society"), with the following class notation; +100 A5 E CONTAINERSHIP SOLAS II-2, Reg.19 IW, Environmental Passport, +MC E AUT (herein referred to as the "Class") Decisions of the Classification Society as to compliance or non-compliance with the rules thereof shall be final and binding upon both parties hereto. The BUYER may elect to change the Classification Society at its cost, which shall include the BUILDER's direct and indirect costs, including delay, disruption and loss of efficiencies.

The VESSEL shall be built and equipped in compliance with all rules and regulations for registration under the flag of the United States of America with a Coastwise endorsement.

The VESSEL shall also comply with the rules, regulations and requirements of other regulatory bodies as described in the Specification.

All fees and charges incidental to the classification and with respect to compliance with the above referred rules, regulations and requirements shall be for account of the BUILDER.

4. Subcontracting:

The BUILDER may in general, at its sole discretion and responsibility, subcontract portions of the construction work of the VESSEL. However, to subcontract more than 150 tonnes of the total hull steel weight, the BUILDER will need the prior written consent of the BUYER. The BUILDER shall nevertheless always be responsible under the contract for the quality, workmanship and materials of the VESSEL. The BUYER's rights hereunder shall not be in any way reduced in respect of such subcontracted work.

If the BUYER requests the BUILDER to order any equipment or machinery from a particular supplier, the BUILDER will take all reasonable steps to comply with such request, but the BUILDER may refuse to comply with the request unless the BUYER assumes the responsibility for the price and schedule impacts and for possible technical deficiencies, if any, compared with the BUILDER nominated supplier.

5. Registration:

The VESSEL shall be registered by the BUYER at its own cost and expense.

6. Financing Documentation:

a. If the BUYER elects to treat the VESSEL as a qualified vessel for purposes of using its capital construction fund pursuant to Section 607 of the Merchant Marine Act, 1936, as amended, the BUILDER will provide the BUYER, promptly upon the BUYER's written request, all documentation reasonably necessary to assist the BUYER with such election.

b. If the BUYER elects to finance the VESSEL by using Title XI of the Merchant Marine Act, 1936, as amended, the BUILDER will provide the BUYER, promptly upon the BUYER's written request, all documentation requested by the U. S. Maritime Administration that may be necessary to support a waiver request by the BUYER under 46 CFR 298.13 (b) (2) (ii).

ARTICLE II - CONTRACT PRICE, TERMS OF PAYMENT AND EFFECTIVE DATE

1. Contract Price:

a. The purchase price of the VESSEL is ONE HUNDRED FORTY FOUR MILLION THREE HUNDRED AND NINETY-ONE THOUSAND DOLLARS ($144,391,000) plus the cost incurred by the BUILDER with respect to the construction period financing for the VESSEL as provided for in paragraph (c) below, net receivable by the BUILDER, which is exclusive of the BUYER's Supplies as provided in Article XVIII hereof and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called the "Contract Price"). The Contract Price is due and payable to the BUILDER upon and concurrent with delivery of the VESSEL to the BUYER. Payment shall be made by wire transfer to Citizens Bank (collectively with any successor thereto, "Builders Bank") for account of the BUILDER.

b. The Contract Price includes a BUYER's allowance of up to ONE MILLION NINE HUNDRED THOUSAND DOLLARS ($1,900,000) for spares and supplies to be selected by the BUYER. Any unexpended amounts shall be paid to the BUYER at delivery of the VESSEL or offset against amounts due the BUILDER.

c. With respect to the cost of the construction period financing, the BUYER shall reimburse the BUILDER for construction financing costs on the portion of the Contract Price set forth below from the respective dates set forth below until the Delivery Date at an interest rate equal to the lesser of (i) three-month LIBOR plus 350 basis points or (ii) the interest rate charged the BUILDER by Caterpillar Financial Services Corporation:

12.5% of the Contract Price	February 25, 2005
10% of the Contract Price	Keel laying of the VESSEL

7.5% of the Contract Price   Float out of the VESSEL

2. Terms of Payment:

The BUYER shall pay the BUILDER the full amount of the Contract Price at delivery of the VESSEL.

3. Effective Date of Contract:

This Contract shall be binding with immediate effect upon execution, provided, however, that the occurrence of the following events shall be a condition to the parties' respective obligations to perform hereunder:

a. Written consent of the respective boards of directors of the BUYER and the BUILDER of this Contract and the CV 2600 Shipbuilding Contract, provided that if such consents are not received by February 24, 2005, this Contract shall automatically terminate;

b. Written confirmation from the BUILDER by February 18, 2005 that all contractual rights of third parties to acquire the VESSEL have been terminated with appropriate releases;

c. Written confirmation from the BUYER that it has reviewed and accepted the Specification as provided in Paragraph 1(c) of Article V, by February 18, 2005; and

d. By February 18, 2005, the BUILDER shall provide the BUYER with a guarantee of Kvaerner ASA of (i) the BUILDER's obligations to make warranty repairs under Article IX hereof, (ii) the BUILDER's indemnification obligations under Paragraph 2 of Article XXI hereof, and (iii) the BUILDER's obligation under that certain Agreement dated of even date herewith signed by the parties relating to certain rights with respect to future CV 2600 and CV 2500 type container vessel building positions at the Shipyard.

4. Method of Payment:

Upon receipt of notice from the BUILDER, the BUYER shall remit the amount of the delivery payment by wire transfer to Citizens Bank (collectively with any successor thereto, "Builder's Bank") for the account of the BUILDER.

ARTICLE III - ADJUSTMENT OF CONTRACT PRICE

It is understood and agreed that the damage arising from failure of BUILDER to comply with the terms of the Specification regarding timing of delivery, speed, fuel consumption, carrying capacity, and dead weight (collectively, "Performance Guarantees"), would be difficult to determine.

The Contract Price shall be subject to adjustment, as hereinafter set forth, in the event of the following contingencies (it being understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty). The BUILDER shall pay the BUYER, concurrently with delivery of the VESSEL, liquidated damages upon the occurrence of the following:

1. Delivery:

a. The BUILDER shall not pay liquidated damages for the first thirty (30) days in delay of the delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof (ending at twelve o'clock midnight of the thirtieth (30th) day of delay.

b. If the delivery of the VESSEL is delayed more than thirty (30) days after the Delivery Date, then, in such event, beginning at twelve o'clock midnight of the thirtieth (30th) day after the Delivery Date, the BUILDER shall pay liquidated damages to the BUYER as follows:

31st - 210th day US$ 20,000 per day (Twenty Thousand U.S. dollars)

c. But, if the delay in delivery of the VESSEL should continue for a period of one hundred and eighty (180) days from the thirty-first (31st) day after the Delivery Date, then in such event, and after such period has expired, the BUYER may at its option terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the expiration of the aforementioned hundred and eighty (180) days of delay in delivery, if the BUYER has not served notice of termination as provided in Article X hereof, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within fifteen (15) days after such demand is received by the BUYER, notify the BUILDER of its intention either to terminate this Contract or to consent to the acceptance of the VESSEL at an agreed future date it being understood by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of termination upon the same terms and conditions as hereinabove provided.

2. Container Carrying Capacity:

a. The VESSEL shall be capable of carrying 1,110 container units.

Alternate loadings shall be according to the specification.

b. The BUILDER shall not pay liquidated damages by reason of the actual container capacity of the VESSEL being less than 10 containers of the 1,110 container capacity of the VESSEL under conditions according to the VESSEL's Container Stowage Plan as given in the Specification.

c. However, should there be a deficiency in said container capacity of the VESSEL of more than 10 containers (independent of size) i.e. less than 1,100 container units, the BUILDER shall pay liquidated damages in the amount of $20,000 per 20' container, $40,000 per 40' and 45' container, and $55,000 per refrigerated container short of 1,100 containers.

d. Should the container carrying capacity be less than 1,060 containers, then the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of ARTICLE X hereof, or may accept the VESSEL along with the maximum liquidated damages for 1,060 containers only.

3. Deadweight:

a. The BUILDER shall not pay liquidated damages by reason of the actual deadweight of the VESSEL as determined in accordance with the Specification if the difference is less than (300) metric tons of the 27,200 metric tons guaranteed deadweight of the VESSEL.

b. However, in the event that the actual deadweight of the VESSEL as determined in accordance with the Specification is more than 300 metric tons below the guaranteed deadweight of the VESSEL, the BUILDER shall pay liquidated damages in the amount of $1000 for each full metric ton of such deficiency being more than 300 metric tons. (disregarding fractions of one (1) metric ton).

c. In the event of such deficiency in the actual deadweight of the VESSEL being 1,000 metric tons or more, the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof or accept the VESSEL at a reduction in the Contract Price, along with the maximum liquidated damages of $700,000.

4. Speed:

a. The BUILDER shall not pay liquidated damages by reason of the actual speed, as determined by the trial run, being less than three-tenths (0.3) of one (1) knot below the guaranteed speed of 22.1 knots.

b. However, commencing with and including such deficiency of three-tenths (0.3) of one (1) knot in actual speed below the guaranteed speed of the VESSEL, the BUILDER shall pay liquidated damages as follows (but disregarding fractions of one-tenth (1/10) of a knot):

For 0.3 knots	$90,000
For 0.4 knots	$180,000
For 0.5knots	$270,000
For 0.6 knots	$385,000
For 0.7 knots	$500,000
For 0.8 knots	$615,000
For 0.9 knots	$730,000
For 1 full knot	$845,000

If the deficiency in actual speed of the VESSEL, upon trial run is more than one (1) full knot below the guaranteed speed of the VESSEL, then the BUYER at its option, may reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof, or may accept the VESSEL along with maximum liquidated damages of $845,000.

5. Fuel Consumption:

a. The BUILDER shall not pay liquidated damages by reason of the fuel consumption of the main engine on the test bed, as determined per the Specification, being more than the guaranteed fuel consumption of the VESSEL, if such excess is not more than 1 grams over the guaranteed fuel consumption, equaling 176.0 g/kWh (167.6 g/KWh + 5%).

b. However, commencing with an excess of one gram in the actual fuel consumption over the guaranteed fuel consumption, the BUILDER shall pay liquidated damages in the amount of $100,000 for each full gram increase in fuel consumption.

c. If such actual fuel consumption exceeds 187 g/kWh, the BUYER may, at its option, reject the VESSEL and terminate this Contract in accordance with the provisions of Article X hereof, or may accept the VESSEL along with maximum liquidated damages of $1,000,000.

6. Maximum Liquidated Damages and Effect of Termination:

Notwithstanding any other provision of this Article III, it is expressly understood and agreed by the parties hereto that in any case:

a. The aggregate liquidated damages due to be paid by the BUILDER pursuant to this Article III shall not exceed five per cent (5%) of the Contract Price.

b. If the BUYER terminates this Contract under this Article, the BUYER shall notify BUILDER and such termination shall be effective as of the date notice thereof is received by the BUILDER, and the BUYER shall not be entitled to any liquidated damages.

c. If the BUYER terminates this contract in accordance with the provisions of Article X hereof, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

ARTICLE IV - SUPERVISION AND INSPECTION AND APPROVAL OF PLANS AND DRAWINGS

1. Approval of Plans and Drawings:

Upon execution of this Contract, the BUILDER represents and the BUYER acknowledges that

a. the basic design of the vessel has been completed; and

b. all necessary plan approvals have been obtained or are in the process of being obtained from the regulatory bodies; and

c. the Specification reviewed and agreed to by BUYER, and incorporated by reference in this Contract, reflects the current design of the VESSEL upon effective date of this Contract; and

d. the Original Contract Price for the VESSEL has been agreed to on this basis. Included in the Specification is a list of Basic Design Documents that are submitted to the Classification Society and other regulatory bodies for their approval. These plans and drawings shall be regarded as approved by the BUYER. Any request by the BUYER for changes to any of these plans and drawings, except those required by regulatory bodies shall be handled as a request for change to the Specification in accordance with Paragraph 1 Article V.

2. Appointment of Project Manager and Buyer's Representative:

The BUYER shall appoint, at his cost, one representative who shall be duly authorized in writing by the BUYER (herein called the "Buyer's Representative") to act on behalf of the BUYER in connections with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance to the tests and inspections relating to the VESSEL, its machinery, equipment and outfitting, and any other matters for which he is specifically authorized by the BUYER. In case the Buyer's Representative is not stationed at the Shipyard, the BUYER shall give clear instructions to the BUILDER regarding the authority of other personnel representing the BUYER at the Shipyard.

The BUILDER shall appoint one representative who shall be duly authorized in writing by the BUILDER (herein called "Builder's Representative") to act on behalf of the BUILDER in connection with changes of the Specification, approval of Change orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment, outfitting and any other matters for which he is specifically authorized by the BUILDER.

Until the Buyer's Representative's arrival at the Shipyard, and during the absence of the Buyer's Representative in the Shipyard, all inspections shall by made by the Classification Society and/or BUILDER, and the BUYER shall be deemed to have inspected the construction work performed by the BUILDER in the above manner in accordance with the Contract and Specification. Such acceptance by the BUYER of inspections made by the Classification Society and/or BUILDER is subject to due notices of inspections being given to the BUYER or the Buyer's Representative.

