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ALEXANDER & BALDWIN, INC.

FORM 10-K

ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

PART I

ITEMS 1 AND 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 and related shoreside operations of A&B are conducted by a wholly-owned subsidiary, Matson Navigation Company, Inc. ("Matson"), and several Matson subsidiaries, all of which are headquartered in San Francisco. Real property and food products operations are conducted by a wholly-owned subsidiary of A&B, A&B-Hawaii, Inc. ("ABHI"), and several ABHI subsidiaries, including California and Hawaiian Sugar Company, Inc. ("C&H"), all of which are headquartered in Hawaii or California.

The industry segments of A&B are as follows:

A. Ocean Transportation - carrying freight, primarily between various United States Pacific Coast ports, major Hawaii ports and Guam; providing terminal, stevedoring, tugboat and container equipment maintenance services in certain of those ports; and arranging United States Mainland intermodal transportation.

B. Property Development and Management - developing real property in Hawaii and on the U.S. Mainland; selling residential properties in Hawaii; and managing, leasing, selling and purchasing commercial/industrial properties in Hawaii and on the U.S. Mainland.

C. Food Products - growing sugar cane and coffee in Hawaii; producing raw sugar, molasses and green coffee; refining raw sugar, and marketing and distributing refined sugar products, primarily in the western United States; marketing and distributing roasted coffee and green coffee; providing sugar and molasses hauling and storage, general freight and petroleum hauling 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, 1996, see "Industry Segment Information" on page 26 of the Alexander & Baldwin, Inc. 1996 Annual Report ("1996 Annual Report"), which information is incorporated herein by reference.

DESCRIPTION OF BUSINESS AND PROPERTIES

A. OCEAN TRANSPORTATION

(1) FREIGHT SERVICES

Matson's Hawaii Service offers containership freight services between the ports of Los Angeles, Oakland, Seattle, and the major ports in Hawaii, which are located on the islands of Oahu, Kauai, Maui and Hawaii. Roll-on/roll-off service is provided between Los Angeles and the major ports in Hawaii. Container cargo also is received at and delivered to Portland, Oregon, and moved overland between Portland and Seattle at no extra charge.

Matson is the principal carrier of ocean cargo between the United States Pacific Coast and Hawaii. In 1996, Matson carried 152,109 containers (compared with 157,154 containers in 1995) and 83,097 motor vehicles (compared with 107,135 in 1995) between those destinations. Principal westbound cargoes carried by Matson to Hawaii include dry containers of mixed commodities, refrigerated cargoes, packaged foods, building materials and motor vehicles. Principal eastbound cargoes carried by Matson from Hawaii include household goods, canned pineapple, refrigerated containers of fresh pineapple, motor vehicles and molasses. The preponderance of Matson's Hawaii Service revenue is derived from the westbound carriage of containerized freight and motor vehicles.

Matson's Pacific Coast Service provides containership freight service between the ports of Los Angeles, Oakland, Seattle and Vancouver,

British Columbia. In 1996, Matson carried 38,237 containers (compared with 26,278 in 1995) in the Pacific Coast Service. Matson's Mid-Pacific Service offers container and conventional freight service between the United States Pacific Coast and the ports of Kwajalein, Ebeye and Majuro in the Republic of the Marshall Islands and Johnston Island, all via Honolulu.

In February 1996, Matson inaugurated its Guam Service, which complements Matson's Hawaii Service by providing westbound containership freight service from the United States Pacific Coast and Hawaii to Guam and Micronesia. The new service is a component of a strategic alliance between Matson and APL Limited ("APL") pursuant to which, in February 1996, they began the Pacific Alliance Service between the United States Pacific Coast and Hawaii, Guam, Japan, and South Korea. Under the terms of the alliance, in December 1995 and early 1996 Matson purchased from APL, for $168 million, six containerships, shoreside spare parts and assets related to APL's Guam Service; operates four of those vessels and one Matson vessel in the Pacific Alliance Service; and charters back to APL for 10 years cargo space for APL's continuing ocean cargo service from Asian ports to the United States. In 1996, Matson carried 15,249 containers and 3,729 automobiles in the Pacific Alliance Service.

See "Rate Regulation" below with respect to Matson's freight rates.

(2) VESSELS

Matson's fleet consists of eleven containerships (including the six containerships purchased from APL), four combination container/trailerships, one roll-on/roll-off barge, two container barges equipped with cranes which serve the neighbor islands of Hawaii and one container barge equipped with cranes in the Mid-Pacific Service.

The nineteen vessels in Matson's fleet represent an investment of approximately $834,500,000 during the past 27 years. With four exceptions, the current fleet has been acquired through the Matson Capital Construction Fund, established under Section 607 of the Merchant Marine Act, 1936, as amended. The exceptions are three steam-powered containerships purchased from APL in 1995 and 1996, and a combination container/trailership which Matson continues to operate under a charter for a 25-year term ending in 1998, with options to renew the charter for a total of up to five years and to purchase the vessel at the end of the charter at fair market value.

Matson's fleet units are described in the list on the following page.

As a complement to its fleet, Matson owns or has under capital leases approximately 16,600 containers, 8,400 container chassis, 450 autoframes and miscellaneous other equipment. Capital expenditures by Matson in 1996 for vessels and equipment, including vessels and equipment purchased from APL as described in "Freight Services" above, totaled approximately $164,000,000.

MATSON NAVIGATION COMPANY, INC.

FLEET - 3/1/97

Vessel Name	Official Number	Year Built	Year Recon-structed	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Usable Cargo Capacity: Containers 20'	24'	40'	Reefer Slots	TEUs (1)	Vehicles: Autos	Trailers	Molasses: Short Tons
Diesel-Powered														
R.J. PFEIFFER	979814	1992		713'6"	23.0	27,100	48	171	988	300	2,229	--	--	--
MOKIHANA	655397	1983		860'2"	23.0	30,167	182	312	1,134	408	2,824			
MAHIMAHI	653424	1982		860'2"	23.0	30,167	182	312	1,134	408	2,824			
MANOA	651627	1982		860'2"	23.0	30,187	182	312	1,134	408	2,824			
Steam-Powered														
KAUAI	621042	1980	1994	720'5-1/2"	22.5	26,308		458	538	300	1,626	44		2,600
MAUI	591709	1978	1993	720'5-1/2"	22.5	26,623		458	538	300	1,626			2,600
KAIMOKU (2)	573223	1976	1990	790'9"	21.5	14,551		276	310	121	1,020	350	54	--
KAINALU (2)	557149	1974	1990	790'9"	21.5	14,976		276	310	121	1,020	350	54	--
MATSONIA	553090	1973	1987	760'0"	21.5	22,501		683	400	329	1,620	450	56	4,300
LURLINE	549900	1973	1982	826'6"	21.5	22,221		597	345	340	1,476	220	81	2,100
EWA	530148	1972	1978	787'8"	21.0	38,656	294		861	180	2,015			
CHIEF GADAO	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			
MANULANI	528400	1970		720'5-1/2"	22.5	27,165		537	416	251	1,476			5,300
MANUKAI	524219	1970		720'5-1/2"	22.5	27,107		537	416	251	1,476			5,300
Other														
WAIALEALE (3)	978516	1991		345'0"	--	5,621				35		230	45	
ISLANDER (4)	933804	1988		372'0"	--	6,837		276	24	70	380			--
MAUNA LOA (4)	676973	1984		350'0"	--	4,658		144	72	84	316			2,100
HALEAKALA (4)	676972	1984		350'0"	--	4,658		144	72	84	316			2,100
MAOI (5)	618705	1980		75'0"	10.0	--								
JOE SEVIER (5)	500799	1965		80'0"	10.0	--								

(1) "Twenty-foot Equivalent Units" (includes trailers)
(2) Reserve Status
(3) Roll-on/Roll-off Barge
(4) Container Barge
(5) Tug

(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 at the ports of Honolulu, Los Angeles, Oakland and Seattle, as well as for other ocean carriers at those ports.