3. Supervision and Inspection:

a. The necessary inspections of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Classification Society, other regulatory bodies and/or an inspection team of the BUILDER throughout the entire period of construction, in order to ensure that the construction of the VESSEL is duly performed in accordance with the Contract.

b. Prior to the execution of the Contract, the inspections of the VESSEL have been performed by the BUILDER and the Classification Society without the presence of the Buyer's Representative. All inspections performed prior to the execution of the Contract by the BUILDER and the Classification Society, if any, shall be accepted by the BUYER and shall not be repeated at a later stage, subject to Paragraph 10 of Article IV. The BUYER shall be given access to review all such prior inspections of the Classification Society and other regulatory bodies.

c. The Buyer's Representative and his assistants shall have, during the construction of the VESSEL, the right to attend all tests, trials and inspections of the VESSEL and its Materials. The BUILDER shall give a notice to the Buyer's Representative reasonably in advance of the date and place of such tests and inspections to be attended by him for is convenience. Failure of the Buyer's Representative and/or his assistants to be present at such tests and inspections after due notice to him as above provided shall be deemed a waiver of his right to be present.

d. In order to determine that the VESSEL is being constructed in accordance with the terms of the Contract and the Specification the Buyer's Representative and his assistants shall, at all times until delivery and acceptance of the VESSEL, have the right to inspect the VESSEL, her engines and all accessories and all work in progress, or material utilized in connection with the construction of the VESSEL, wherever such work is being done, or such material is stored, including the yards, workshops, stores and offices of the BUILDER. The BUILDER shall seek to arrange with its subcontractors that the Buyer's Representative and his assistants have a similar right of inspection and supervision with respect to the work performed by the subcontractors.

e. In cases requiring approval from Classification Society, such inspections shall, to the extent possible, be carried out as joint inspection by the Buyer's Representative and the representative of the Classification Society.

f. The Buyer's Representative shall, on behalf of the BUYER, make decisions or give advice or suggestions to the BUILDER on all problems arising during the course of or in connection with the construction of the VESSEL with a view to co-operating to the utmost with the BUILDER in the construction process.

g. In the event that the Buyer's Representative discovers any Materials, construction or workmanship which is not deemed to conform to the requirements of the Contract, the Buyer's Representative shall promptly give the Builder's Representative a notice in writing as to such non-conformity. Upon receipt of such notice from the Buyer's Representative, the BUILDER shall correct such non-conformity, if the BUILDER agrees to his view.. In the event of difference of opinion between the parties hereto, the BUILDER or the BUYER may request resolution of the matter in accordance with the provisions of Article XIV hereof.

h. Any acceptance or approval of the BUYER or the Buyer's Representative shall in no way alter or diminish the BUILDER's obligation under this Contract.

4. Responsibility of the BUILDER:

a. The BUILDER shall furnish the Buyer's Representatives and his assistants with one suitable standard office trailer complete with furniture, telephone, facsimile and computer access and parking space proximate to the location of this trailer. Such office space and amenities shall be equivalent as those provided to the BUYER in connection with the construction of the BUILDER's Hull 001 and Hull 002.

b. The BUILDER shall, at all times, until delivery of the VESSEL, give the Buyer's Representative and his assistants free and ready access to the VESSEL, her engines and accessories, and reasonable access to any other place where work is being done, or materials are being processed or stored, in connection with the construction of the VESSEL, including the yards, workshops and stores of the BUILDER, and the premises of subcontractors of the BUILDER, who are doing work or storing materials in connection with the construction of the VESSEL.

5. Liability of the BUILDER:

The Buyer's Representative, his subcontractors and his assistants shall at all times be deemed to be the employee of the BUYER. The BUILDER shall be under no liability whatsoever for personal injuries to, or death of, such Buyer's Representative or employees or agents of the BUYER, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUILDER and/or subcontractor and/or their employees or agents, while acting within the scope of their employment.

6. Responsibility of the BUYER:

The BUYER shall undertake and assure that the Buyer's Representative shall carry out his duties hereunder in accordance with the normal shipbuilding practices of the BUILDER and in such a way as to avoid any unnecessary increase in building cost, delay in or interference with the design and construction of the VESSEL, and/or any disturbance in the construction schedule of the BUILDER. The BUILDER has the right to request the BUYER to replace the Buyer's Representative and/or his assistants who is deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction. The BUYER shall investigate the situation by sending his representatives to the Shipyard if necessary, and if the BUYER considers that such BUILDER's request is justified, the BUYER shall effect such replacement as soon as practicable.

7. Liability of the BUYER:

The BUILDER and his employees, agents and subcontractors shall at all times be deemed to be employees of the BUILDER. The BUYER shall be under no liability whatsoever for personal injuries to, or death of, such BUILDER's employees, agents, or subcontractors, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUYER, Buyer's Representative and/or subcontractor and/or their employees or agents, while acting within the scope of their employment.

8. Approval by Regulatory Bodies:

a. All plans or data required by the Classification Society or other relevant regulatory bodies in connection with approval of the VESSEL shall be prepared and submitted by the BUILDER or its subcontractors and suppliers, except such data which is explicitly requested by the relevant regulatory body to be submitted by the BUYER.

b. The BUYER shall be informed by the BUILDER about discussions of technical matters related to such approval between the BUILDER and the regulatory bodies.

c. The BUILDER shall facilitate regular status meetings among the BUILDER, the Buyer's Representative and the Classification Society to discuss issues related to approval by the Classification Society of the Vessel.

9. The BUILDER's Master Production Schedule:

The BUYER shall be provided with the latest official version of the Builder's master production schedule showing the main production activities for the Vessel and the main production activities for the final outfitting, mechanical completion and testing.

10. Approval of Previously Completed Work

The BUYER acknowledges that construction of the VESSEL has begun and that any changes requested by the BUYER to parts of the VESSEL that have already been constructed shall be treated as a request for a change under Article V hereof. The BUILDER shall be required, at the BUILDER's cost, to correct any previously completed work that is found not to be in conformity with the Specification.

ARTICLE V - MODIFICATIONS

1. Modifications of Specification:

The Specification may only be modified and/or changed by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the BUILDER's judgment, materially affect the BUILDER's planning or program in relation to the BUILDER's other commitments, and provided, further, that the BUYER shall first agree, in writing, before such modifications and/or changes are carried out, to alterations in the Contract Price, the Delivery Date and other terms and conditions of this Contract and Specification occasioned by or resulting from such modifications and/or changes.

Such agreement may be effected by an exchange of letters signed by the authorized representatives of the parties hereto manifesting agreements of the parties hereto, which shall constitute amendments to this Contract and/or the Specification.

The BUILDER may make minor changes to the Specification, if found necessary for to suit the BUILDER'S local facilities; the availability of Materials; introduction of improved production methods or otherwise, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld.

2. Change in Class, etc:

In the event that, after the date of this Contract, any requirements as to class, or as to rules and regulations to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the following provisions shall apply:

a. If such alterations or changes are compulsory for the VESSEL, either of the parties hereto, upon receipt of such information from the Classification Society or such other regulatory bodies, shall promptly transmit the same to the other in writing, and the BUILDER shall thereupon incorporate such alterations or changes in to the construction of the VESSEL. The BUILDER shall present to the BUYER the adjustment required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of the Contract occasioned by the change. The adjustment shall then be agreed on as a Change order in accordance with Paragraph 1(b) of Article V hereof.

b. If such alterations or changes are not compulsory for the VESSEL, but the BUYER desires to incorporate such alterations or changes into the construction of the VESSEL, then, the BUYER shall notify the BUILDER of such intention. The BUILDER may accept such alterations or changes, provided that such alterations or changes will not, in the judgment of the BUILDER, adversely affect the BUILDER's planning or program in relation to the BUILDER's other commitments, and provided, further, that the BUYER shall first agree to adjustments required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of this Contract and the Specification occasioned by or resulting from such alterations or changes.

c. Agreements as to such alterations or changes under this Paragraph shall be made in the same manner as provided in Paragraph 1 of this Article for modifications or changes to the Specification.

3. Substitution of Materials:

In the event that any of the materials required by the Specification or otherwise under this Contract for the construction of the VESSEL cannot be procured in time or are in short supply to maintain the Delivery Date of the VESSEL, the BUILDER may, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld., supply other materials capable of meeting the requirements of the Classification Society and of the rules, regulations and requirements with which the construction of the VESSEL must comply. Any agreement as to such substitution of materials shall be effected in the manner provided in Paragraph 1 of this Article, and shall, likewise, include alterations in the Contract Price and other terms and conditions of this contract occasioned by or resulting from such substitution.

ARTICLE VI - TRIALS

1. Notice:

The BUYER shall receive from the BUILDER at least fourteen (14) days prior notice in writing of the time, place of the trial run of the VESSEL, and a description of the trials to be performed, and the BUYER shall give prompt written acknowledgment of the receipt of such notice. The BUYER shall have the right to have a reasonable number of authorized representatives, employees, inspectors and any other person reasonably designated by the BUYER present at the sea trial.

The BUILDER may, after due notice as described here above, conduct trial runs of the VESSEL without the presence of the Buyer's Representative of other authorized representative of the BUYER provided that the Classification Society is present. In such case, the BUYER shall be obligated to accept the results of the trial runs on the basis of a certificate of the BUILDER, confirmed by the Classification Society, stating the results of the runs.

2. Weather Condition:

The trial run shall be carried out under weather conditions deemed favorable enough in the judgment of the BUILDER. In the event of unfavorable weather on the date specified for the trial run, the same shall take place on the first available day thereafter that the weather condition permits. It is agreed that, if during the trial run of the VESSEL, the weather should suddenly become so unfavorable that orderly conduct of the trial run can no longer be continued, the trial run shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent in writing to acceptance of the VESSEL on the basis of the trial run already made before such discontinuance has occurred.

Any delay of trial run caused by such unfavorable weather condition shall operate to postpone the Delivery Date by the period of delay involved and such delay shall be deemed as a permissible delay in the delivery of the VESSEL.

3. How Conducted:

a. All expenses in connection with the trial run are to be for the account of the BUILDER and the BUILDER shall provide at its own expense the necessary crew to comply with conditions of safe navigation. The trial run shall be conducted in the manner prescribed in the Specification, and shall prove fulfillment of the performance requirements for the trial run as set forth in the Specification. The course of trial run shall be determined by the BUILDER.

b. Notwithstanding the foregoing, fuel oil, lubricating oil and greases necessary for the trial run of the VESSEL shall be supplied by the BUILDER at the Shipyard prior to the time of the trial run, and the BUYER shall pay the BUILDER upon delivery of the VESSEL the cost of the quantities of fuel oil, lubricating oil and greases not consumed during the trial run at the original purchase price. In measuring the consumed quantity, lubricating oils and greases remaining in the main engine, other machinery and their pipes, stem tube and the like, shall be excluded. The quantity of fuel oil, lubricating oils and greases supplied by the BUILDER shall be in accordance with the instructions of the BUYER.

4. Method of Acceptance or Rejection:

a. Upon completion of the trial run, the BUILDER shall give the BUYER written notice of completion of the trial run, and if the BUILDER considers that the results of the trial run indicate conformity of the VESSEL to this Contract and the Specification. The BUYER shall, within three (3) days after receipt of such notice from the BUILDER, provide the BUILDER written notice of its intent to accept or reject the VESSEL on the Contract Delivery Date.

b. However, should the results of the trial run indicate that the

VESSEL, or any part or equipment thereof, does not conform to the requirements of this Contract and/or the Specification, or if the BUILDER is in agreement as to non-conformity as specified in the BUYER's notice of rejection, then, the BUILDER shall with the written concurrence of the BUYER take the necessary steps to correct such non-conformity. Upon completion of correction of such non-conformity, the BUILDER shall give the BUYER written notice thereof. The BUYER shall, within two (2) days after receipt of such notice from the BUILDER, notify the BUILDER of its acceptance or rejection of the VESSEL. The BUYER may only demand a new trial run if this is the only way the BUILDER can prove that the nonconformities have been corrected. In the event a new trial run takes place, the provisions set forth in Paragraphs 1, 2 and 3 hereof shall govern this trial run except that the BUILDER shall be entitled to give a written notice of two (2) days for such new trial run. Upon completion of the additional trial run, the provisions of Paragraph 4 shall apply.

c. In any event that the BUYER rejects the VESSEL, the BUYER shall specify in its notice of rejection in what respect the VESSEL, or any part or equipment thereof does not conform to the Contract .

d. In event that the BUYER fails to provide the BUILDER written notice of the acceptance of or the rejection together with the reason therefor of the VESSEL within the period as provided in the above subparagraphs (a) or (b), the BUYER shall be deemed to have accepted the VESSEL.

e. The BUILDER may dispute the rejection of the VESSEL by the BUYER under this Paragraph 4, in which case the matter shall be submitted for final decision in accordance with Article XIV hereof.

5. Effect of Acceptance:

a. Acceptance of the VESSEL as above provided shall be final and binding and the VESSEL will be deemed to be in conformity with the Contract. The BUYER shall not refuse formal delivery of the VESSEL as hereinafter provided, if the BUILDER complies with all other procedural requirements for delivery as provided in Article VII hereof.

b. If minor work or items on the VESSEL are incomplete or missing when the VESSEL otherwise is ready for delivery and such work or items do not materially affect the operation of the VESSEL nor are likely to cause damage or excessive deterioration to the VESSEL, the BUYER shall not withhold its consent to accept delivery of the VESSEL subject to the right of the BUYER to have such items completed by the BUILDER in a reasonable manner and period of time. The parties shall on delivery execute a protocol of outstanding work and a schedule for completion of such work.

6. Disposition of Surplus Consumable Stores:

Should any fresh water or other consumable stores furnished by the BUILDER for the trial run remain on board the VESSEL at the time of acceptance thereof by the BUYER, the BUYER agrees to buy the same from the BUILDER at the original purchase price thereof, and payment by the BUYER shall be effected upon delivery of the VESSEL.

ARTICLE VII - DELIVERY

1. Time and Place:

a. The VESSEL shall be delivered by the BUILDER to the BUYER at the Shipyard or at another location acceptable to both Parties hereto. The original Delivery Date for the VESSEL shall be on or before May 7, 2006 (herein called the "Original Delivery Date").

b. Delays on account of such causes which under the terms of the Contract permit the BUILDER to postpone the delivery of the VESSEL shall be understood to be Permissible Delay (herein called "Permissible Delay"). Permissible Delays are to be distinguished from unauthorized delays on account of which the Contract Price is subject to adjustment as provide for in Paragraph 1 of Article III hereof.

c. The Original Delivery Date shall be adjusted by the total Permissible Delay and the adjusted date shall be the Delivery Date (herein called the "Delivery Date"). The VESSEL shall be delivered by the BUILDER to the BUYER on or before the Delivery Date.