Matson Terminals is among the largest container stevedoring and terminal operators on the United States Pacific Coast. A total of 984 vessel calls were served at all Matson Terminals container facilities in 1996. The four terminals operated by Matson Terminals are as follows:

Terminal Location	Terminal Size (acres)	Expiration of Terminal Lease	1996 Throughput (# containers)	Container Cranes (#)	Crane Ownership	Usable Ship Berths (#)
Honolulu, HI	108	Sept. 2016	390,917	7	Matson Terminals	3
Los Angeles, CA	86	Jan. 1999	224,252	4	Matson Terminals	3
Oakland, CA	74	Dec. 2008	133,265	3	Matson Terminals	3
Seattle, WA	32	Dec. 1999	104,875	3	Port of Seattle	2

Matson Terminals has lease agreements with the port authorities for the use of the publicly-owned container terminal properties at these locations, and does not anticipate any difficulty in renewing such agreements as they expire or in finding satisfactory alternative premises. Besides owning or leasing the shoreside cranes identified in the above table, Matson Terminals owns or leases supporting container-handling equipment at its container facilities and owns all of the maintenance equipment used in providing container equipment and terminal maintenance services.

Capital expenditures for terminals and equipment totaled approximately $7,000,000 in 1996.

(4) OTHER SERVICES

Matson Intermodal System, Inc. ("Matson Intermodal"), a wholly-owned subsidiary of Matson, is an intermodal marketing company which arranges North American rail and truck transportation for shippers and carriers, frequently in conjunction with prior or subsequent ocean transportation. Through volume purchases of rail and motor carrier transportation services, and the addition of such services as shipment tracing and single-vendor invoicing, Matson Intermodal is able to reduce transportation costs for customers. Matson Intermodal currently has 11 offices and manages 30 equipment depots across the United States Mainland.

Matson Services Company, Inc. ("Matson Services"), a wholly-owned subsidiary of Matson, owns two tugboats which are employed in Hawaiian waters under operating agreements to provide harbor assistance for vessels calling at the islands of Hawaii and Maui.

(5) COMPETITION

Matson's Hawaii and Guam Services have one major containership competitor which 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 services. Competitors in the Pacific Coast Service include truck, rail and ocean carrier services.

Matson vessels are operated on schedules which make available to shippers and consignees regular day-of-the-week sailings from the United States Pacific Coast and day-of-the-week arrivals to Hawaii, a type of service that is very attractive to customers because it decreases their overall distribution costs. In addition, Matson competes by offering more comprehensive service to customers, supported by its scope of equipment and its efficiency and experience in the handling of containerized cargoes, and by competitive pricing. Although air freight competition is intense for time-sensitive or perishable cargoes, historic and projected inroads of such competition in cargo volume are limited by the amount of cargo space available in passenger aircraft and by generally higher air freight rates.

The carriage of cargo between the United States Pacific Coast and Hawaii on foreign-built and foreign-documented vessels is prohibited by Section 27 of the Merchant Marine Act, 1920, frequently referred to as the Jones Act. However, foreign-flag vessels bringing cargo to Hawaii from foreign sources provide indirect competition for Matson's container freight service between the United States Pacific Coast and Hawaii. Far East countries, Australia and New Zealand have direct foreign-flag services to Hawaii.

In response to coordinated efforts by various interests to convince Congress to repeal the Jones Act, a coalition of more than 400

businesses and organizations, including Matson, have formed the Maritime Cabotage Task Force to support the retention of the Jones Act and other cabotage laws. Repeal of the Jones Act would allow all foreign-flag vessel operators, who would not have to abide by U.S. laws and regulations, to sail between American ports in direct competition with Matson and other U.S. operators who 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 Terminals competes with numerous other companies which perform the same or similar services. The container stevedoring and terminal services business is extremely competitive. The primary considerations of ocean carriers when selecting stevedore and terminal operators are rates, quality of service, expertise and reputation. The industry is highly capital-intensive because of the need for expensive container-handling equipment.

Matson Intermodal competes for freight with a number of large and small companies engaged in intermodal transportation. Matson Services competes with other large operators of tugboats in Hawaiian waters.

(6) LABOR RELATIONS

The absence of strikes and the availability of labor through hiring halls are important to maintenance of profitable operations by Matson. Although Matson's operations have not been disrupted significantly by strikes in the past 25 years, on-going labor disruptions by certain longshore bargaining units at various U.S. Pacific Coast ports, beginning in the second half of 1996, have adversely affected Matson's operations and operating costs for all steamship companies calling at these ports. See "Employees and Labor Relations" below for a description of labor agreements and certain unfunded liabilities for multi-employer pension plans to which Matson and Matson Terminals contribute.

(7) RATE REGULATION

In December 1996, Matson filed a 3.5% general rate increase for the Hawaii Service that became effective on February 2, 1997. A 1.75% fuel surcharge will continue in effect while fuel prices remain high.

The Interstate Commerce Commission Termination Act of 1995 (the "Act"), which took effect on January 1, 1996, eliminated the Interstate Commerce Commission and transferred jurisdiction over port-to-port rates in the domestic offshore trades from the Federal Maritime Commission to the Surface Transportation Board ("STB"), a new agency within the U.S. Department of Transportation. The STB now has sole jurisdiction over water carriers providing service in the domestic offshore trades.

Carriers under STB jurisdiction must file rates with the STB. The Act establishes a Zone of Reasonableness ("ZOR") which, as adjusted by reference to the Producer Price Index, will allow annual increases not exceeding 7.5% and rate reductions not exceeding 10%, measured against the rate in effect one year before the change. Rates which qualify for ZOR treatment are deemed reasonable and are not subject to investigation or suspension. Rates outside the ZOR also must be reasonable, but no regulations have been proposed for determining reasonableness.

B. PROPERTY DEVELOPMENT AND MANAGEMENT

(1) GENERAL

The property development and management operations of A&B are conducted by ABHI, a wholly-owned subsidiary headquartered in Honolulu. A&B and its subsidiaries own approximately 93,160 acres of land, consisting of approximately 91,120 acres in Hawaii and approximately 2,040 acres elsewhere, as follows:

LOCATION	NO. OF ACRES
Maui	69,180
Kauai	21,940
California	1,950
Texas	42
Washington	22
Nevada	18
Colorado	5
Florida	3

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 leased to ranchers, watershed and conservation reserves. The balance is used or planned for development or other urban uses. An additional 3,200 acres on Maui and Kauai are leased from third parties.

CURRENT USE	NO. OF ACRES
Sugarcane/coffee cultivation and contributory purposes	44,100
Watershed and conservation	28,900
Other agricultural and pasture land	16,400
Hawaii commercial and industrial land	480
Hawaii residential, including land zoned for hotel and apartment use	1,240

Total in Hawaii	91,120
California ranch land	1,900
U.S. Mainland commercial and industrial land	140
TOTAL	93,160

ABHI is actively involved in the entire spectrum of land development, including planning, zoning, financing, constructing, purchasing, managing and leasing, and selling and exchanging 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 approvals:

- amendment of the County general plan to reflect the desired residential use;

- approval by the State Land Use Commission to reclassify the parcel from the "agricultural" district to the "urban" district;

- County approval to rezone the property to the precise residential use desired; and,

- if the parcel is located in the Coastal Zone Management area, the granting of a Special Management Area Permit by the County Planning Commission.

The entitlement process is complicated by the conditions, restrictions and exactions that are placed on these approvals, such as 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.

ABHI 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. ABHI designates a parcel as "fully-zoned" when all necessary government approvals have been obtained. Approximately 1,220 acres of property in Hawaii currently are designated fully-zoned for urban use.

As described in more detail below, work to obtain entitlements for urban use in 1996 focused on (i) the Kukui'ula residential development on Kauai, (ii) the proposed master-planned community at Pilot Hill Ranch in California and (iii) obtaining Community Plan designations for various ABHI lands on Maui. With regard to item (iii), ABHI continues to participate actively in Maui County's decennial update of its Community Plans, a process that began in 1992. The Community Plans serve to guide planning development activity over the next decade. ABHI has obtained and continues to seek various urban designations for its undeveloped lands within the following four Community Plans where most of its Maui lands are located: Pa'ia-Haiku Community Plan, Kihei-Makena Community Plan, Wailuku-Kahului Community Plan, and Makawao-Pukalani-Kula ("Upcountry") Community Plan.

In 1996, the Maui County Council adopted the Upcountry Plan. The Upcountry Plan designated 45 acres of ABHI's previously agricultural land as single-family residential use. The Council previously adopted the Pa'ia-Haiku Community Plan in 1995. Adoption of the remaining two Community Plans by the Maui County Council is expected in 1997 or 1998.

(3) RESIDENTIAL PROJECTS

ABHI is pursuing a number of residential projects in Hawaii and on the U.S. Mainland, in particular:

(a) KUKUI'ULA. On Kauai, construction activity at the 1,045-acre Kukui'ula project continues to be suspended as a result of weak economic conditions on Kauai. The Kukui'ula project is envisioned to be the first planned residential community on the island of Kauai. It currently is expected to include up to 3,000 dwelling units, as well as an 18-hole golf course, a small boat marina, hotels, commercial areas, schools and parks. Construction of the wastewater treatment plant, mass grading and drainage, and certain roadway improvements were completed in 1993.

In 1996, ABHI continued efforts to obtain governmental approvals for the project. In September 1996, the Kauai County Planning Department confirmed the validity of the Special Management Area (SMA) permit for Phase I of the project. The initial increment of 727 acres currently is available for development, while the remaining 318 acres are conditionally designated urban, subject to a showing that substantial progress has been made on providing infrastructure to the initial increment. However, renewal of construction activity awaits improvement of the current economic conditions, especially housing demand, on Kauai.

(b) ELEELE NANI II. Also on Kauai, sales at ABHI's Eleele Nani II development, consisting of 146 single-family lots on 27 acres, continued during 1996. Sales of two lots closed in 1996, leaving only four lots available for sale.

(c) KU'AU BAYVIEW AT PA'IA SUBDIVISION. The construction of roadways and utilities for this 92 single-family house and lot project on Maui was completed in the first quarter of 1996. Since the completion and opening of the two model homes and a site office in April 1996, a total of 34 homes have been sold and occupied, with an additional 18 homes in escrow awaiting construction of the homes. To minimize standing inventory, homes generally are not constructed until preliminary approval for take-out financing is obtained by the buyer. As of March 5, 1997, a total of 51 homes, not including the model homes, have been completed or are under construction. The project is being marketed in three phases. The first two phases, composed of 64 lots, continue to be marketed actively, and the last phase, composed of 28 lots, is planned to be released sometime in mid-1997. Marketing incentives include offering zero down payment loans with seller financing or guarantees.

(d) HAIKU MAUKA. Also on Maui, Haiku Mauka, a 92-acre, 39-lot agricultural lot residential subdivision, was sold out in January 1997.

(e) KAUHIKOA HILL RANCH. Site work was substantially completed in 1996 for this 24-acre, 9-lot agricultural lot residential subdivision, adjacent to the Haiku Mauka project. Marketing activities commenced in January 1997.

(f) HAIKU MAKAI AND MAUNAOLU. In 1996, construction plans were submitted for these 28-lot and 38-lot, respectively, agricultural lot residential subdivision projects on Maui.

(g) KAHULUI IKENA. Since the completion of this 102-unit Maui condominium project in June 1995, a total of 53 units have been sold to date (21 units in 1995, 31 units in 1996, and 1 unit in January 1997). An additional nine units are currently in escrow. Marketing incentives include offering rent-to-own options, seller credits, seller financing and zero down payment programs.

(h) PILOT HILL RANCH. On January 23, 1996, the El Dorado County Board of Supervisors adopted the new General Plan for El Dorado County, near Sacramento, California. The new General Plan incorporates ABHI's development plan proposals for the Pilot Hill Ranch project. Pilot Hill Ranch is intended to be developed as a 1,800-acre planned residential community, consisting of approximately 975 single- and multi-family homes, a golf course, parks and 15 acres of commercial development. A lawsuit filed in 1996 to block implementation of the General Plan is still pending. A Specific Plan for the development of Pilot Hill Ranch (equivalent to a zoning application) was submitted to the El Dorado County Planning Department in March 1997.

(4) COMMERCIAL AND INDUSTRIAL PROPERTIES

An important source of property revenue is the lease rental income A&B and its subsidiaries receive from various ground leases on 11,000 acres of land (including agricultural and pasture lands) and 2.84 million leasable square feet of industrial and commercial building space.

(a) HAWAII COMMERCIAL/INDUSTRIAL PROPERTIES

In Hawaii, most of the income-producing commercial and industrial properties owned by A&B and its subsidiaries are located in the central Kahului area of Maui. They consist primarily of two shopping centers and two office buildings, as well as several separate commercial and industrial properties. Together with the Stangenwald Building, a six-story office building located in downtown Honolulu that was acquired in December 1996 pursuant to the tax-deferred exchange provisions of Section 1031 of the Internal Revenue Code, these properties are as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
Maui Mall	Kahului, Maui	Retail shopping center	190,800
Kahului Shopping Center	Kahului, Maui	Retail shopping center	112,100
Wakea Business Center	Kahului, Maui	Warehouse/ Retail	61,500
Kahului Office Building	Kahului, Maui	Office	51,700
Kahului Office Center	Kahului, Maui	Office	29,800
Apex Building	Kahului, Maui	Retail	28,000
Stangenwald Building	Honolulu, Oahu	Office	28,000

In addition to the above-described properties, a number of other commercial and industrial projects are being developed on Maui and Kauai,

including:

(1) TRIANGLE SQUARE. Development continues at this 11-acre retail/commercial site in Kahului, Maui. Three lots have been leased so far, and the Apex Building, containing 28,000 square feet, is currently 75% occupied by retail users. Additional ground leases and construction are planned for the balance of Triangle Square, with marketing and leasing activity in progress in 1997.

(2) MAUI BUSINESS PARK. Construction of the 42-acre, Phase 1A of the Maui Business Park, a light industrial/commercial subdivision located near Maui's primary airport and harbor, was completed in December 1996. Maui Business Park is planned eventually to comprise a total of four phases, aggregating about 240 acres, to be developed over the next 20 years. Construction of the Maui Marketplace, a 295,000 square-foot value retail shopping center, being built on a total of approximately 20 acres acquired by purchase and lease by a Hawaii-based developer in 1995, is scheduled to be completed in the second quarter of 1997. Some of the tenants that have signed leases for the Maui Marketplace include The Sports Authority, Border's Books and Music, Eagle Hardware and Garden, Office Max, Liberty House Home Outlet, Bank of Hawaii and Burger King. To date, a total of 13 out of 34 lots in Phase 1A (including the Maui Marketplace) have been sold or leased. This represents an absorption of 68% of the 37.4 salable acres.

(3) PORT ALLEN INDUSTRIAL SUBDIVISION. On Kauai, one industrial lot remains available for sale.

(b) U.S. MAINLAND COMMERCIAL/INDUSTRIAL PROPERTIES

On the U.S. Mainland, A&B and its subsidiaries own a portfolio of commercial and industrial properties, acquired primarily by way of tax-deferred exchanges under Section 1031 of the Internal Revenue Code, comprising a total of approximately 2.17 million square feet of leasable area, as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
10500 Ridgeview Court (fka DEC Facility)	Cupertino, CA	Research and development	246,000
Moulton Plaza	Laguna Hills, CA	Retail	134,000
LinPac Building	City of Industry, CA	Warehouse/ Distribution	126,000
Spinnaker II	Fremont, CA	Research and development	98,500
Market Square	Greeley, CO	Retail	43,300
Professional Center Office Plaza	Gainesville, FL	Office	24,000
Airport Square	Reno, NV	Retail	168,000
Great Southwest Industrial	Grand Prairie, TX	Warehouse/ Industrial	901,400
Valley Freeway Corporate Park	Kent, WA	Warehouse/ Industrial	229,100
4225 Roosevelt Building	Seattle, WA	Office/Medical	106,500
Island Village Shopping Center	Bainbridge Island, WA	Retail	97,200

The Great Southwest Industrial property in Dallas, Texas benefited from a strong leasing market, achieving a 100% occupancy rate in 1996. The resurgence of new construction in the area has increased the amount of competitive space, but will have minimal impact on the property in 1997, due to few lease expirations.