2. When and How Effected:

Provided that the BUYER shall have fulfilled all of its obligations stipulated under this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto to the other of the PROTOCOL OF DELIVERY AND ACCEPTANCE, acknowledging delivery of the VESSEL by the BUILDER and acceptance thereof by the BUYER.

To the extent that there is a dispute with respect to the amount that the BUILDER owes to the BUYER for deficiencies at delivery of the VESSEL, the BUYER shall deduct from the delivery payment the amount of such deficiencies and deposit such amount into an escrow account. The accrued interest from such escrow account shall be distributed pro rata between the parties based on the final distribution of the amounts held in the escrow account.

3. Documents to be Delivered to the BUYER:

Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER the following documents, which shall accompany the PROTOCOL OF DELIVERY AND ACCEPTANCE:

a. PROTOCOL OF TRIALS of the VESSEL made pursuant to the Specification.

b. PROTOCOL OF INVENTORY of the equipment of the VESSEL, including spare parts and the like, all as specified in the Specification.

c. PROTOCOL OF STORES OF CONSUMABLE NATURE referred to under subparagraphs 3(b) of Article VI hereof, including the original purchase price thereof.

d. ALL CERTIFICATES, clean and free of conditions, including the BUILDER's CERTIFICATE required to be furnished upon delivery of the VESSEL pursuant to this Contract and the Specification. It is agreed that if, through no fault on the part of the BUILDER, the classification and/or other certificates are not available at the time of delivery of the VESSEL, provisional certificates shall be accepted by the BUYER, provided that the BUILDER shall furnish the BUYER with the formal certificates as promptly as possible after such formal certificates have been issued.

e. DECLARATION OF WARRANTY of the BUILDER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages, or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by local or federal authorities, as well as of all liabilities of the BUILDER to its subcontractors, employees and crew, and of all liabilities arising from the operation of the VESSEL in trial runs, or otherwise, prior to delivery.

f. DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specification.

g. COMMERCIAL INVOICE.

h. BILL of SALE.

The BUILDER will cooperate with the BUYER to provide any other documents reasonably required by the BUYER to secure financing for the VESSEL.

4. Tender of the VESSEL:

If the BUYER fails to take delivery of the VESSEL after completion thereof according to the Contract without any justifiable reason, the BUILDER shall have the right to tender delivery of the VESSEL after compliance with all procedural requirements as above provided.

5. Title and Risk:

Title to and risk of loss of the VESSEL shall pass to the BUYER only upon delivery and acceptance thereof having been completed as stated above; it being expressly understood that, until such delivery is effected, title to and risk of loss of the VESSEL and her equipment shall be in the BUILDER.

The BUILDER warrants that the sale of the VESSEL to BUYER will not result in any violation of or be in conflict with, or result in a breach of or constitute a default under, any term or provision of any agreement, instrument or other restriction to which the BUILDER is a party or by which it is bound.

6. Removal of the VESSEL:

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof and shall remove the VESSEL from the premises of the Shipyard within three (3) days after delivery and acceptance thereof is completed. If the BUYER shall not remove the VESSEL from the premises of the Shipyard within the aforesaid three (3) days, then, in such event the BUYER shall pay to the BUILDER the mooring charges of the VESSEL.

ARTICLE VIII-DELAYS AND EXTENSION OF TIME FOR DELIVERY DUE TO FORCE MAJEURE

1. Causes of Force Majeure:

Force Majeure (herein called "Force Majeure") is any or more of the events defined below:

Acts of God; acts of princes; or rulers; requirements of government authorities; war or other hostilities or preparations thereto; blockade; revolution; insurrections; mobilizations; civil war; civil commotion; riots; strikes and other labor disturbances including local strikes affecting the BUILDER; sabotages; acts of terrorists; lockouts;

labor shortages; plague; epidemics; fire; flood; typhoons, hurricanes, storms or other weather conditions not included in normal planning; earthquakes; tidal waves; landslides; explosions; collisions; strandings; embargoes; delays in transportation; import restrictions; shortage of Materials or delay in delivery or inability to take delivery thereof, provided that such Materials at the time of ordering could reasonably be expected by the BUILDER to be delivered in time; prolonged failure or restriction of electric current or petroleum; mishaps of casting and/or forging.

2. Notice of Delay:

Within ten (10) days from the date of commencement of the delay on account of which the BUILDER claims that it is entitled under this Contract to a postponement of the Delivery Date of the VESSEL, the BUILDER shall advise the BUYER in writing of the date such delay commences and the reasons therefore.

Likewise within ten (10) days after such delay ends, the BUILDER shall advise the BUYER in writing of the date such delay ended, and also shall specify the period of time by which the Delivery Date is postponed by reason of such delay. Failure of the BUYER to acknowledge the BUILDER's notification of any claim for postponement of the Delivery Date within ten (10) days after receipt of such notification shall be deemed to be a waiver by the BUYER of its right to object to such postponement.

3. Definition of Permissible Delay:

Delays on account of such causes as specified in Paragraph 1 of this Article and any other delays of a nature which under the terms of this Contract permits postponement of the Delivery Date shall be understood to be permissible delays and are to be distinguished from unauthorized delays on account of which the Contract Price is subject to adjustment as provided for in Article III hereof.

4. Right to Terminate for Excessive Delay due to Force Majeure:

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of this Article, excluding other types of delays of a nature which, under the terms of this Contract, permit postponement of the Delivery Date, amounts to Two Hundred and Ten (210) days or more, then, in such event, the BUYER may terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the accumulated time of the aforementioned delays justifying rescission by the BUYER, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within twenty (20) days after such demand is received by the BUYER, either notify in writing the BUILDER of its intention to terminate this Contract, or consent to a postponement of the Delivery Date to a specific future date; it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying termination as specified in this Article, the BUYER shall have the same right of termination upon the same terms as hereinabove provided.

ARTICLE IX-WARRANTY OF QUALITY

1. Warranty:

Subject to the provisions hereinafter set forth, the BUILDER undertakes to remedy, free of charge to the BUYER, any defects in the VESSEL which are due to defective material, faulty design and/or bad workmanship on the part of the BUILDER and/or its subcontractors, provided that the defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL and a notice thereof is duly given to the BUILDER as hereinabove provided. For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts for the VESSEL which has been supplied by or on behalf of the BUYER. Upon expiration of the warranty period, and to the extent permitted by vendors, the BUILDER agrees to transfer any guarantees or warranties supplied to it by vendors and subcontractors.

2. Notice of Defects:

The BUYER shall notify the BUILDER in writing of any defects for which claim is made under this guarantee as promptly as possible after discovery thereof. If the defect was discovered during dry-docking of the VESSEL, the BUYER must notify the BUILDER in time for the BUILDER to inspect the defect before the VESSEL leaves the dry-dock if this is necessary for a prudent inspection of the defect. The BUYER's written notice shall in sufficient detail describe the nature and extent of the defects. The BUILDER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the BUILDER not later than thirty (30) days after such expiry date.

3. Remedy of Defects:

a. The BUILDER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Article, by making all necessary repairs or replacements at the Shipyard. Upon having remedied such defects the BUILDER shall give the BUYER a further guarantee period of 6 months for the aforementioned repairs but not longer than 18 months in total.

b. However, if it is impractical to bring the VESSEL to the Shipyard, the BUYER may cause the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose, provided that, in such event, the BUILDER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL. In the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL at any other shipyard or works than the Shipyard, the BUYER shall first, but in all events as soon as possible, give the BUILDER notice in writing of the time and place such repairs will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the BUILDER shall have the right to verify by its own representative(s) the nature and extents of the defects complained of. The BUILDER shall, in such case, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the BUILDER'S acceptance of the defects as justifying remedy under this Article, or upon such final decision by a competent court, the BUILDER shall immediately pay to the BUYER for such repairs or replacements a sum up to a sum equal to the reasonable cost of making the same repairs or replacements in the Shipyard. Subject to a written agreement with the BUILDER, warranty repairs may be made by the crewmembers of the VESSEL, provided however that BUYER submits documentation for the work performed and BUILDER will not reimburse BUYER at labor rates in excess of $55.00.

c. In any case, the VESSEL shall be taken at the BUYER's cost, risk and responsibility to the place elected, ready in all respects for such repairs or replacements.

d. Any dispute under this Article shall be referred to dispute resolution in accordance with the provisions of Article XIV hereof.

4. Extent of the BUILDER's Responsibility:

a. The BUILDER shall have no responsibility or liability for any other defects whatsoever in the VESSEL than the defects specified in Paragraph 1 of this Article. Nor shall the BUILDER in any circumstances be responsible or liable for any consequential or special losses, damages or expenses including, but not limited to, loss of time, loss or breach of charters or other contractual commitments, loss of profit or earning or demurrage directly or indirectly occasioned to the BUYER by reason of the defects specified in Paragraph 1 of this Article or due to repairs or other works done to the VESSEL to remedy such defects.

b. The BUILDER shall not be responsible for any defects in any part of the VESSEL which may subsequent to delivery of the VESSEL have been replaced or in any way repaired by any other contractor, or for any defects which have been caused or aggravated by omission or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the BUILDER.

c. A final guaranty survey of the VESSEL shall be conducted by the BUYER at or near the expiration of the guarantee period. Such survey shall be based on the guarantee deficiencies in the contract work appearing or discovered during the guarantee period. In the event that the VESSEL is not available for the guarantee survey on or before the end of the guarantee period, the BUYER promptly shall submit to the BUILDER a list of all of the guarantee deficiencies in the contract work appearing or discovered during the guarantee period and all damage for which the BUILDER is liable under the provisions of this Article IX. The final guarantee survey shall be held at such port in the United States as the BUYER designates and seven (7) days written notice of time and place for such guarantee survey shall be given to the BUILDER by the BUYER. The BUILDER shall have the right to attend the guarantee survey.

d. At the end of the guarantee period, the BUILDER agrees to transfer and assign to the BUYER, as to any item of material installed in the VESSEL, the guarantee rights of the BUILDER against the vendor of such item of material where under the terms of such vendor's guarantee the vendor's obligations extend for a period beyond the guarantee period; provided that the BUILDER may exclude from such assignment any rights against the vendor in favor of the BUILDER for guarantee deficiencies and damages within the guarantee period. The BUILDER shall advise the BUYER of the terms of any such guarantees that are assigned to the BUYER.

e. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL for and to the BUYER. THE BUILDER MAKES NO FURTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE VESSEL, ITS MACHINERY OR EQUIPMENT FOR A PARTICULAR PURPOSE.

f. The BUILDER shall deliver to the BUYER a guarantee from Kvaerner ASA with respect to the BUILDER's performance during the guarantee period.

5. Guarantee Engineer:

The BUILDER shall have the right to appoint a guarantee engineer to serve on the VESSEL as its representative for such portion of the guarantee period as the BUILDER may decide. The BUYER and its employees shall give the guarantee engineer full cooperation in carrying out his duties as the representative of the BUILDER on board the VESSEL. The BUYER shall accord the guarantee engineer the treatment comparable to the VESSEL's chief engineer and shall provide him with accommodations and subsistence at no cost of the BUILDER and/or the guarantee engineer.

Pertaining to the detailed particulars of this Paragraph, an agreement will be made according to this effect between the parties hereto upon delivery of the VESSEL.

The guarantee engineer shall, at all times and in all respects, be deemed to be an employee of the BUILDER. The BUYER shall be under no liability whatsoever to the BUILDER or the guarantee engineer for personal injuries, including death, suffered by the guarantee engineer during the time when he is on board the VESSEL. Nor shall the BUYER be under any liability whatsoever to the guarantee engineer.

ARTICLE X - TERMINATION BY BUYER

1. Notice:

The payments made by the BUYER prior to the delivery of the VESSEL shall be in the nature of advances to the BUILDER. In the event that the BUYER shall exercise its right of termination of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the BUILDER in writing and such termination shall be effective as of the date notice thereof is received by the BUILDER.

2. Refund by the BUILDER:

Thereupon, the BUILDER shall promptly refund to the BUYER the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL (unless the BUILDER proceeds to dispute resolution under the provisions of Article XIV hereof). In such event, the BUILDER shall pay the BUYER interest at the rate of two percent (2%) per annum above the average LIBOR three month rate on the amount required herein to be refunded to the BUYER, computed from the respective dates on which such sums were paid by the BUYER to the BUILDER to the date of remittance by transfer of such refund to the BUYER by the BUILDER, provided, however, that if such rescission by the BUYER is made under the provisions of Paragraph 4 of Article VIII hereof, the BUILDER shall not be required to pay any interest.

3. Discharge of Obligations:

Upon such refund by the BUILDER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

ARTICLE XI-BUYER'S DEFAULT

1. Definition of Default:

The BUYER shall be deemed to be in default of performance of its obligations under this Contract in the following cases:

a. If the BUYER fails to take delivery of the VESSEL, when the VESSEL is duly tendered for delivery by the BUILDER under the provisions of Article VII hereof.

b. If the BUYER fails to make any payment under Article II in this Contract.

c. The BUYER being dissolved or adjudged bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUYER, or the filing by the BUYER of a petition for reorganization or other proceedings with reference to the BUYER, under the Bankruptcy Code of the United States or any similar law, state or federal or in any other jurisdiction in which the BUYER has assets or is registered to do business, or the filing of such petition of creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such a petition admitting insolvency or inability to pay its debts.

2. Interest and Charge:

If the BUYER is in default of a payment as to any installment as provided in Paragraph 1(a) and (b) of this Article, the BUYER shall pay interest on such installment at the rate of the three-month LIBOR plus 2% per annum from the due date thereof to the date of payment to the BUILDER on the full amount including interest; in case the BUYER shall fail to take delivery of the VESSEL as provided in Paragraph 1(a) of this Article, the BUYER shall be deemed in default of the final payment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the BUILDER. In any event of default by the BUYER, the BUYER shall also pay all charges and expenses incurred by the BUILDER in consequence of such default.