Washington State's economic expansion is expected to continue to benefit A&B's three Seattle-area properties. The 4225 Roosevelt Building, Valley Freeway Corporate Park and Island Village Shopping Center are operating at 100% occupancy.

In California, the Cupertino and Fremont markets continue to experience high occupancy rates, due to the expansion of computer software and hardware tenants. The 10500 Ridgeview Court property (fka DEC Facility) in Cupertino has been leased to Hewlett-Packard Company and Digital Equipment through August 2000. An advance lease commitment beginning in March 1998 for the Spinnaker II property in Fremont will provide 100% occupancy through March 2000. Moulton Plaza, located in Laguna Hills in Southern California, is being challenged by increased retail developments in its vicinity, but above-average population gains are expected for this area. Marketing activity for the LinPac Building in the City of Industry will initiate in 1997 in anticipation of the

February 1998 lease expiration of the existing tenant.

The Airport Square shopping center in Reno continues to benefit from Nevada's above-average population growth. Occupancy at this center is expected to average 97% in 1997.

The U.S. Mainland leased property portfolio had an average 97% occupancy in 1996, the level that has been maintained since 1994. Overall occupancy rates for improved properties in the Hawaii leased property portfolio averaged 86% in 1996, compared with 90% in 1995. The decrease was due to weak economic conditions and competing retail space.

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. A&B's food products operations are conducted by ABHI. During 1996, ABHI operated two sugar plantations, Hawaiian Commercial & Sugar Company ("HC&S") on the island of Maui and McBryde Sugar Company, Limited ("McBryde") on the island of Kauai. As planned, however, sugar production at McBryde ceased upon completion of the 1996 harvest in September 1996. Continuing losses in McBryde's sugar operations necessitated this action. Island Coffee Company, Inc. ("Island Coffee"), a wholly-owned subsidiary of McBryde, continues to grow coffee on the island of Kauai.

ABHI is Hawaii's largest producer of raw sugar, producing 221,328 tons of raw sugar (including 20,310 tons from McBryde's last harvest) in 1996, or 51% of the raw sugar produced in Hawaii. Total Hawaii sugar production, in turn, amounted to approximately six percent of total United States sugar production.

HC&S harvested 17,183 acres of sugar cane in 1996, compared with 17,661 acres in 1995. Yields averaged 11.7 tons of sugar per acre in 1996, a 0.5 ton per acre improvement over 1995 levels. The improvement in yield reflects the early beneficial impact of a number of improvements in cultivation practices taken to deal with a reduction in yield in 1995. The average cost per ton of sugar produced at HC&S, including the cost of power production, was $410.31 in 1996, compared with $429.50 in 1995. Continuing cost reduction programs have been successful in minimizing total cost increases. As a by-product of sugar production, HC&S also produced 65,525 tons of molasses in 1996, compared with 63,339 tons in 1995. In its last harvest, McBryde harvested 3,898 acres of sugar cane and produced 8,754 tons of molasses in 1996, compared with 3,237 acres and 9,219 tons in 1995. The average yield at McBryde in 1996 was 5.2 tons of sugar per acre, down from 7.4 tons in 1995.

HC&S produces electricity for its own use and for sale to the electric utility company on Maui by burning bagasse (sugarcane fiber), by hydroelectric power generation and, when necessary, by burning fossil fuels. Prior to cessation of sugar operations in September 1996, McBryde also produced electricity for its sugar and coffee (through its Island Coffee subsidiary) operations, and for sale to the electric utility on Kauai, by burning bagasse and fossil fuels and by hydroelectric generation. With the closure of its sugar mill, McBryde continues to produce electricity by hydroelectric power 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 certain power to the local utility. In 1996, HC&S sold 82,447 megawatt hours ("MWH") of electric power, and McBryde sold 25,227 MWH. Revenue from the sale of electricity depends on the amount of power produced and sold, as well as the average price of fuel. (See "Energy" below.)

During 1996, Island Coffee had approximately 4,000 acres of coffee trees under cultivation. The harvest of the 1996 coffee crop is expected to yield nearly 2.4 million pounds of green coffee, compared with 1.8 million pounds in 1995. Coffee production is expected to continue to increase during the next few years.

Kahului Trucking & Storage, Inc., a subsidiary of ABHI, provides sugar and molasses hauling and storage, petroleum hauling, mobile equipment maintenance and repair services, and self-service storage facilities on Maui. Kauai Commercial Company, Incorporated, another subsidiary of ABHI, provides similar services on Kauai, as well as general trucking services.

(2) SUGAR REFINING; MARKETING OF SUGAR AND COFFEE

Virtually all of the raw sugar produced in Hawaii is purchased, refined, and marketed by C&H. C&H processes the raw cane sugar into a full line of refined sugar products for the grocery market, and a full range of industrial refined sugar products for industrial bakers, confectioners and food processors. C&H is the leading sugar brand in the western United States. Marketing of C&H's refined products is conducted by C&H's sales staff and a network of brokers under exclusive representation agreements. The refined products are marketed primarily in the western and central United States.

C&H's profit margins improved significantly in 1996 as a result of a comprehensive restructuring initiated at the end of 1995 and implemented in 1996, and the firming of refined sugar selling prices in both the retail and industrial markets. A better balance between domestic production and consumption of refined sugar, and between supplies of cane and beet sugar available in the U.S. domestic market, led to the firming of refined sugar prices.

Problems still persist in the manner in which the U.S. Department of Agriculture administers the domestic sugar support program, to the continuing detriment of U.S. cane refiners. The program was renewed in early 1996 with little change. Unless the government reforms its administration of the sugar program, the financial hardships experienced by the cane refining industry prior to 1996, as a result of the sugar program, could occur again. Insufficient supplies of raw cane sugar resulting from inadequate administration of the sugar program, for example, would adversely affect cane refiners.

Consumer sugar sales are seasonal in nature and, as a result, C&H's financial results are expected to be better in the third and fourth quarters of each fiscal year, compared with the first two quarters.

C&H has a ten-year supply contract, ending in 2003, with Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative consisting of the major sugarcane growers in Hawaii (including HC&S), for C&H to acquire substantially all raw sugar produced in Hawaii. There are no minimum supply guarantees on the part of HS&TC. During 1996, the supply contract with HS&TC provided 63% of the raw sugar used by C&H. In recent years, a number of Hawaii sugarcane growers have exited the business. There is no certainty that the companies now producing sugar cane in Hawaii will be doing so in the future. In 1997, C&H will continue to purchase significant amounts of raw sugar from foreign sources, including Australia, Central and South America, the Philippines and Taiwan, to supplement its purchases under the supply contract with HS&TC.

At Island Coffee, coffee marketing efforts currently are being directed toward developing a market for premium-priced, Kauai-grown green coffee. Most of the 1996 coffee crop is being marketed on the U.S. Mainland and in Asia as green (unroasted) coffee. Island Coffee has a supply agreement with Nestle Beverage Company, ending in 1998, pursuant to which Nestle Beverage Company purchases 25% of Island Coffee's annual green coffee production. In addition to the sale of green coffee, Island Coffee produces and sells a roasted, packaged coffee product in Hawaii under the "Kauai Coffee" trademark.

(3) COMPETITION AND SUGAR LEGISLATION

Hawaiian sugar growers produce more sugar per acre than other major producing areas of the world, but that advantage is partially offset by Hawaii's high labor costs and the distance to the U.S. Mainland market. C&H's 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 which produces more sugar than it consumes. Sugar from sugar beets is the greatest source of competition for C&H. Competition from high fructose corn syrup ("HFCS") has stabilized, as sweetener markets in which the use of HFCS is economical have become saturated. The use of non-caloric (artificial) sweeteners accounts for a small percentage of the domestic sweetener market. Although the use of artificial sweeteners is expected to continue to grow, such increased use is not expected to affect sugar markets significantly in the near future.