3. Effect of Default:

a. If any default by the BUYER occurs as provided hereinbefore, the Delivery Date shall be automatically postponed for a period of continuance of such default by the BUYER.

b. If any default by the BUYER continues for a period of fifteen (15) days, the BUILDER may, at its option, cancel this Contract by giving notice of such effect to the BUYER in writing. Upon receipt by the BUYER of such notice of cancellation, this Contract shall forthwith become cancelled and any of the BUYER's Supplies shall become the sole property of the BUILDER.

In the event of such cancellation of this Contract, the BUILDER shall be entitled to retain any Installments theretofore paid by the BUYER to the BUILDER on account of this Contract.

4. Sale of the VESSEL:

a. In the event of cancellation of this Contract as above provided, the BUILDER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the BUILDER thinks fit without being answerable for any loss or damage.

b. In the event of the sale of the VESSEL in its completed state, the proceeds of the sale received by the BUILDER shall be applied firstly to the payment of all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default, and then to payment of all unpaid Installments of the Contract Price and interest on such Installments at the rate of three month LIBOR plus (2%) per annum from the respective due dates thereof to the date of application.

c. In the event of sale of the VESSEL in its incomplete state, the proceeds of sale received by the BUILDER shall be applied firstly to all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default, and then to payment of all costs of construction of the VESSEL less the Installments so retained by the BUILDER as compensation to the BUILDER for a reasonable loss of profit due to the rescission of this Contract.

d. In either of the above events of sale, if the proceeds of sale exceeds the total of amounts to which such proceeds are to be applied as aforesaid the BUILDER shall promptly pay the excess to the BUYER without interest, provided, however, that the amount of such payment to the BUYER shall in no event exceed the total amount of Installments already paid by the BUYER and the cost of the BUYER's Supplies, if any.

e. If the proceeds of sale are insufficient to pay such total amounts payable as aforesaid, the BUYER shall promptly pay the deficiency to the BUILDER upon request.

ARTICLE XII -BUILDER'S DEFAULT

1. The following shall constitute events of default of the BUILDER under this Contract:

a. The BUILDER being dissolved or adjudged a bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUILDER, or the filing by the BUILDER of a petition for reorganization or other proceedings with reference to the BUILDER, under any of the provisions of the Bankruptcy Code of the United States or any similar law, state or federal or in any jurisdiction in which the Contractor has assets or is registered to do business, or the filing of such petition by creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such petition admitting insolvency or inability to pay its debts.

b. If any default by the BUILDER continues for a period of thirty (30) days, the BUYER may, at its option, terminate this Contract by giving notice of such effect to the BUILDER in accordance with ARTICLE X hereof, which termination shall be effective, without further act or deed immediately upon the receipt of such notice provided, such termination shall not prevent either party from initiating proceedings pursuant to the provisions of Article XIV with respect to any claim it may allege concerning rights and obligations under this Contract. The BUYER, if it so elects, may, notwithstanding the pendency of any such proceedings under ARTICLE XIV require a refund of the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL and, at the BUYER'S option, the BUILDER shall either purchase for their fair market value or return to the BUYER all of the BUYER'S supplies.

ARTICLE XIII-INSURANCE

1. Extent of Insurance Coverage:

From the time of the first Materials destined for inclusion as part of the VESSEL and until the same is completed, delivered to and accepted by the BUYER, the BUILDER shall, at its own cost and expense, keep the VESSEL and all machinery, materials, equipment, appurtenances and outfit delivered to the Shipyard for the VESSEL or built into, or installed in or upon the VESSEL, including the BUYER's Supplies, fully insured with reputable insurance companies with coverage corresponding to the American Institute Builder's Risk Clauses (dated February 8, 1979).

The amount of such insurance coverage shall, up to the date of delivery of the VESSEL, be in an amount at least equal to, but not limited to, the value of the contract work completed to date, including the value of the BUYER's Supplies. The policy referred to hereinabove shall be taken out in the name of the BUILDER and all losses under such policy shall be payable to the BUILDER.

If the BUYER so requests, the BUILDER shall at the BUYER's cost procure insurance on the VESSEL and all parts, materials, machinery and equipment intended therefor against risks of earthquake, strikes, war peril or other risks not heretofore provided and shall make all arrangements to that end. The cost of such insurance shall be reimbursed to the BUILDER by the BUYER upon delivery of the VESSEL.

2. Application of Recovered Amount:

a. Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the BUILDER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society, and the BUYER shall accept the VESSEL under the Contract if completed in accordance with this Contract and Specification.

b. Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the BUILDER shall by the mutual agreement between the parties hereto, either:

i. Proceed in accordance with the terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction of the VESSEL's damage, provided the parties hereto shall have first agreed in writing to such reasonable postponement of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

ii. Refund immediately to the BUYER the amount of all Installments paid to the BUILDER under this Contract without any interest, whereupon this Contract shall be deemed to be terminated and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

If the parties hereto fail to reach such agreement within two (2) months after the VESSEL is determined to be an actual or constructive total loss, the provisions of subparagraphs (b)(ii) as above shall apply.

3. Termination of the BUILDER's Obligation to Insure:

The BUILDER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof and acceptance by the BUYER.

ARTICLE XIV-DISPUTE RESOLUTION

1. Technical Disputes:

Any dispute or any difference of opinion between the parties hereto relating to conformity of the construction of the VESSEL or material used to Classification requirements shall be referred to the Classification Society for settlement by and between the parties and the Classification Society.

In the event that the settlement cannot be reached by the three parties above-mentioned, then such matter shall be referred to arbitration as hereinafter provided.

2. Arbitration:

a. Except for cases which are settled under Paragraph 1 hereof, any dispute arising under or by virtue of this Contract or any difference of opinion between the parties hereto concerning their rights and obligations under this Contract, shall be referred to arbitration in the State of Pennsylvania, of three arbitrators one to be appointed by each party and a third arbitrator to be appointed by both arbitrators. The arbitration shall be conducted in accordance with the procedures set forth by the American Arbitration Association. Either party may demand arbitration of any such dispute or difference of opinion by giving notice in writing to the other party. Any demand for arbitration by either of the parties hereto shall state the name of the arbitrator appointed by such party and shall also state specifically the question or questions as to which such party is demanding arbitration. Within fourteen (14) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator and give notice in writing of such appointment to the party demanding arbitration.

b. If a party fails to appoint an arbitrator as aforementioned within fourteen (14) days following receipt of notice of demand for arbitration by the other party, the party failing to appoint an arbitrator shall be deemed to have accepted and appointed, as its own arbitrator, the arbitrator appointed by the party demanding arbitration and the arbitration shall proceed before this sole arbitrator.

c. All arbitration awards are final and may be entered into any court of competent jurisdiction.

3. Alteration of Delivery Date:

In the event of arbitration of any dispute arising or occurring prior to delivery of the VESSEL, an award of the arbitrators shall include a finding as to whether or not the delivery date of the VESSEL is in any way altered thereby.

ARTICLE XV-ENTIRE AGREEMENT AND ASSSIGNMENT OF CONTRACT

This Contract, including the Specification and Plans and Exhibits, which are incorporated herein and made part of this Contract, contains the entire agreement and understanding between the parties hereto and supersedes all prior negotiations, representations, undertakings and agreements on any subject matter of this Contract. The benefits and obligations of this Contract shall inure to and be binding upon the successors and assigns of the original parties hereto, respectively; provided, however, that no assignment shall be made by either party without the prior written consent of the other. The BUYER consents to the assignment of the Contract to a lender in connection with the construction period financing for the Vessel, provided that such assignment will not diminish the BUILDER'S obligations to perform under this Contract. At delivery, the BUYER shall have the right to assign this Contract to a third party nominee for delivery and final delivery payment purposes, provided the BUYER shall remain responsible for the performance of such assignee.

ARTICLE XVI-TAXES AND DUTIES

The BUILDER shall pay, as a cost of the BUILDER, all United States, States, County, City and other taxes, assessments and duties lawfully assessed or levied prior to delivery and acceptance of the Vessel by the BUYER against the Vessel and material, supplies and equipment to be used or used in the performance of this Contract (excepting, however, material, supplies and equipment furnished to the BUILDER by the BUYER) and any sales, use or excise taxes with respect thereto lawfully assessed or levied prior to or concurrently with delivery and acceptance of the Vessel by the BUYER.

ARTICLE XVII-PATENTS, TRADEMARKS, COPYRIGHTS, ETC.

1. Patents, Trademarks and Copyrights:

Machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers.

The BUILDER shall defend and save harmless the BUYER from patent liability or claims of patent infringement of any nature or kind, including costs and expenses for, or on account of any patented or patentable invention made or used in the performance of this Contract and also including costs and expenses of litigation, if any.

Nothing contained herein shall be construed as transferring any patent or trademark rights or copyrights in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof.

The BUILDER's warranty hereunder does not extend to the BUYER's Supplies.

2. General Plans, Specification and Working Drawings:

The BUILDER retains all rights with respect to the Specification, and plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL and the BUYER undertakes therefore not to disclose the same or divulge any information contained therein to any third parties, without the prior written consent of the BUILDER, excepting where it is necessary for usual operation, repair and maintenance of the VESSEL.

ARTICLE XVIII-BUYER'S SUPPLIES

1. Responsibility of the BUYER:

   a. The BUYER shall, at its own risk, cost and expense, supply and deliver to the BUILDER all of the items to be furnished by the BUYER according to an agreed list (herein called the "BUYER's Supplies") at a warehouse or other storage of the Shipyard in the proper condition ready for installation in or on the VESSEL, in accordance with the time scheduled designated by the BUILDER.

   b. In order to facilitate installation by the BUILDER of the BUYER's Supplies in or on the VESSEL, the BUYER shall furnish the BUILDER with necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the rules and regulations. The BUYER, if so requested by the BUILDER, shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplies to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments thereof at the Shipyard.

   c. Any and all of the BUYER's Supplies shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation. However, if so requested by the BUYER, the BUILDER may repair or adjust the BUYER's Supplies without prejudice to the BUILDER's other rights hereunder and without being responsible for any consequences therefrom. In such case, the BUYER shall reimburse the BUILDER for all costs and expenses incurred by the BUILDER in such repair or adjustment and the Delivery Date shall be automatically postponed for a period of time necessary for such repair or replacement.

   d. Should the BUYER fail to delivery any of the BUYER's Supplies within the time designated, the Delivery Date shall be automatically extended for a period of such delay in delivery. In such event, the BUYER shall be responsible for and pay to the BUILDER all losses and damages incurred by the BUILDER by reason of such delay in delivery of the BUYER's Supplies and such payment shall be made upon delivery of the VESSEL. If delay in delivery of any of the BUYER's Supplies exceeds thirty (30) days, then, the BUILDER shall be entitled to proceed with construction of the VESSEL without installation thereof in or on the VESSEL, without prejudice to the BUILDER's other rights as hereinabove provided, and the BUYER shall accept and take delivery of the VESSEL so constructed.

2. Responsibility of BUILDER:

   The BUILDER shall be responsible for storing and handling with reasonable care of the BUYER's Supplies after delivery thereof at the Shipyard, and shall, at BUYER's cost and expense, install them in or on the VESSEL, unless otherwise provided herein or agreed by the parties hereto, provided, always, that the BUILDER shall not be responsible for quality, efficiency and/or performance of any of the BUYER's Supplies.

   If the BUILDER does not deliver the VESSEL, the BUILDER shall return all of the BUYER's Supplies to the BUYER or shall reimburse the BUYER for the cost of such supplies.

ARTICLE XIX -NOTICE

1. Address:

   Any and all notices and communications in connection with this Contract shall be addressed as follows:

   To the BUYER: Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Senior Vice President and General Counsel
Telephone No.: 510-628-4583
Facsimile No.: 510-628-7331

   To the BUILDER: Kvaerner Philadelphia Shipyard Inc.
Philadelphia Naval Business Center
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Telephone No.: 215-875 2600
Facsimile No.: 215-875 2700

   Any notice, including any written notice, required hereunder, shall be effected and deemed received only as follows:

   In the case of e-mail, at the time of transmission recorded on the message such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, always provided, however, that such notice shall be sent by registered mail or dispatched for delivery by hand or by courier not later than on the day of such transmission.

   a. In the case of a letter, whether sent by registered mail or delivered by hand or by courier, at the date and time of its actual delivery if delivered within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business on the next such working day.

b. In the case of a telecopier/photographic facsimile transmission, at the time recorded together with the telephone dialing code of the receiving machine on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, but only if the time of receipt and the said code appear on the received facsimile copy, always provided, however, that such notice shall be sent by registered mail or dispatched for delivery by hand or by courier not later than on the day of such transmission.

2. Language:

Any and all notices and communications in connection with this Contract shall be written in the English language.

ARTICLE XX - INTERPRETATION

1. Laws Applicable:

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part thereof shall be governed by the laws of the United States of America and the State of New York.

2. Discrepancies:

If there is any discrepancy, difference or conflict between the provisions of the Articles of the Contract and the Specification, then to the extent of such discrepancy, difference or conflict only, the Specification shall be ineffectual and the provisions of the Articles of the Contract shall prevail; but in all other aspects, the Specification shall be in full force and effect.

If there is any discrepancy, difference or conflict between the plans of the Specification and the text of the Specification, then to the extent of such discrepancy, difference or conflict the text of the Specification shall prevail; provided, however, any work called for by the text of the Specification and not shown on the plans of the Specification and any work shown on the plans of he Specification but not called for in the text of the Specification shall be performed by the BUILDER as part of the Contract work.

Any discrepancy, difference or conflict described hereabove discovered by one of the parties hereto shall be brought to the attention of the other party hereto promptly in writing.

3. Counterparts:

This Contract may executed and delivered, including execution and delivery by facsimile transmission, in counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

ARTICLE XXI - LIMITATION OF LIABILITY; INDEMNIFICATION AND NO BROKERAGE

1. Limitation of Liability:

The parties confirm that the express remedies and measures of damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy therefore. If no remedy or measure of damages is expressly herein provided, the obligor's liability shall be limited to direct actual damages only; such direct actual damages shall be the sole and exclusive remedy. The parties confirm and agree that under this Contract, no party shall be required to pay or be liable for special, consequential, incidental, punitive, exemplary or indirect damages, lost profit or business interruption damages, by statute, in tort, contract or otherwise. To the extent any damages required to be paid hereunder are liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine, otherwise obtaining an adequate remedy is inconvenient and the liquidated damages constitute a reasonable approximation of the harm and loss.