Worldwide, most sugar is consumed in the country of origin. Only about a quarter of world sugar is involved in international trade. A much smaller amount is traded at the world sugar market price (the other sugar involved in international trade is traded at negotiated prices under bilateral trade agreements). Due to protective legislation, raw cane sugar prices in the U.S. generally are substantially higher than the world price, and the amount of foreign sugar allowed into the U.S. under import quotas is regulated by the U.S. government. Such foreign sugar sells at U.S. domestic prices. As a result, the world sugar price does not have material relevance to U.S. sugar producers and refiners.

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. Congress's most recent renewal of protective legislation for domestic sugar is provided by the Federal Agriculture Improvement and Reform Act, which was signed into law in the first quarter of 1996 (the "1996 Act"). The 1996 Act provides a sugar loan program for the 1996 through 2002 crops, with a loan rate (support price) of 18 cents per pound for raw sugar, the same as that provided by the 1990 Farm Bill. When the import quota is 1.5 million tons or less, the loans are recourse, meaning the producer is liable for any losses the government incurs in remarketing any sugar forfeited by the producer. When the import quota is greater than 1.5 million tons, the loans are non-recourse, but in the event of forfeiture the producer must pay a one-cent-per-pound penalty for the sugar forfeited to the government. The 1996 Act also eliminated marketing allotments, thereby removing the means of limiting domestic production. The 1.25-million-ton minimum import quota set under the General Agreement on Tariff and Trade ("GATT") is retained in the 1996 Act.

The loan rate represents the value of sugar given as collateral for government price-support loans. The government is required to administer the sugar program at no net cost, and this is accomplished by adjusting fees and quotas for imported sugar to maintain the domestic price at a level that prevents producers from defaulting on loans. The target price established by the government is known as the market stabilization price and is based on the loan rate plus transportation costs, interest and an incentive factor. The market stabilization price was 21.8 cents per pound in 1988-89 and 21.9 cents per pound in 1990-91. No market stabilization price has been announced since 1990-91. The actual U.S. domestic sugar price (measured by the closing price of the quoted spot contract) averaged 21.62 cents per pound in 1993, 22.03 cents per pound in 1994, 23.03 cents per pound in 1995 (reaching a high of 25.00 cents per pound in June and July), and 22.36 cents per pound in 1996. The abnormally high average raw sugar price in 1995 was due to flaws in the existing federal sugar legislation and in the administration of the U.S. sugar program. The inflated cost of raw sugar continued throughout 1996, but fortunately did not reach 1995 levels. The foregoing average prices are based on the average daily New York Contract #14 price for domestic raw sugar. A

chronological chart of these prices is shown below.

[The printed document includes a graph of the prices; the data points for this graph are shown below.]

U.S. Raw Sugar Prices
(New York Contract #14)
(Average Cents per pound)

	1994	1995	1996
January	22.00	22.66	22.39
February	21.94	22.67	22.58
March	21.95	22.46	22.57
April	22.04	22.78	22.59
May	22.18	23.10	22.59
June	22.45	23.50	22.49
July	22.72	24.47	21.80
August	21.90	23.37	22.35
September	21.78	23.21	22.38
October	21.52	22.92	22.36
November	21.57	22.60	22.12
December	22.31	22.70	22.10

Under the long-term raw sugar supply agreement between C&H and HS&TC, the participating growers sell their raw sugar to C&H at a price equal to the No. 14 Contract settlement price, less a discount and less costs of sugar vessel discharge and stevedoring. This price becomes a cost to C&H and, 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. The No. 14 price is established by, among other things, the supply of and demand for all forms of domestically-produced sweeteners, government policies regarding the U.S. sugar import quota, as well as by potential changes in international trade programs which might affect the U.S. sugar program.

Liberalized international trade agreements, such as the GATT, include provisions relating to agriculture, but these agreements will not affect the U.S. sugar or sweetener industries materially. A "side" agreement that modified the North American Free Trade Agreement ("AFTA") alleviated some of the cane refiners' and sugar producers' concerns over NAFTA provisions which could have allowed Mexico to export large quantities of sugar to the U.S. starting in five years. Under the side agreement, if Mexico is projected to be a net surplus producer of sugar, i.e., its production of sugar is expected to exceed its consumption of both sugar and HFCS, then it is limited to 25,000 tons of sugar exports, in any form, to the U.S. This export ceiling increases to 250,000 tons of sugar in the year 2000, and is eliminated in the year 2007.

(4) PROPERTIES AND WATER

C&H's refining operations are located at Crockett, California. The Crockett refinery is one of the largest in the world, and is the only cane sugar refinery on the United States West Coast. It is ideally located next to a deep-water port, a major rail line and an interstate highway. The refinery and administrative offices occupy a complex of buildings that contains approximately 1,310,000 square feet and is located on approximately 55 acres. C&H leases approximately 42 acres from the California State Lands Commission under long-term ground leases, and owns the remaining area. The Lease Agreement with the State of California covering the main refinery and wharf facilities expires in 2022, and the Lease Agreement covering the area where the secondary water treatment facility is located expires in 2024.

In December 1996, C&H closed its smaller sugar refining and distribution facility in Aiea, Hawaii that primarily produced liquid sugar for the local beverage industry. The closure was in response to reduced supplies of raw sugar on the island of Oahu and increased competition from high fructose corn sweeteners. C&H will transfer the Aiea refinery's leased equipment to the Crockett refinery. In the City of Commerce, California, C&H owns and operates a bulk sugar receiving and distribution facility. The facility is located on a four-acre parcel owned by C&H.

The HC&S sugar plantation, the largest in Hawaii, consists of approximately 43,800 acres of land, including 2,000 acres leased from the State of Hawaii and 1,300 acres under lease from private parties. Approximately 36,000 acres are under cultivation and completely irrigated, and the balance either is used for contributory purposes, such as roads and plant sites, or is not suitable for cultivation.

McBryde owns approximately 22,000 acres of land on Kauai, of which approximately 13,000 acres are used for watershed and other conservation uses, approximately 4,000 acres are used by Island Coffee for coffee, and the remaining acreage is leased to various agriculture enterprises for cultivation of a variety of crops and for pasturage. In connection with cessation of sugar

production operations in September 1996, McBryde terminated leases covering approximately 7,000 acres of land.

Large quantities of water are necessary to grow sugar cane. Because of the importance of water, access to water, reliable sources of supply and efficient irrigation systems are crucial for the successful growing of sugar cane. A&B's plantations use a "drip" irrigation system that distributes water to the cane roots through small holes in plastic tubes. A total of 34,326 acres, 96% of HC&S's cane lands, currently are drip irrigated. The drip method has improved yields in the fields, allowed increased mechanization of field operations, resulted in added acres under cultivation, and helped mitigate the effects of drought.

ABHI also owns 16,000 acres of watershed lands on Maui which supply part of the irrigation water used by HC&S. ABHI also held water licenses to 38,000 acres owned by the State of Hawaii, which over the years supplied approximately one-third of the irrigation water used by HC&S. The last of these four water license agreements expired in 1986, and all four agreements have been extended as revocable permits that are renewable annually. The State Board of Land and Natural Resources has indicated its intention to replace these four permits with long-term licenses. The issuance of such licenses currently is pending a hearing before the State Board of Land and Natural Resources.

D. EMPLOYEES AND LABOR RELATIONS

As of December 31, 1996, A&B and its subsidiaries had approximately 2,960 regular full-time employees, 4% fewer than at the start of 1996. About 1,112 regular full-time employees were engaged in the growing of sugar cane and coffee and the production of raw sugar and green coffee, 563 were engaged in the refining and marketing of sugar, 1,061 were engaged in ocean transportation, 40 were engaged in property development and management, and the balance was in administration and miscellaneous operations. Approximately 61% were covered by collective bargaining agreements with unions.

As a result of the work force reduction at C&H implemented in late 1995 and early 1996, approximately 201 regular full-time employees, comprising 25% of the C&H work force, were laid off. In addition, as a result of the September 1996 shutdown of sugar operations at McBryde, approximately 110 McBryde employees were laid off in 1996. The remaining McBryde employees, approximately 68 in number, are now employed by Island Coffee.