2. Indemnification by the BUILDER

The BUILDER shall defend, indemnify and hold harmless the BUYER, its parent, subsidiaries, affiliates, agents, subcontractors, directors, officers and employees from and against any claims, demands, obligations, liens and suits of every nature whatsoever by OceanBlue Express, Inc. or any of its directors, officers, employees, shareholders, advisors or consultants, or any third-party with whom OceanBlue Express, Inc. has executed a contract in relation to the Vessel, arising out of or based upon the BUYER's purchase of the VESSEL.

3. Brokerage

No third party shall be entitled to receive any brokerage commissions, finder's fees, fees for financial advisory services or similar compensation in connection with the transaction contemplated by this Contract based on any arrangement or agreement made by or on behalf of neither the BUYER nor the BUILDER.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed the day and year first above written.

KVAERNER PHILADELPHIA SHIPYARD INC.	MATSON NAVIGATION COMPANY, INC.
By:/s/ David E. Meehan	By:/s/ James S. Andrasick
David E. Meehan President and Chief Executive Officer	James S. Andrasick President and Chief Executive Officer

RIGHT OF FIRST REFUSAL AGREEMENT

THIS RIGHT OF FIRST REFUSAL AGREEMENT ("Agreement") is made and entered into as of the 14th day of February, 2005, by and between KVAERNER PHILADELPHIA SHIPYARD, INC., a corporation organized under the laws of Pennsylvania (the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii (the "BUYER").

In connection with and in mutual consideration for the execution by the BUILDER and the BUYER of that certain Shipbuilding Contract dated of even date herewith for the BUILDER's Hull 003 and that certain Shipbuilding Contract of even date herewith for the BUILDER's Hull BN-460 (collectively, the "Shipbuilding Contracts"), and subject to the Shipbuilding Contracts coming into full force and effect pursuant to their respective terms, the following is hereby agreed by the parties:

1. The BUYER shall have a right of first refusal to purchase each of the next four containerships of its CV2600 or CV2500 or similar design of over 2,000 TEUS built by the BUILDER following Hull No. BN-460 that deliver before June 30, 2010, as set forth below.

2. Should the BUILDER propose to accept one or more bona fide offers to enter into an agreement to build a containership of its CV 2600 and CV 2500 or similar design of over 2,000 TEUS, the BUILDER shall promptly deliver a notice to the BUYER, stating the terms and conditions of such offer or agreement, including the contract price for such containership, and certifying that the BUILDER has received a bona fide offer from an unrelated third party to build such a container ship. The BUYER shall have a right of first refusal to accept unconditionally the terms of any such offer or agreement, which right of first refusal must be irrevocably exercised, and the BUYER must enter into a contract for the construction of such containership with the BUILDER, within thirty (30) calendar days from its receipt of the notice.

3. Should the BUYER exercise its right of first refusal, the BUYER shall pay the contract price agreed to by such third party for the vessel, provided that such contract price shall be discounted by eight percent (8%).

4. Should the BUYER decline to exercise its right of first refusal, the BUILDER shall pay to the BUYER an amount equal to eight percent (8%) of the contract price to be paid by the buyer for such vessel, provided that such payment shall not be paid until such time that the vessel is delivered to its buyer.

5. The BUYER's rights hereunder shall only apply to the first four containerships that the BUILDER builds following HULL BN-460 that deliver prior to June 30, 2010.

6. Should the BUYER and the BUILDER otherwise agree to a construction contract for such vessel for delivery prior to June 30, 2010, the BUILDER shall grant the BUYER an eight percent (8%) discount on the contract price negotiated by the BUILDER and the BUYER.

7. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of laws provisions thereof. The parties each irrevocably consent to the exclusive jurisdiction of the state and federal courts of New York, in any and all actions and proceedings arising under this Agreement.

8. This Agreement may executed and delivered, including execution and delivery by facsimile transmission, in counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the day first written above.

KVAERNER PHILADELPHIA SHIPYARD INC.	MATSON NAVIGATION COMPANY, INC.
By:/s/ David E. Meehan	By:/s/ James S. Andrasick
David E. Meehan President and Chief Executive Officer	James S. Andrasick President and Chief Executive Officer

CREDIT AGREEMENT

Between

Matson Navigation Company

and

BANK OF AMERICA, N.A.

dated October 25, 2002

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT ("Agreement") is made between Matson Navigation Company, a Hawaii corporation ("Borrower"), and Bank of America, N.A., a national banking association ("Bank"). The parties agree as follows:

Article 1
Definitions

1.1 General Provisions. All terms defined below shall have the meaning indicated. All references in this Agreement to:

(a) "dollars" or "$" shall mean U.S. dollars;

(b) "Article," "Section," or "Subsection" shall mean articles, sections, and subsections of this Agreement, unless otherwise indicated;

(c) terms defined in the Washington version of the Uniform Commercial Code, R.C.W. 62A.9A-101, et seq., and not otherwise defined in this Agreement, shall have the meaning given in the UCC; and

(d) an accounting term not otherwise defined in this Agreement shall have the meaning assigned to it under GAAP.

1.2 Advances shall mean the disbursement of loan proceeds under the Revolving Loan. An Advance shall not constitute a payment order under R.C.W. ss.62A.4A-103.

1.3 Available Amount shall mean at any time the amount of the Credit Limit, minus the face amount of all Letters of Credit outstanding, minus the unpaid principal balance of the Revolving Note.

1.4 Business Day shall mean any day other than a Saturday, Sunday, or other day on which commercial banks in Washington, are authorized or required by law to close.

1.5 Capital Ratio shall mean the ratio of Funded Debt to Consolidated Total Capital, determined as of each fiscal quarter end, on a rolling, four-quarter basis.

1.6 Change in Control shall mean the acquisition by any Person, or any two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of outstanding shares of voting stock of Borrower representing more than 50% of voting control of Borrower, which Person or Persons currently have beneficial ownership of 50% or less of the outstanding voting stock of Borrower.

1.7 Consolidated Total Capital shall mean the sum of Funded Debt, Tangible Net Worth, and deferred income taxes, calculated on a consolidated basis.

1.8 Credit Limit shall mean $50,000,000.

1.9 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.10 Funded Debt shall mean all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long-term debt, less the non-current portion of Subordinated Liabilities.

1.11 GAAP shall mean generally accepted accounting principles as in effect from time to time in the United States and as consistently applied by Borrower.

1.12 L/C Agreement(s) shall have the meaning assigned to it in Section 2.5.

1.13 Letter(s) of Credit shall have the meaning assigned to it in Section 2.5.

1.14 Lien shall mean any mortgage, pledge, lien, charge, encumbrance, lease, security interest, claim, exercise of rights, or other interest affecting title to property.

1.15 Loan Documents shall mean collectively this Agreement, the Revolving Note, the L/C Agreements, all Swap Contracts, and all other documents, instruments, and agreements now or later executed in connection with this Agreement.

1.16 Obligations shall mean the Revolving Note, the L/C Agreements, Borrower's obligation to reimburse Bank for all amounts drawn under the Letters of Credit, all Swap Obligations, and all fees, costs, expenses, and indemnifications due to Bank under this Agreement.

1.17 Person shall mean any individual, partnership, corporation, limited liability company, business trust, unincorporated organization, joint venture, or any governmental entity, department, agency, or political subdivision.

1.18 Plan shall mean any employee benefit plan or other plan maintained for Borrower's employees and covered by Title IV of ERISA, excluding any plan created or operated by or for any labor union.

1.19 Permitted Liens shall mean:

(a) mechanics', suppliers, tax, and any other like Liens arising in the ordinary course of business which are not overdue or which are being contested in good faith and by appropriate legal proceedings diligently conducted, provided that Borrower set aside on its books such reserves or other appropriate provisions, if any, as shall be required by GAAP;

(b) any Lien on a vessel for financing the purchase or acquisition of such vessel;

(c) any Lien existing on the date of this Agreement as to which Borrower has given written notice to Bank or arising out of refinancing (so long as there is no increase in principal amount or in the amount of security provided), extension, renewal, or rollover of liabilities;

(d) any Lien existing on any asset of any corporation at the time such corporation is acquired by or merged into Borrower;

(e) any Lien arising pursuant to an order of attachment, distraint, or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(f) easements, rights-of-way, and restrictions, and other similar encumbrances incurred in the ordinary course of business that in the aggregate do not exceed $5,000,000; and

(g) the disposition of property or assets in the ordinary course of business.

1.20 Subordinated Liabilities shall mean liabilities subordinated to Borrower's obligations to Bank in a manner acceptable to Bank in its sole discretion.

1.21 Swap Contract shall mean any interest rate swap transaction, forward rate transaction, interest rate cap, floor or collar transaction, swaption, bond or bond price swap, option or forward, treasury lock, any similar transaction, any option to enter into any of the foregoing and any combination of the foregoing, which agreements may be oral or in writing including, without limitation, any master agreement relating to or governing any or all of the foregoing any related schedule or confirmations.

1.22 Swap Obligations shall mean all indebtedness and obligations of Borrower to Bank under any Swap Contract, as any or all of them may from time to time be modified, amended, extended, renewed and restated.

1.23 Tangible Net Worth shall mean the value of Borrower's total assets (including leaseholds and leasehold improvements and reserves against assets but excluding goodwill, patents, trademarks, trade names, organization expense, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles, and monies due from affiliates, officers, directors, employees, shareholders, members or managers of Borrower) less total liabilities, including but not limited to accrued and deferred income taxes, but excluding the non-current portion of Subordinated Liabilities.

1.24 Termination Date shall mean December 31, 2004, or such earlier date upon which Bank's commitment to lend is terminated pursuant to Subsection 7.2(a).

Article 2
Revolving Loan Facility

2.1 Revolving Loan. Subject to the terms and conditions of this Agreement, Bank shall make Advances to Borrower from time to time, until the Termination Date ("Revolving Loan"), with the aggregate principal amount at any one time outstanding not to exceed the Credit Limit minus the face amount of all Letters of Credit outstanding. Borrower may use the Revolving Loan by borrowing, prepaying, and reborrowing the Available Amount, in whole or in part, until the Termination Date.

2.2 Note. The obligation of Borrower to repay the Advances shall be evidenced by a promissory note (including all renewals, modifications, and extensions thereof, the "Revolving Note") made by Borrower to the order of Bank, and shall bear interest as provided in the Revolving Note. The Revolving Note shall be unsecured and shall be in form satisfactory to Bank.

2.3 Procedure for Advances. Borrower may borrow under the Revolving Loan on any Business Day. Borrower shall give Bank irrevocable written notice specifying the amount to be borrowed and the requested borrowing date. Borrower shall give Bank irrevocable notice (written or oral) by 3:00 p.m., Pacific time, or by such earlier time as may be required under the Revolving Note, specifying the amount to be borrowed and the requested borrowing date. If notice is received after by 3:00 p.m., Pacific time, Bank may in its discretion make an Advance on the same day, but shall otherwise make such Advance on the following Business Day. Borrower agrees that each Advance will be automatically deposited into Borrower's account number 1233517020 at Bank, or such other of Borrower's accounts with Bank as designated in writing by Borrower.

2.4 Commitment Fees. Borrower shall pay to Bank a commitment fee of $50,000 upon execution of this Agreement. In addition, Borrower shall pay to Bank, in arrears in quarterly intervals beginning three months after the date of execution of this Agreement, and continuing until and including the Termination Date, a nonusage fee equal to a percentage per annum of the difference between (a) the Credit Limit and (b) the sum of the daily outstanding principal balance of the Revolving Note plus the daily outstanding face amount of all Letters of

Credit. The applicable percentage shall be 0.10% per annum for the period from the date of this Agreement through December 31, 2003; and thereafter shall be 0.12% per annum.

2.5 Standby Letters of Credit. Upon Borrower's execution of Bank's standard form standby letter of credit application ("L/C Agreement"), Bank shall, until the Termination Date, issue on Borrower's behalf, up to the Available Amount, standby letters of credit ("Letters of Credit") with expiration dates no later than the Termination Date. The aggregate amount of all Letters of Credit outstanding shall not exceed $5,000,000. If there is a draw under a Letter of Credit and Borrower fails to reimburse Bank for the amount of such draw by 3:00 p.m., Seattle time, Bank may on that date make an Advance in the amount of the draw, whether or not a Default exists or Borrower has requested an Advance, and apply the Advance to Borrower's reimbursement obligation.

2.6 Letter of Credit Fees. Borrower shall pay to Bank in advance, upon issuance of each Letter of Credit, an issuance fee based on a percentage of the face amount of the Letter of Credit. The applicable percentage shall be 0.45% per annum for the period from the date of this Agreement through December 31, 2003; and thereafter shall be 0.55% per annum. Borrower shall additionally, on demand, pay transaction fees for Letters of Credit according to Bank's then-outstanding standard fee schedule on all drafts, transfers, extensions, and other transactions, and reimburse Bank for all out-of-pocket costs, legal fees, and expenses with regard thereto.

Article 3
Conditions of Lending

Bank's obligation to make Advances and to issue Letters of Credit is subject to the conditions precedent listed in Sections 3.1 and 3.2, and to make subsequent Advances and issue subsequent Letters of Credit is subject to the conditions precedent listed in Sections 3.3 and 3.4, unless waived by Bank in writing:

3.1 Authorization. Borrower shall have delivered to Bank a certified copy of the resolution of Borrower's board of directors authorizing the transactions contemplated by this Agreement and the execution, delivery, and performance of all Loan Documents, together with appropriate certificates of incumbency.

3.2 Documentation. Borrower shall have executed and delivered to Bank all documents to reflect the existence of the Obligations.