As of December 31, 1996, Matson and its subsidiaries had approximately 1,061 regular full-time employees, 320 seagoing employees and 394 casual employees. Approximately 36% of the regular full-time employees, all of the seagoing employees and all of the casual employees were covered by collective bargaining agreements. The casual employees are United States Pacific Coast longshoremen who are employed through hiring halls and are not full-time employees of either Matson or Matson Terminals.

Employees of Matson and Matson Terminals are represented by 10 different unions, and Matson and Matson Terminals are parties to 94 separate collective bargaining agreements. Matson's seagoing employees are represented by six unions. Matson and Matson Terminals are members of the Pacific Maritime Association ("PMA"), and Matson Terminals is a member of the Hawaii Stevedoring Industry Committee and the Hawaii Employers Council, through which various collective bargaining agreements are negotiated. Matson is a member of the Maritime Service Committee ("MSC") for collective bargaining with three unions representing licensed deck, engineer and radio officers for Matson vessels.

Historically, collective bargaining with the longshore and seagoing unions has been complex and difficult. However, Matson and Matson Terminals consider their respective relations with the International Longshoremen's and Warehousemen's Union ("ILWU"), other unions and their non-union employees generally to have been satisfactory.

During 1996, collective bargaining agreements with the ILWU on the U.S. Pacific Coast, ILWU longshore workers in Hawaii, clerical bargaining units in Honolulu and Oakland, and the three unions representing unlicensed crew members were renewed for three-year terms. Although the U.S. Pacific Coast agreement was ratified by a majority of the union membership, certain ILWU units oppose provisions of the agreement and have created disruptions at U.S. Pacific Coast ports. The PMA, representing the employers, and the ILWU are continuing discussions to resolve this problem. Agreements with two other Hawaii ILWU units and two International Brotherhood of Teamsters units in Oakland are expected to be renewed in 1997 for three-year terms effective retroactively to mid-1996.

In 1995 and 1996, the ILWU petitioned the National Labor Relations Board ("NLRB"), requesting that it be certified as the bargaining agent for office clerical employees at Los Angeles and for employees who plan and supervise the loading of ships at Los Angeles and at Seattle. The ILWU subsequently was recognized as the bargaining agent for the clerical employees at Los Angeles and for the vessel planners at Los Angeles, but collective bargaining agreements covering those employees have not yet been concluded. A ruling in January 1997 by the NLRB Acting Regional Director, that the employees at Seattle are supervisors not subject to the National Labor Relations Act, has been appealed by the union to the NLRB in Washington, D.C.

Matson contributed during 1996 to multi-employer 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, and, in the event of material disagreement with such determination, 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 multi-employer pension plan for its Hawaii longshore employees. For a discussion of withdrawal liabilities under the Hawaii

longshore and seagoing plans, see Note 5 to A&B's financial statements on page 37 of the 1996 Annual Report, which Note is incorporated herein by reference.

Matson pays, through Matson Terminals on the basis of cargo tons carried, and Matson Terminals contributes as a direct employer, to a multi-employer pension plan for Pacific Coast longshoremen. Under special withdrawal liability rules in the plan, Matson Terminals could cease United States Pacific Coast cargo handling operations permanently and stop making contributions to the plan without any withdrawal liability.

As of December 31, 1996, HC&S had approximately 873 employees covered by two collective bargaining agreements with the ILWU. These agreements expired on January 31, 1997, were extended temporarily with a 72-hour cancellation clause, and are in the process of being renegotiated. Kahului Trucking & Storage, Inc. had three ILWU bargaining units covering 38 employees. Two of the collective bargaining agreements have been renegotiated and expire June 30, 1999. The other agreement currently is being renegotiated. Kauai Commercial Company, Incorporated had 40 employees represented by the ILWU. The two collective bargaining agreements were extended to April 30, 1997 and are in the process of being renegotiated. Negotiations with the ILWU on a collective bargaining agreement for the 50 production unit employees of Island Coffee are expected to commence soon.

Of the 406 bargaining unit employees of C&H at Crockett, California at year-end 1996 (reflecting the C&H lay-off in early 1996), 322 were members of Sugar Workers Union No. 1, AFL-CIO Seafarers International Union of North America and 84 employees were members of the ILWU. Contracts covering these employees extend through May 31, 1998.

E. ENERGY

Matson and Matson Terminals purchase bunker fuel oil, lubricants, gasoline and diesel fuel for their operations. In 1996, Matson vessels consumed approximately 2.25 million barrels of bunker fuel oil, which is Matson's largest energy-related expense.

Bunker fuel prices started 1996 at $115.40 per metric ton and ended the year at $127.50 per metric ton. A low of $81.00 per metric ton occurred in June, and a high of $132.25 per metric ton occurred in December. Sufficient fuel for Matson's requirements is expected to be available in 1997.

As is the practice throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugarcane plant, as a fuel to generate steam for the production of most of the electrical power for sugar mill and irrigation pumping operations. Until cessation of its sugar operations in September 1996, McBryde also generated steam power by burning bagasse. In addition to bagasse, supplemental fuel is required to produce power, principally for pumping irrigation water during the factory shutdown period when bagasse is not being produced. No. 6 (heavy) oil and coal have been the supplemental fuels most commonly used by the sugar factories. However, in 1992, the suppliers of oil to the ABHI sugar plantations announced they would discontinue regular heavy oil shipments as a result of unlimited liability concerns arising from federal and state environmental laws. Currently, heavy oil is being transported to HC&S on a space-available basis. As a result of the oil-availability problem, HC&S converted its factories to use diesel fuel and increased its use of coal. In 1996, HC&S produced 239,498 MWH of electric power and sold 82,447 MWH, compared with 1995's power production of 253,985 MWH and sales of 98,031 MWH. HC&S's oil use increased to 189,938 barrels in 1996 from the 143,090 barrels used in 1995. Coal use for power generation decreased, from 67,208 short tons in 1995 to 42,534 short tons in 1996.

In 1996, power production at McBryde was 44,451 MWH, down from 46,532 MWH in 1995. Power sales in 1996 of 25,227 MWH were up from 19,625 MWH in 1995, principally due to reduced requirements for irrigation pumping. Following cessation of its sugar operations, McBryde continues to generate and sell hydroelectric power which is excess to its and Island Coffee's needs. Steam-generated power no longer is produced by McBryde on Kauai.

C&H relies primarily on steam to power its Crockett refinery. Natural gas and electricity also are used, to a lesser extent, for refinery operations. C&H obtains its steam from a 240 MW cogeneration plant, located adjacent to its refinery, that was placed into operation by a third party in May 1996. Pursuant to an agreement between C&H and the third party that expires in 2026, C&H purchases the steam at prices that reflect a discount to the prevailing market price for natural gas, thereby reducing C&H's total energy costs. The cogeneration plant also allowed C&H to shut down its own, less efficient steam-generating plant, thereby avoiding certain material capital improvements to that plant. In 1996, C&H purchased 19,181,420 therms of steam from the cogeneration plant.

ITEM 3. LEGAL PROCEEDINGS

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

In June 1990, Matson Terminals filed a complaint in the Superior Court of California against Home Insurance Company, Hobbs Group, Inc. and Arkwright-Boston Insurance Company for breach of contract and negligence. The complaint sought recovery of damages sustained at Matson Terminals' Oakland terminal as a result of the October 1989 Loma Prieta earthquake. The court awarded Matson Terminals $23,516,000, which included $11,250,000 in punitive damages, together with interest. The court's award was unanimously affirmed by the Court of Appeal on October 1, 1996. Home Insurance Company's request for a rehearing was denied, and its petition for review with the California Supreme Court was denied on January 22, 1997. On February 13, 1997, Home Insurance Company paid

$33,650,000 to Matson Terminals to settle the lawsuit.

In February 1992, Pan Ocean Shipping Co., Ltd. ("Pan Ocean") served on Matson an amended complaint alleging that a Matson vessel negligently discharged contaminated ballast water into Los Angeles harbor on January 9, 1991. Pan Ocean admits that a vessel owned and operated by Pan Ocean discharged fuel oil into Los Angeles harbor on January 8, 1991. Pan Ocean is seeking contribution and indemnification for the in-harbor clean-up charges which it alleged to be between $16,000,000 and $19,000,000. On April 12, 1993, Pan Ocean amended its complaint to allege fraud and seek unspecified punitive damages. The parties have stipulated to binding arbitration before a Special Master appointed by the United States District Court for the Central District of California. The Special Master's findings will be incorporated into a judgment by the United States District Court, which judgment may be appealed to the Ninth Circuit Court of Appeals only on the issues of punitive damages and misconduct of the Special Master. Arbitration hearings, which commenced January 13, 1994, are ongoing. Management continues to believe, after consultation with legal counsel and given the Protection and Indemnity coverage under Matson's insurance policy in effect at the time of the alleged conduct, that any ultimate liability in connection with this action will not have a material adverse effect on Matson's financial condition.

On November 1, 1994, the Division of Water Quality, Department of Wastewater Management, City and County of Honolulu ("City and County") issued a Cease and Desist Order to C&H, alleging violations of a City and County ordinance arising out of C&H's discharge of industrial wastewater from its liquid sugar refinery into the City and County's sewer system. Two subsequent Amended Orders, among other things, permitted C&H to discharge wastewater into the sewer system, provided C&H did not violate its permit, and imposed a fine on C&H in the amount of $1,650,000, which was suspended, provided C&H comply with the Amended Order. In May 1995, C&H presented a settlement proposal to the City and County pursuant to which, among other things, C&H and the City and County agreed that certain modifications completed at the refinery had alleviated the unanticipated operational difficulties that led to the issuance of the Amended Orders. On March 4, 1996, the City and County accepted the terms and conditions of C&H's proposal, which are contained in a Consent Agreement pursuant to which the fine was rescinded. The Consent Agreement resolves all issues raised in the Amended Orders and Docket No. 94-021, including the Petitions to Appeal filed by C&H.

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 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 paragraph B of "Directors and Executive Officers of the Registrant" in Part III below, which is incorporated into Part I by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This information is contained in the sections captioned "Common Stock" and "Dividends" on pages 21 and 22, respectively, of the 1996 Annual Report, which sections are incorporated herein by reference.

At February 14, 1997, there were 5,840 record holders 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.

ITEM 6. SELECTED FINANCIAL DATA

Information for the years 1986 through 1996 is contained in the comparative table captioned "Eleven-Year Summary of Selected Financial Data" on pages 24 and 25 of the 1996 Annual Report, which information is incorporated herein by reference.

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

A&B's financial statements, including the results of operations discussed herein, are based on the historical-cost method of accounting, in accordance with generally accepted accounting principles. If estimated current costs of property and inventory were applied to reflect the effects of inflation on A&B's businesses, total assets would be higher and net income lower than shown by the historical-cost financial statements. However, the carrying values of current assets (other than inventories, real estate held for sale, deferred income taxes and prepaid and other assets) and of debt instruments are reasonable estimates of their fair values. Investments in marketable securities are stated in the financial statements at market values in accordance with Statement of Financial Accounting Standards No. 115. Certain investments held in the Capital Construction Fund at amortized cost exceeded their fair values at December 31, 1996 and 1995. This matter is described more

fully in Note 4 on page 36 of the 1996 Annual Report, which Note is incorporated herein by reference.

Additional information applicable to this Item 7 is contained in the section captioned "Management's Discussion and Analysis" on pages 27 through 29 of the 1996 Annual Report, which section is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

This information is contained in the financial statements and accompanying notes on pages 30 through 41 of the 1996 Annual Report, the Independent Auditors' Report on page 23 of the 1996 Annual Report, the Industry Segment Information for the years ended December 31, 1996, 1995 and 1994 appearing on page 26 of the 1996 Annual Report and incorporated into the financial statements by Note 12 thereto, and the section captioned "Quarterly Results (Unaudited)" on page 22 of the 1996 Annual Report, all of which are incorporated herein by reference.

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

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" on pages 2 and 3 of A&B's proxy statement dated March 10, 1997 ("A&B's 1997 Proxy Statement"), which section is incorporated herein by reference.

B. EXECUTIVE OFFICERS OF THE REGISTRANT

The name of each executive officer of A&B (in alphabetical order), age (in parentheses) as of March 31, 1997, 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" on page 6 of A&B's 1997 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" on page 12 of A&B's 1997 Proxy Statement, which subsection is incorporated herein by reference.

Meredith J. Ching (40)

Vice President (Government & Community Relations) of A&B, 10/92-present; Vice President of ABHI (Government & Community Relations), 10/92-present; Vice President of ABHI (Natural Resources Development & Government Affairs), 4/89-9/92; first joined A&B or a subsidiary in 1982.

John C. Couch (57)

Chairman of the Board (4/95-present), Chief Executive Officer (4/92-present) and President (4/91-present) of A&B; Chairman of the Boards (4/95-present) of ABHI and Matson; Chief Executive Officer (4/89-12/96) and President (4/89-4/95) of ABHI; previously held various executive officer positions with A&B and Matson; first joined A&B or a subsidiary in 1976.

W. Allen Doane (49)

Chief Executive Officer of ABHI, 1/97-present; President of ABHI, 4/95-present; Chief Operating Officer of ABHI, 4/91-12/96; Executive Vice President of ABHI, 4/91-4/95; first joined A&B or a subsidiary in 1991.

Raymond J. Donohue (60)

Senior Vice President of Matson, 4/86-present; Chief Financial Officer of Matson, 2/81-present; first joined Matson in 1980.

John B. Kelley (51)

Vice President (Investor Relations) of A&B, 1/95-present; Vice President (Corporate Planning & Development, Investor Relations) of A&B, 10/92-12/94; Vice President (Community & Investor Relations) of A&B, 2/91-10/92; first joined A&B or a subsidiary in 1979.

Miles B. King (49)

Vice President and Chief Administrative Officer of A&B, 4/93-present; Senior Vice President (Industrial Relations) of ABHI, 4/93-present; Senior Vice President (Human Resources) of Matson, 10/92-present; Executive Vice President of The Hay Group, 1988-1992.

David G. Koncelik (55)

Senior Vice President of ABHI, 1/94-present; President and Chief Executive Officer of C&H, 1/94-present; Executive Vice President and Chief Operating Officer of C&H, 1/91-12/93; Chief Financial Officer of C&H, 12/88-12/93; first joined C&H in 1988.

Michael J. Marks (58)

Vice President, General Counsel and Secretary of A&B, 4/89-present; Senior Vice President and General Counsel of ABHI, 4/89-present; first joined A&B or a subsidiary in 1975.

C. Bradley Mulholland (55)

President of Matson, 5/90-present; Chief Executive Officer of Matson, 4/92-present; Chief Operating Officer of Matson, 7/89-4/92; Director of A&B, 4/91-present; Director of Matson, 7/89-present; Director of ABHI, 4/91-present; first joined Matson in 1965.

Glenn R. Rogers (53)

Vice President, Chief Financial Officer and Treasurer of A&B, 4/93-present; Senior Vice President, Chief Financial Officer and Treasurer of ABHI, 1/96-present; Senior Vice President, Marketing of Matson, 1/89-4/93; first joined A&B or a subsidiary in 1975.

Robert K. Sasaki (56)

Vice President of A&B, 7/90-present; Senior Vice President (Properties) of ABHI, 4/89-present; first joined A&B or a subsidiary in 1965.

Thomas A. Wellman (38)

Controller of A&B, 1/96-present; Assistant Controller of A&B, 4/93-1/96; Vice President of ABHI, 1/96-present; Controller of ABHI, 11/91-present; first joined A&B or a subsidiary in 1989.