3.3 Representations and Warranties. The representations and warranties made by Borrower in the Loan Documents and in any certificate, document, or financial statement furnished at any time shall continue to be true and correct, except to the extent that such representations and warranties expressly relate to an earlier date.

3.4 Compliance. No Default or other event which, upon notice or lapse of time or both would constitute a Default, shall have occurred and be continuing, or shall exist after giving effect to the advance of credit to be made.

Article 4
Representations and Warranties

To induce Bank to enter into this Agreement, Borrower represents, warrants, and covenants to Bank as follows:

4.1 Existence. Borrower is in good standing as a corporation under the laws of the state of Hawaii, and has the power, authority, and legal right to own and operate its property or lease the property it operates and to conduct its current business; and is qualified to do business and is in good standing in all other jurisdictions where the ownership, lease, or operation of its property or the conduct of its business requires such qualification.

4.2 Enforceability. The Loan Documents, when executed and delivered by Borrower, shall be enforceable against Borrower in accordance with their respective terms.

4.3 No Legal Bar. The execution, delivery, and performance by Borrower of the Loan Documents, and the use of the loan proceeds, shall not violate any existing law or regulation applicable to Borrower; any ruling applicable to Borrower of any court, arbitrator, or governmental agency or body of any kind; Borrower's organizational documents; any security issued by Borrower; or any mortgage, indenture, lease, contract, undertaking, or other agreement to which Borrower is a party or by which Borrower or any of its property may be bound.

4.4 Financial Information. By submitting each of the financial statements required by Subsection 5.4(a) and 5.4(b), Borrower is deemed to represent and warrant that: (a) such statement is complete and correct and fairly presents the financial condition of Borrower as of the date of such statement; (b) such statement discloses all liabilities of Borrower that are required to be reflected or reserved against under GAAP, whether liquidated or unliquidated, fixed or contingent; and (c) such statement has been prepared in accordance with GAAP. As of this date, there has been no adverse change in Borrower's financial condition since preparation of the last such financial statements delivered to Bank that would materially impair Borrower's ability to repay the Obligations.

4.5 Liens and Encumbrances. As of this date, Borrower has good and marketable title to its property free and clear of all Liens other then Permitted Liens.

4.6 Litigation. Except as disclosed in writing to Bank, there is no threatened (to Borrower's knowledge) or pending litigation, investigation, arbitration, or administrative action which may materially adversely affect Borrower's business, property, operations, or financial condition.

4.7 Payment of Taxes. Borrower has timely filed or caused to be filed all tax returns when required to be filed; and has timely paid all taxes, assessments, fees, licenses, excise taxes, franchise taxes, governmental liens, penalties, and other charges levied or assessed against Borrower or any of its property imposed on it by any governmental authority, agency, or instrumentality that are due and payable (other than those returns or payments of which the mount, enforceability, or validity are contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP are provided on Borrower's books).

4.8 Employee Benefit Plan. Borrower is in compliance in all respects with the provisions of ERISA and the regulations and published interpretations thereunder. Borrower has not engaged in any acts or omissions, which would make Borrower liable to the Plan, to any of its participants, or to the Internal Revenue Service, under ERISA.

4.9 Misrepresentations. No information, exhibits, data, or reports furnished by Borrower or delivered to Bank in connection with Borrower's application for credit misstates any material fact, or omits any fact necessary to make such information, exhibits, data, or reports not misleading.

4.10 No Default. Borrower is not in default in any Loan Document, or in any contract, agreement, or instrument to which it is a party.

4.11 No Burdensome Restrictions. No contract or other instrument to which Borrower is a party, or order, award, or decree of any court, arbitrator, or governmental agency, materially impairs Borrower's ability to repay the Obligations.

Article 5
Affirmative Covenants

So long as this Agreement shall remain in effect, or any liability exists under the Loan Documents, Borrower shall:

5.1 Use of Proceeds. Use the proceeds of the Revolving Loan for working capital or other general corporate purposes.

5.2 Tangible Net Worth. Maintain on a consolidated basis Tangible Net Worth, measured as of each fiscal quarter end, of not less than $250,000,000.

5.3 Funded Debt to Tangible Net Worth Ratio. Maintain on a consolidated basis a ratio of Funded Debt to Tangible Net Worth, measured as of each fiscal quarter end, not exceeding 2.0 to 1.

5.4 Financial Information. Maintain a standard system of accounting in accordance with GAAP and furnish to Bank the following:

(a) Quarterly Financial Statements. As soon as available and, in any event, within 45 days after the end of each fiscal quarter of each fiscal year, a copy of the consolidated statement of income and retained earnings of Borrower for the quarter and for the current fiscal year through such quarter, and for each such quarter a copy of the consolidated balance sheet, statement of shareholder's equity, and statement of cash flows of Borrower as of the end of such quarter, setting forth, in each case, in comparative form, figures for the corresponding period of the preceding fiscal year, all in reasonable detail and satisfactory in scope to Bank, prepared under the supervision of the chief financial officer of Borrower, and in form and substance satisfactory to Bank;

(b) Annual Financial Statements. As soon as available and, in any event, within 120 days after the end of each fiscal year, a copy of the consolidated balance sheet, statement of income and retained earnings, statement of shareholder's equity, and statement of cash flows of Borrower for such year, setting forth in each case, in comparative form, corresponding figures from the preceding annual statements, each audited by independent certified public accountants of recognized standing selected by Borrower and satisfactory to Bank certifying that such statement is complete and correct, fairly presents without qualification the financial condition of Borrower for such period, is prepared in accordance with GAAP, and has been audited in conformity with generally accepted auditing standards;

(c) Other Certificates. Together with the delivery of the financial statements required by Subsections 5.4(a) and 5.4(b), a certificate of the chief financial officer of Borrower, in the form of Exhibit A attached; and

(d) Other Information. Such other reports and information as Bank shall reasonably request from time to time.

5.5 Maintenance of Existence. Preserve and maintain its existence, powers, and privileges in the jurisdiction of its formation, and qualify and remain qualified in each jurisdiction in which its presence is necessary or desirable in view of its business, operations, or ownership of its property. Borrower shall also maintain and preserve all of its property, which is necessary or useful in the proper course of its business, in good working order and condition, ordinary wear and tear excepted.

5.6 Books and Records. Keep accurate and complete books, accounts, and records in which complete entries shall be made in accordance with GAAP, reflecting all financial transactions of Borrower.

5.7 Access to Premises and Records. At all reasonable times and as often as Bank may reasonably request, permit any authorized representative designated by Bank to have access to the premises, property, and financial records of Borrower, including all records relating to the finances, operations, and procedures of Borrower, and to make copies of or abstracts from such records.

5.8 Notice of Events. Furnish Bank prompt written notice of:

(a) Proceedings. Any proceeding instituted by or against Borrower in any court or before any commission or regulatory body, or any proceeding threatened against it in writing by any governmental agency which if adversely determined would have a material adverse effect on Borrower's business, property, or financial condition, or where the amount involved is $10,000,000 or more and not covered by insurance;

(b) Material Development. Any material development in any such proceeding referred to in Subsection (a);

(c) Defaults. Any accident, event, or condition which is or, with notice or lapse of time or both, would constitute a Default, or a default under any other agreement to which Borrower is a party; and

(d) Adverse Effect. Any other action, event, or condition of any nature, which could result in a material adverse effect on the business, property, or financial condition of Borrower.

5.9 Payment of Indebtedness and Taxes. Pay all indebtedness and perform all obligations promptly and in accordance with their terms, and pay and discharge promptly all taxes, assessments, and governmental charges or levies imposed upon Borrower, its property, or revenues prior to the date on which penalties attach thereto, as well as all lawful claims for labor, material, supplies, or otherwise which, if unpaid, might become a lien or charge upon Borrower's property. Borrower shall not, however, be required to pay or discharge any such tax, assessment, charge, levy, or claim so long as its enforceability, amount, or validity is contested in good faith by appropriate proceedings.

5.10 Compliance with Laws. Comply in all material respects with all laws, regulations, and court orders applicable to Borrower's business.

5.11 Insurance. Maintain commercially adequate levels of coverage with financially sound and reputable insurers, including, without limitation:

(a) Property Insurance. Insurance on all property of a character usually insured by organizations engaged in the same or similar type of business as Borrower against all risks, casualties, and losses through extended coverage or otherwise and of the kind customarily insured against by such organizations;

(b) Liability Insurance. Public liability insurance against tort claims which may be asserted against Borrower; and

(c) Additional Insurance. Such other insurance as may be required by law.

Article 6
Negative Covenants

So long as this Agreement shall remain in effect, or any liability shall exist under the Loan Documents, Borrower shall not, without prior written consent of Bank, which consent shall not be unreasonably withheld:

6.1 Liens and Encumbrances. Create, incur, or assume, or agree to create, incur, or assume any Lien, whether consensual or nonconsensual, on any of its property, except for Permitted Liens.

6.2 Disposition of Assets. Sell, transfer, lease, or otherwise assign or dispose of a substantial portion of its property to any Person, outside the ordinary course of business.

6.3 Mergers. Become a party to any merger, consolidation, or like structural change, or make any substantial transfer or contribution to, or material investment in, stock, shares, or licenses of any Person.

6.4 Capital Structure. Purchase, retire, or redeem any of its capital stock or otherwise effect any change in Borrower's capital structure.

6.5 ERISA. Engage in any act or omission, which would make Borrower materially liable under ERISA to the Plan, to any of its participants, or to the Internal Revenue Service.

6.6 Dissolution. Adopt any agreement or resolution for dissolving, terminating, or substantially altering Borrower's present business activities, or take any action to alter Borrower's present business activities, or to voluntarily suspend Borrower's business.

6.7 Dividends. Declare or pay any dividend in excess of the following if Borrower's Capital Ratio for any fiscal quarter, as shown on its most recently submitted Compliance Certificate, is greater than 0.50 to 1: in any one fiscal year, including the current fiscal year, the sum of (a) $10,000,000 and (b) 40% of Borrower's net after-tax income for such fiscal year.

6.8 Loans. Make any loans, advances or other extensions of credit to any Person, including but without limitation any of the Borrower's executives, officers, directors or shareholders, or to any related or unrelated entity, except for (a) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities, and (b) other loans not exceeding $10,000,000 in the aggregate outstanding at any one time.

6.9 Permissible Investments. Make any investment outside the ordinary course of Borrower's business, except investments authorized under Borrower's investment resolution December 10, 1998.

Article 7
Events and Consequences of Default

7.1 Events of Default. Any of the following events, at the option of Bank and at any time without regard to any previous knowledge on the part of Bank, shall constitute a default by Borrower under the terms of this Agreement, the Revolving Note, and all other Loan Documents ("Default"):

(a) Nonpayment. Any payment or reimbursement due or demanded under this Agreement or any Loan Document is not made within five days of the date when due;

(b) Breach of Warranty. Any representation or warranty made in connection with this Agreement or any other Loan Document, or any certificate, notice, or report furnished pursuant hereto, is determined by Bank to be false in any material respect when made, and is relied upon by Bank to its detriment;

(c) Failure to Perform. Any other term, covenant, or agreement contained in any Loan Document is not performed or satisfied, and, if remediable, such failure continues unremedied for 30 days after written notice thereof has been given to Borrower by Bank;

(d) Defaults on Other Obligations. There exists a default in the performance of any other agreement or obligation for the payment of borrowed money, for the deferred purchase price of property or services, or for the payment of rent under any lease, whether by acceleration or otherwise, which would permit such obligation to be declared due and payable prior to its stated maturity; and such default continues for 30 days after Borrower receives written notice thereof from the creditor so affected, but only if the aggregate of all such defaulted obligations the default of which is continuing exceeds $5,000,000;

(e) Ownership. A Change in Control shall occur;

(f) Loss, Destruction, or Condemnation of Property. A portion of Borrower's property is affected by any uninsured loss, damage, destruction, theft, sale, or encumbrance other than created herein or is condemned, seized, or appropriated, the effect of which materially impairs Borrower's financial condition or its ability to pay its debts as they come due;

(g) Attachment Proceedings and Insolvency. Borrower or any of Borrower's property is affected by any:

(i) Judgment lien, execution, attachment, garnishment, general assignment for the benefit of creditors, sequestration, or forfeiture, to the extent Borrower's financial condition or its ability to pay its debts as they come due is thereby materially impaired; or

(ii) Proceeding under the laws of any jurisdiction relating to receivership, insolvency, or bankruptcy, whether brought voluntarily or involuntarily by or against Borrower, including, without limitation, any reorganization of assets, deferment or arrangement of debts, or any similar proceeding, and, if such proceeding is involuntarily brought against Borrower, it is not dismissed within 60 days;

(h) Judgments. Final judgment on claims not covered by insurance which, together with other outstanding final judgments against Borrower, exceeds $5,000,000, is rendered against Borrower and is not discharged, vacated, or reversed, or its execution stayed pending appeal, within 60 days after entry, or is not discharged within 60 days after the expiration of such stay; or

(i) Government Approvals. Any governmental approval, registration, or filing with any governmental authority, now or later required in connection with the performance by Borrower of its obligations under the Loan Documents, is revoked, withdrawn, or withheld, or fails to remain in full force and effect, except Borrower shall have 60 days after notice of any such event to take whatever action is necessary to obtain all necessary approvals, registrations, and filings.

7.2 Remedies Upon Default. If any Default occurs under Subsection 7.1(g), Bank's commitment to make Advances and issue Letters of Credit shall immediately and automatically terminate, and all Obligations, including all accrued interest, shall immediately and automatically become due and payable, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower, and Bank may immediately exercise any or all of the following remedies for Default; and if any other Default occurs and is continuing, Bank may, upon notice to Borrower:

(a) Terminate Commitments. Terminate Bank's commitment to make Advances or issue new Letters of Credit;

(b) Suspend Commitments. Refuse to make Advances or issue new Letters of Credit until any Default has been cured;

(c) Accelerate. Declare the Revolving Note, together with all accrued interest, to be immediately due and payable without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower;

(d) Setoff. Exercise its right of setoff against deposit accounts of Borrower with Bank, or place an administrative freeze on any such accounts; and/or

(e) All Remedies. Pursue any other available legal and equitable remedies.

All of Bank's rights and remedies in all Loan Documents shall be cumulative and can be exercised separately or concurrently.

Article 8
Miscellaneous

8.1 Manner of Payments.

(a) Payments on Nonbusiness Days. Whenever any event is to occur or any payment is to be made under any Loan Document on any day other than a Business Day, such event may occur or such payment may be made on the next succeeding Business Day and such extension of time shall be included in computation of interest in connection with any such payment.

(b) Payments. All payments and prepayments to be made by Borrower shall be made to Bank when due, at Bank's office as may be designated by Bank, without offsets or counterclaims for any amounts claimed by Borrower to be due from Bank, in U.S. dollars and in immediately available funds.

(c) Application of Payments. All payments made by Borrower shall be applied first against fees, expenses, and indemnities due; second, against interest due; and third, against principal, with Bank having the right, after a Default which is continuing, to apply any payments or collections received against any one or more of the Obligations in any manner which Bank may choose.

(d) Recording of Payments. Bank is authorized to record on a schedule or computer-generated statement the date and amount of all conversions between interest rate options and all payments of principal and interest. All such schedules or statements shall constitute prima facie evidence of the accuracy of the information so recorded.

8.2 Notices. Bank may make Advances and make conversions between interest rates based on telephonic, telex, and oral requests made by any Person whom Bank in good faith believes to be authorized to act on behalf of Borrower. All other notices, demands, and other communications to be given pursuant to any of the Loan Documents shall be in writing and shall be deemed received the earlier of when actually received, or two days after being mailed, postage prepaid and addressed as follows, or as later designated in writing:

Bank:	Borrower:
BANK OF AMERICA, N.A. Commercial Banking 800 Fifth Avenue, 35th Floor Seattle, WA 98104 Attention: Mike Loken	Matson Navigation Company 333 Market Street San Francisco, CA 94105 Attention: Chief Financial Officer

8.3 Documentation and Administration Expenses. Borrower shall pay, reimburse, and indemnify Bank for all of Bank's reasonable costs and expenses, including, without limitation, all accounting, appraisal, and report preparation fees or expenses, all attorneys' fees (including the allocated cost of in-house counsel), legal expenses, and recording or filing fees, incurred in connection with the negotiation, preparation, execution, and administration of this Agreement and all other Loan Documents, and all amendments, supplements, or modifications thereto. Borrower acknowledges that any legal counsel retained or employed by Bank acts solely on Bank's behalf and not on Borrower's behalf, despite Borrower's obligation to reimburse Bank for the cost of such legal counsel, and that Borrower has had sufficient opportunity to seek the advice of its own legal counsel with regard to this Agreement.

8.4 Collection Expenses. The nonprevailing party shall, upon demand by the prevailing party, reimburse the prevailing party for all of its costs, expenses, and reasonable attorneys' fees (including the allocated cost of in-house counsel) incurred in connection with any controversy or claim between said parties relating to this Agreement or any of the other Loan Documents, or to analleged tort arising out of the transactions evidenced by this Agreement, including those incurred in any action, bankruptcy proceeding, arbitration or other alternative dispute resolution proceeding, or appeal, or in the course of exercising any judicial or nonjudicial remedies.

8.5 Waiver. No failure to exercise and no delay in exercising, on the part of Bank, any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, power, or privilege. Further, no waiver or indulgence by Bank of any Default shall constitute a waiver of Bank's right to declare a subsequent similar failure or event to be a Default.

8.6 Assignment. This Agreement is made expressly for the sole benefit of Borrower and for the protection of Bank and its successors and assigns. The rights of Borrower hereunder shall not be assignable by operation of law or otherwise, without the prior written consent of Bank.

8.7 Merger. The rights and obligations set forth in this Agreement shall not merge into or be extinguished by any of the Loan Documents, but shall continue and remain valid and enforceable. This Agreement and the other Loan Documents constitute Bank's entire agreement with Borrower with regard to the Revolving Loan, and supersede all prior writings and oral negotiations. No oral or written representation, covenant, commitment, waiver, or promise of either Bank or Borrower shall have any effect, whether made before or after the date of this Agreement, unless contained in this Agreement or another Loan Document, or in an amendment complying with Section 8.8. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

8.8 Amendments. Any amendment or waiver of, or consent to any departure by Borrower from any provision of, this Agreement shall be in writing signed by each party to be bound thereby, and shall be effective only in the specific instance and for the specific purpose for which given.

8.9 Jurisdiction and Venue. Borrower irrevocably consents to the personal jurisdiction of the state and federal courts located in the State of Washington in any action brought under this Agreement or any other Loan Document, and any action based upon the transactions encompassed by this Agreement, whether or not based in contract. Venue of any such action shall be laid in King County, Washington.

8.10 Arbitration and Waiver of Jury Trial. Any claim or controversy ("Claim") between the parties, whether arising in contract or tort or by statute including, but not limited to, Claims resulting from or relating to this Agreement shall, upon the request of either party, be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code). Arbitration proceedings will be conducted in accordance with the applicable rules for the arbitration of disputes of JAMS or any successor thereof. The arbitration shall be conducted in Seattle, Washington. The arbitration hearing shall commence within 90 days of the demand for arbitration and close within 90 days of commencement, and any award, which may include legal fees, shall be issued (with a brief written statement of the reasons therefor) within 30 days of the close of hearing. Any dispute concerning whether a claim is arbitrable or barred by the statute of limitations shall be determined by the arbitrator. This arbitration provision is not intended to limit the right of any party to exercise self-help remedies, or to seek and obtain interim or provisional relief of any kind. By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, if for any reason a Claim is not arbitrated, the parties irrevocably and voluntarily agree to waive any right to a trial by jury in respect of such Claim.

8.11 Construction. Each term of this Agreement and each Loan Document shall be binding to the extent permitted by law and shall be governed by the laws of the State of Washington, excluding its conflict of laws rules. If one or more of the provisions of this Agreement should be invalid, illegal, or unenforceable in any respect, the remaining provisions of this Agreement shall remain effective and enforceable. If there is a conflict among the provisions of any Loan Documents, the provisions of this Agreement shall be controlling. The captions and organization of this Agreement are for convenience only, and shall not be construed to affect any provision of this Agreement.

8.12 Counterparts. This Agreement and each Loan Document may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures to such counterparts were upon the same instrument.

DATED as of October 25, 2002.

Borrower:	Bank:
Matson Navigation Company	BANK OF AMERICA, N.A.

By /s/ Matthew J. Cox	By /s/ Mike Loken
Title SVP & CFO	Title SVP

By /s/ Timothy H. Reid

Title Treasurer

EXHIBIT A TO CREDIT AGREEMENT

[Form of Certificate to be sent with financial reports]

[Date]

Bank of America, N.A.
Commercial Banking
800 Fifth Avenue, 35th Floor
Seattle, WA 98104
Attention: Mike Loken

Re: Certificate of Chief Financial Officer

Ladies and Gentlemen:

With respect to that certain Credit Agreement between Matson Navigation Company and Bank of America, N.A. ("Bank") dated as of October 25, 2002 (the "Agreement"), we hereby represent to you the following (capitalized terms used in this certificate shall have the same meaning as in the Agreement):

1. Enclosed are financial statements required by Section 5.4 of the Agreement.

2. As of the date of such financial statements, Borrower's Tangible Net Worth is $___________.

3. As of the date of such financial statements, Borrower's ratio of Funded Debt to Tangible Net Worth is ________ to 1.

4. As of the date of such financial statements, Borrower's Capital Ratio is _________ to 1. Borrower has declared or paid dividends in the aggregate amount of $____________ during the fiscal year which is the subject of such financial statements.

5. Such financial statements are complete and correct, fairly present, without qualification, the financial condition of Borrower for such period, and if the statement is a year-end statement, such statement is prepared in accordance with GAAP.

6. No Default exists, nor any event which, with lapse of time or upon the giving of notice would constitute a Default under the Agreement.

Sincerely,

MATSON NAVIGATION COMPANY

By

Chief Financial Officer

This First Loan Modification Agreement ("First Modification") modifies the Credit Agreement dated October 25, 2002 ("Agreement"), and the "Revolving Note," as defined therein, regarding a revolving line of credit in the maximum principal amount of $50,000,000 (the "Line of Credit"), executed by Matson Navigation Company ("Borrower") in favor of Bank of America, N.A. ("Bank"). Terms used in this First Modification and defined in the Agreement shall have the meaning given to such terms in the Agreement. For mutual consideration, the Borrower and the Bank agree to amend the Agreement end of the Revolving Note as follows:

1. Termination Date. Section 1.24 of the Agreement is amended to extend the Termination Date to December 31, 2006. The maturity date of the Revolving Note is extended to December 31, 2006.

2. Commitment Fees. The third sentence of Section 2.4 of the Agreement is amended to read as follows: The applicable percentage shall be 0.125% per annum.

3. Letters of Credit. Section 2.5 of the Agreement is amended to provide that all Letters of Credit shall expire no later than January 1, 2007.

4. Letter of Credit Fees. The second sentence of Section 2.6 of the Agreement is amended to read as follows: The applicable percentage shall be 0.475% per annum.

5. Net Worth. Section 5.2 of the Agreement is amended to read as follows:

> 5.2 Net Worth. Maintain on a consolidated basis Net Worth, measured as of each fiscal quarter end, of not less than the greater of (a) $250,000,000 or (b) 65% of the prior year audited Net Worth. "Net Worth" shall be defined in accordance with GAAP.

6. Intercompany Loans. Section 6.8 of the Agreement is amended to read as follows:

> 6.8 Loans. Make any loans, advances or other extensions of credit to any Person, including but without limitation any of the Borrower's executives, officers, directors or shareholders, or to any related or unrelated entity, except for (a) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business, (b) intercompany loans to Alexander & Baldwin, Inc., or its wholly owned subsidiaries, and (c) other loans not exceeding $10,000,000 in the aggregate outstanding at any one time.

7. Permissible Investments. Section 6.9 of the Agreement is amended to read as follows:

> 6.9 Permissible Investments. Make any investment outside the ordinary course of Borrower's business, except investments authorized under Borrower's investment resolution June 24, 2004.

8. Revolving Note. Section 1.15 of Exhibit A of the Revolving Note is amended to read as follows:

> 1.15 Offshore Rate Margin shall mean 0.475% per annum.

9. Representations and Warranties. When the Borrower signs this First Modification, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a Default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true as of the date of this First Modification as if made on the date of this First Modification, (c) this First Modification does not conflict with any law, agreement, or obligation by which the Borrower is bound, and (d) this First Modification is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers.

10. Conditions. This First Modification will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

> (a) Evidence that the execution, delivery, and performance by the Borrower of this First Modification and any instrument or agreement required under this First Modification have been duly authorized.
>
> (b) Payment by the Borrower of a loan fee in the amount of $25,000 for the Line of Credit.

(c) Payment by the Borrower of all costs, expenses, and attorneys' fees (including allocated costs for in-house legal services) incurred by the Bank in connection with this First Modification.

11. Other Terms. Except as specifically amended by this First Modification or any prior amendment, all other terms, conditions, and definitions of the Agreement and the Revolving Note, and all other documents, instruments, or agreements entered into with regard to the Line of Credit, shall remain in full force and effect.

12. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

13. ORAL AGREEMENTS. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

DATED as of December 15, 2004.

Bank:	Borrower:
BANK OF AMERICA, N.A.	Matson Navigation Company
By /s/ Gordon H. Gray	By /s/ Matthew J. Cox
Title SVP	Title SVP & CFO
	By /s/ Timothy H. Reid
	Title Treasurer

October 3, 2003

MATSON NAVIGATION COMPANY, INC.
333 Market Street Tower Building, 3rd Floor
San Francisco, CA 94105

Attention: Tim Reid, Treasurer

Re: Loan Agreement

Wells Fargo Bank, National Association (the "Bank") hereby agrees to make available the credit accommodation described below to Matson Navigation Company, Inc, (the "Borrower") subject to the terms and conditions set forth in this letter agreement (this "Loan Agreement"):

1. THE CREDIT

1.1 Type: Two year revolving line of credit ("Line of Credit"), with advances thereunder available until September 30, 2005 ("Maturity Date"). As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby letters of credit for the account of Borrower to finance working capital and other corporate purposes (each, a "Letter of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed $20,000,000.00. The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. No Letter of Credit shall have an expiration date subsequent to the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

1.2 Amount: Aggregate outstanding principal amount not to exceed $40,000,000.00 at any time.

1.3 Purpose: For working capital and other general corporate purposes, including as support for the issuance of commercial paper.

1.4 Maturity Date: All advances under the Line of Credit shall be due and payable on the Maturity Date. All advances shall be made pursuant to a Line of Credit Note executed by the Borrower in the form attached to this letter (the "Note").

1.5 Interest Rates: The outstanding principal balance of advances under the Line of Credit shall bear interest at the rate(s) set forth in the Note.

1.6 Commitment Fees. Borrower shall pay to Bank (i) an initial fee in the amount of 0.05% of the amount of Bank's commitment under the Line of Credit, and (ii) a fee at the rate of 0.125% per annum (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Line of Credit, computed and payable quarterly in arrears, as of each March 31, June 30, September 30 and December 31. All such fees are non-refundable.

1.7 Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance of each Letter of Credit equal to one-half percent (0.50%) per annum (computed on the basis of a 360-day year, actual days elapsed) of the face amount thereof, and (ii) fees upon the payment or negotiation of each drawing under any Letter of Credit and fees upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

2. CONDITIONS PRECEDENT

Before Bank is obligated to extend any credit, Bank must receive the Note, executed on behalf of the Borrower, and evidence that the execution, delivery and performance by Borrower of this Loan Agreement and Note and the execution, delivery, and performance by Borrower of any other instrument or agreement required under this Agreement, as appropriate, have been duly authorized (collectively, "Loan Documents"). In addition, Borrower shall have paid the fee required under Section 1.6(i).

3. COVENANTS

Borrower agrees, so long as the line of credit is available and until full and final payment of all of Borrower's obligations under this

Loan Agreement and under the Note Borrower will:

3.1 Promptly give written notice to Bank of:

(a) any Event of Default under this Agreement or any event which, upon notice or a lapse of time or both, would become an Event of Default;

(b) any other matter which has or might materially impair the Borrower's ability to perform its obligations under this Agreement;

3.2 Provide Bank with (i) annual audited and quarterly unaudited consolidated financial statements, together with compliance certificates, within 120 days after each annual and 45 days after each quarterly accounting period, (ii) an annual operating plan, as soon as available but no later than 90 days after the end of each year, and (iii) such other financial information concerning Borrower's business activities and financial condition as Bank may reasonably request from time to time;

3.3 Maintain and keep in force in adequate amounts of insurance as is usual in the business carried on by Borrower;

3.4 Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the following definitions):

(a) On a consolidated basis, net income after taxes not less than $1.00 on an annual basis, determined as of the end of each fiscal year, and net profit after taxes not less than $1.00 in each fiscal quarter immediately following a fiscal quarter in which Borrower incurred a net loss after taxes; and

(b) On a consolidated basis, Tangible Net Worth of at least $250,000,000; for purposes of this Agreement, "Tangible Net Worth" means total assets (exclusive of goodwill, patents, trademarks, trade names, organization expense, treasury shares, unamortized debt discount and premium, deferred charges and other like intangibles) less all liabilities (including accrued and deferred income taxes and subordinated liabilities);

3.5 Not permit at any time, on a consolidated basis, the ratio of Funded Debt to Tangible Net Worth to exceed 2.0 to 1.0; for purposes of this Loan Agreement, "Funded Debt" means all indebtedness (including capitalized lease obligations) determined in accordance with generally accepted accounting principles, consistently applied;

3.6 Should Borrower's ratio, on a consolidated basis, of Funded Debt to Consolidated Total Capital at any time without the prior written consent of Bank equal or exceed 0.50 to 1.0, not thereafter at any time declare or pay cash dividends which, in the aggregate, would exceed in any fiscal year the sum of $10,000,000 plus 40% of the net after-tax income earned by Borrower in such fiscal year; for purposes of this Loan Agreement, "Consolidated Total Capital" means the sum of Funded Debt, Tangible Net Worth and deferred income taxes, each as calculated on a consolidated basis;

3.7 Not liquidate or dissolve;

3.8 Not merge, consolidate with or into, convey, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired);

3.9 Not, without the prior written consent of Bank (which consent shall not be unreasonably withheld), sell, convey, or dispose of, or grant or permit the creation of any mortgage, pledge, lien, charge, encumbrance, lease, security interest, claim, exercise of rights or other interest affecting title ("Liens" and individually a "Lien") in, on or against any of Borrower's property or assets, whether now owned or hereafter acquired, if as a result thereof Borrower would no longer be in compliance with any of Paragraphs 3.4, 3.5, or 3.6, except:

(a) mechanics, suppliers, tax and any other like Lien arising in the ordinary course of business securing obligations which are not overdue or are being contested in good faith by appropriate legal proceedings diligently conducted, provided that Borrower sets aside on its books such reserves or other appropriate provision, if any, as shall be required by generally accepted accounting principles;

(b) any Lien on any asset securing liabilities incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, including any interest in title of a lessor under any operating lease or any financing lease, provided that such Lien attaches to such asset currently with or within one hundred twenty (120) days after the acquisition thereof;

(c) any Lien existing on the date of this Agreement as to which Borrower has given written notice to Bank or arising out of refinancing (so long as there is no increase in principal amount or in the amount of security provided), extension, renewal or rollover of liabilities;

(d) any Lien existing on any asset of any corporation at the time such corporation is acquired by or merged into Borrower;

(e) any Lien arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(f) easements, rights of way, restrictions and other similar encumbrances incurred in the ordinary course of business that in the aggregate do not exceed $5,000,000;

(g) the disposition of property or assets in the ordinary course of business.

Unless otherwise specified in this Agreement, all accounting terms used in this Agreement shall be interpreted, all financial information required under this Agreement shall be prepared and all financial computations required under this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

4. EVENTS OF DEFAULT

Upon the occurrence of any events specified below ("Event of Default"), any obligation on the part of Bank to make advances under or continue the Line of Credit shall terminate, and, at the option of Bank, all interest and principal with respect to the advances and all other obligations and sums outstanding under or in respect of this Loan Agreement and the Note shall be immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character:

4.1 (a) Borrower fails to pay, within 3 days after the date when due, any principal sum due under this Loan Agreement or the Note in accordance with the terms hereof or thereof,

(b) Borrower fails to pay, within three days after the date when due, any installment of interest or any other sum under this Loan Agreement or the Note in accordance with the terms hereof or thereof;

4.2 Borrower fails to pay any indebtedness when due (including any applicable grace period) under any agreement providing for the extension of credit to Borrower in an amount exceeding $5,000,000;

4.3 (a) Borrower breaches, or defaults under, any of Paragraphs 3.4, 3.5, 3.6, 3.7, or 3.8;

(b) Borrower breaches, or defaults under, any other term, condition, provision or covenant contained in this Agreement, and such breach or default is not remedied within 30 days after a responsible officer of Borrower is first aware of its occurrence.

4.4 Borrower is generally not paying or admits in writing its inability to pay its debts as such debts become due, or files any petition or action for relief under any bankruptcy, reorganization, arrangement, insolvency, or moratorium law or any other law for the relief of, or relating to, debtors, or requests the appointment of a custodian, receiver or trustee (or similar official) to take possession, custody or control of any of its property, or enters into any composition with creditors, or makes any assignment for the benefit of creditors, or takes any corporate action in furtherance of any of the foregoing;

4.5 An involuntary petition is filed against Borrower under any bankruptcy, reorganization, arrangement, insolvency, or moratorium law or any other law for the relief of, or relating to, debtors, or a custodian, receiver or trustee (or similar official) is appointed to take possession, custody or control of any property of Borrower;

4.6 A judgment or judgments or arbitration award or awards is entered against Borrower in the aggregate amount of $5,000,000 or more on a claim or claims not covered by insurance, except that no judgment or arbitration award shall be included in this Paragraph if it is discharged or satisfied within 60 days of the date of being entered.

5. MISCELLANEOUS

5.1 Borrower will pay Bank, on demand, all out-of-pocket expenses and all legal fees (including allocated costs for in-house legal services) incurred by it in connection with the enforcement of this Loan Agreement, the Note, and any agreements or instruments required or delivered hereunder.

6. ARBITRATION

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating to in any way (i) the loan and related Loan Documents which are the subject of this Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in California selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. ss.91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before, during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date and within 180 days of the filing of the dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is reasonably available.

(f) Class Proceedings and Consolidations. The resolution of any dispute arising pursuant to the terms of this Agreement shall be determined by a separate arbitration proceeding and such dispute shall not be consolidated with other disputes or included in any class proceeding.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding to the prevailing party.

(h) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such dispute is not submitted to arbitration, the dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

This commitment shall expire unless accepted in writing by Borrower on or before October 31, 2003. Please indicate your acceptance by signing and renaming the enclosed copy of this Agreement on or before such date.

Sincerely,

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Jeff Bailard
Vice President

ACCEPTED AND AGREED TO
THIS 3rd DAY OF October, 2003

MATSON NAVIGATION COMPANY, INC.

By: /s/ M. J. Cox
Title: Sr. VP & CFO

By: /s/ T. H. Reid
Title: Treasurer

A&B RETIREMENT PLAN FOR OUTSIDE DIRECTORS

Amendment No. 3

WHEREAS, effective February 1, 1995, the Board of Directors (the "Board") of Alexander & Baldwin, Inc. (the "Company") adopted the A&B Retirement Plan for Outside Directors (the "Plan"), a nonqualified deferred compensation and post-retirement health plan established for the benefit of members of the Board who are not employees of the Company or any of its subsidiaries, which Plan has been amended from time to time since its adoption;

WHEREAS, the Board has reserved the right to further amend the Plan, as provided in Section 8.01 of the Plan;

WHEREAS, the Board now desires to amend the Plan to freeze eligibility as of December 31, 2002, to freeze accruals as of December 31, 2004, and to discontinue health care insurance coverage after June 30, 2005;

WHEREAS, the Board intends that this Amendment No. 3 shall not constitute a "material modification," as that term is used in the American Jobs Creation Act of 2004 (the "Act"), subjecting the Plan to adverse tax consequences and penalties pursuant to the Act, and reserves the right to further amend the Plan, as needed, to ensure that amounts accrued under the Plan as of December 31, 2004 are not subject to the Act;

WHEREAS, the Board deems it desirable to grant to the officers of the Company the authority to take such further actions as may be necessary to implement such amendments to the Plan, including the preparation of any additional required amendments and Plan restatements; and

WHEREAS, the Plan is hereby amended, effective as of December 31, 2004, or as otherwise indicated, as follows:

1. A new paragraph is hereby added to Section 1.02 of the Plan to read as follows:

   "Notwithstanding any Plan provision to the contrary, the Plan is amended, effective December 31, 2004, to freeze benefit accruals and to discontinue the post-retirement health care insurance coverage after June 30, 2005. A&B intends to maintain the Plan as a nonqualified deferred compensation plan until all benefits under the Plan have been paid, provided such benefits are payable under the Plan's terms, as amended."

2. Section 2.04 is hereby amended in its entirety to read as follows:

   "2.04. "Final Retainer" means the annual rate of cash retainer payable to an Outside Director as of the earlier of the last date served as an Outside Director or December 31, 2004."

3. Section 2.14 is hereby amended in its entirety to read as follows:

   "2.14. "Years of Service" means a 365-day period (or a fraction thereof) as an Outside Director, whether or not consecutive, provided that no full or partial Years of Service shall be credited for periods after December 31, 2004."

4. Section 3.01 is hereby amended in its entirety to read as follows:

   "3.01. <u>Eligibility</u>. A person who is an Outside Director at any time after December 31, 1985 and before January 1, 2003 shall be eligible for the Retirement Benefits under this Plan, as follows:

   (a) He or she shall be eligible for Retirement Income Benefits under Article IV if he or she has at least five (5) Years of Service.

   (b) Prior to July 1, 2005, he or she shall be eligible for health care insurance coverage under Article V if he or she has at least ten (10) Years of Service, retires on or after January 1, 1992, and enrolls in Medicare Part B coverage upon reaching age sixty-five (65).

   (c) Notwithstanding any Plan provisions to the contrary, all health care insurance coverage under the Plan for all Outside Directors shall cease after June 30, 2005."

5. A new paragraph is hereby added to the end of Section 5.02 to read as follows:

   "Notwithstanding any Plan provisions to the contrary, no health care insurance coverage shall be provided after June 30, 2005."

6. Except as modified by this Amendment No. 3, all terms and provisions of the A&B Retirement Plan for Outside Directors shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused its authorized officers to affix the corporate name and seal hereto this 9th of December, 2004.

ALEXANDER & BALDWIN, INC.

By /s/ Ruthann S. Yamanaka

Its Vice President

By /s/ Alyson J. Nakamura

Its Secretary

ALEXANDER & BALDWIN, INC.
RESTRICTED STOCK BONUS PLAN

AMENDMENT NO. 3

The Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, as restated effective April 28, 1988 (the "Plan"), is hereby amended, effective as of January 1, 2002, as follows:

1. Section IV is amended in its entirety to read as follows:

> "IV. Eligibility
>
> Any participant who (i) earns an award under the Company's Performance Improvement Incentive Plans, (ii) is identified on Exhibit A of Alexander & Baldwin, Inc. Annual Incentive Plan, effective January 1, 2002, or (iii) is eligible to acquire shares of Common Stock under this Plan."

2. Except as modified by this Amendment, all terms and provisions of the Plan shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Amendment to be executed on its behalf by its duly authorized officers on this 8th day of December, 2004.

ALEXANDER & BALDWIN, INC.,

By /s/ Ruthann S. Yamanaka
Its Vice President

By /s/ Alyson J. Nakamura
Its Secretary

FIRST AMENDMENT TO LOAN AGREEMENT AND SECOND MODIFICATION TO PROMISSORY NOTE

THIS FIRST AMENDMENT TO LOAN AGREEMENT AND SECOND MODIFICATION TO PROMISSORY NOTE (this "Modification") is entered into as of September 30, 2004, by and between MATSON NAVIGATION COMPANY, INC. ("Borrower") and Wells Fargo Bank, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower and Bank are parties to a Loan Agreement dated as of October 3, 2003 (the Loan Agreement"), pursuant to which Borrower executed and delivered to Bank a Revolving Line of Credit Note dated as of October 3, 2003, as modified (the "Note").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Loan Agreement and Note.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Loan Agreement shall be amended and the Note shall be modified as follows, effective as of September 30, 2004 (the "Effective Date"):

1. Section 1.2 of the Loan Agreement is amended to read as follows:

"1.2 Amount: Aggregate outstanding principal amount not to exceed $30,000,000.00 at any time."

2. The principal amount of the Note is reduced from $40,000,000.00 to $30,000,000.00.

3. Borrower shall, on the Effective Date, pay to Bank the amount, if any, by which the outstanding principal balance of the Note on such date exceeds $30,000,000.00.

4. Except as expressly set forth herein, all terms and conditions of the Loan Agreement and Note remain in full force and effect, without waiver or modification. All terms defined in the Loan Agreement or Note shall have the same meaning when used in this Modification.

5. Borrower certifies that as of the date of this Modification there exists no Event of Default under the Loan Agreement or Note, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

IN WITNESS WHEREOF, the parties hereto have caused this Modification to be executed as of the day and year first written above.

MATSON NAVIGATION COMPANY, INC.	WELLS FARBO BANK, NATIONAL ASSOCIATION
By: /s/ M. J. Cox	By: /s/ Jeff Bailard
Title: Sr. VP	Title: Vice President
By: /s/ T. H. Reid	
Title: Treasurer	