Judith A. Williams (53)

Vice President (Corporate Planning) of A&B, 8/96-present and 10/87-4/89; Vice President of ABHI, 4/89-present; first joined A&B in 1979.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" on pages 7 through 12 of A&B's 1997 Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See the section titled "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" on page 4 and on pages 5 and 6, respectively, of A&B's 1997 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the subsection titled "Certain Relationships and Transactions" and the section titled "Compensation Committee Interlocks and Insider Participation" on pages 6 and 15, respectively, of A&B's 1997 Proxy Statement, which subsection and section are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. FINANCIAL STATEMENTS

Financial Statements of Alexander & Baldwin, Inc. and Subsidiaries and Independent Auditors' Report (in-corporated by reference to the pages of the 1996 Annual Report shown in parentheses below):

Balance Sheets, December 31, 1996 and 1995 (pages 32 and 33).
Statements of Income for the years ended December 31, 1996, 1995 and 1994 (page 30).
Statements of Shareholders' Equity for the years ended December 31, 1996, 1995 and 1994 (page 34).
Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994 (page 31).
Notes to Financial Statements (pages 35 through 41 and page 26 to the extent incorporated by Note 12).
Independent Auditors' Report (page 23).

B. FINANCIAL STATEMENT SCHEDULES

Financial Schedules of Alexander & Baldwin, Inc. and Subsidiaries as required by Rule 5-04 of Regulation S-X (filed herewith):

I - Condensed Financial Information of Registrant - Balance Sheets, December 31, 1996 and 1995; Statements of Income and Cash Flows for the years ended December 31, 1996, 1995 and 1994; Notes to Condensed Financial Statements.

NOTE: All other 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 a page by writing to Michael J. Marks, Vice President, General Counsel and Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawaii 96801.

3. Articles of incorporation and bylaws.

3.a. Restated Articles of Association of A&B, 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. Bylaws of A&B as amended effective October 24, 1991 (Exhibit 3.b.(i) to A&B's Form 10-Q for the quarter ended September 30, 1991).

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

4.a. Equity.

4.a. Rights Agreement, dated as of December 8, 1988 between Alexander & Baldwin, Inc. and Manufacturers Hanover Trust Company, Press Release of Alexander & Baldwin, Inc. and Form of Letter to Shareholders of Alexander & Baldwin, Inc. (Exhibits 4, 28(a) and 28(b) to A&B's Form 8-K dated December 13, 1988).

4.b. Debt.

4.b. Second Amended and Restated Revolving Credit and Term Loan Agreement, effective as of December 31, 1996, among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and First Hawaiian Bank, Bank of America National Trust & Savings Association, Credit Lyonnais Los Angeles Branch, Bank of Hawaii and The Union Bank of California, N.A.

10. Material contracts.

10.a. (i) Purchase and Exchange Agreement, by and between Wailea Development Company, Inc. and Wailea Resort Company, Ltd., dated as of January 15, 1989; Letters of Guaranty of Alexander & Baldwin, Inc. and Shinwa Golf Kabushiki Kaisha, respectively, dated as of January 15, 1989; Press Release of Alexander & Baldwin, Inc., dated February 10, 1989; and Pro Forma Financial Information relative to the transaction (Exhibits 10.b.(vii)(a) through 10.b.(vii)(e) to A&B's Form 8-K dated February 10, 1989).

(ii) Contract for the Construction of One Containership by and between Matson Navigation Company, Inc. and National Steel and Shipbuilding Company, dated January 31, 1990 (Exhibit 10.b.(vii) to A&B's Form 10-K for the year ended December 31, 1989).

(iii) Issuing and Paying Agent Agreement between Matson Navigation Company, Inc. and 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).

(iv) Note Agreement among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and The Prudential Insurance Company of America, effective as of December 20, 1990 (Exhibit 10.b.(ix) to A&B's Form 10-K for the year ended December 31, 1990).

(v) Note Agreement among Alexander & Baldwin, Inc. and 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).

(vi) Amendment dated as of May 20, 1994 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xviv) to A&B's Form 10-Q for the quarter ended June 30, 1994).

(vii) Amendment dated January 23, 1995 to the Note Agreement among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and The Prudential Insurance Company of America, effective as of December 20, 1990 (Exhibit 10.a.(xvi) to A&B's Form 10-K for the year ended December 31, 1994).

(viii) Amendment dated as of June 30, 1995 to the Note

Agreements, among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(ix) Amendment dated as of November 29, 1995 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1995).

(x) General Lease between the State of California and California and Hawaiian Sugar Company, dated September 24, 1992 (Exhibit 10.a.(xiv) to A&B's Form 10-Q for the quarter ended June 30, 1993).

(xi) Amendment to Lease and Reservation of Easements, between the State of California and California and Hawaiian Sugar Company, dated as of July 29, 1993 (Exhibit 10.a.(xv) to A&B's Form 10-Q for the quarter ended September 30, 1993).

(xii)(a) Commercial Paper Dealer Agreement between California and Hawaiian Sugar Company and First Chicago Capital Markets, Inc., dated April 22, 1991, with respect to California and Hawaiian Sugar Company's $100 million revolving credit facility (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 1993).

(xii)(b) Depositary Agreement between California and Hawaiian Sugar Company and The First National Bank of Chicago, dated as of April 6, 1989 (Exhibit 10.a.(xix)(b) to A&B's Form 10-K for the year ended December 31, 1994).

(xiii) Amendment dated as of February 10, 1995, to Depositary Agreement between California and Hawaiian Sugar Company and The First National Bank of Chicago, dated as of April 6, 1989 (Exhibit 10.a.(xx) to A&B's Form 10-K for the year ended December 31, 1994).

(xiv) 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).

(xv) 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).

(xvi) 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).

(xvii) 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.

(xviii) 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.

(xix) Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxiv) to A&B's Form 8-K dated June 30, 1995).

(xx) Revised pro forma financial information relative to the Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxv) to A&B's Form 8-K/A dated June 30, 1995).

(xxi) Balance sheets as of December 31, 1993 and 1994 and Statements of Income and Statements of Cash Flows for the years ended December 31, 1992, 1993 and 1994, relative to the Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxvi) to A&B's Form 8-K/A dated June 30, 1995).

(xxii) Commercial Paper Dealer Agreement among California and Hawaiian Sugar Company, Inc., Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and Goldman Sachs Money Markets, L.P. dated June 20, 1995, with respect to California and Hawaiian Sugar Company, Inc.'s $100 million revolving credit facility (Exhibit 10.a.(xxvi) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(xxiii) Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.b.(x) to A&B's Form 10-Q for the quarter ended June 30, 1991).

(xxiv) Amendment dated March 11, 1992 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.a.(vii) to A&B's Form 10-K for the year ended December 31, 1992).

(xxv) Second Amendment dated as of August 31, 1993 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.a.(viii) to A&B's Form 10-K for the year ended December 31, 1993).

(xxvi) Note Agreement between Matson Leasing Company, Inc. and

The Prudential Insurance Company of America, dated as of March 11, 1992 (Exhibit 10.a.(x) to A&B's Form 10-Q for the quarter ended March 31, 1992).

(xxvii) First Amendment dated as of August 1, 1993 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of March 11, 1992 (Exhibit 10.a. (xi) to A&B's Form 10-K for the year ended December 31, 1993).

(xxviii)(a) Assignment and Assumption Agreement dated as of June 30, 1995, among Matson Leasing Company, Inc., Matson Navigation Company, Inc. and The Prudential Insurance Company of America, with respect to the Note Agreements between Matson Leasing Company, Inc. and The Prudential Insurance Company of America dated as of June 28, 1991 and March 11, 1992 (Exhibit 10.a.(xxviii)(a) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(xxviii)(b) Consent and Amendment Agreement dated as of June 30, 1995, among Matson Leasing Company, Inc., Matson Navigation Company, Inc. and The Prudential Insurance Company of America, with respect to the Note Agreements between Matson Leasing Company, Inc. and The Prudential Insurance Company of America dated as of June 28, 1991 and March 11, 1992 (Exhibit 10.a.(xxviii)(b) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(xxix) Agreement to Implement the Execution and Closing of Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement between Matson Navigation Company, Inc. and American President Lines, Ltd., dated as of September 22, 1995 (Exhibit 10.a.(xxix) to A&B's Form 10-Q for the quarter ended September 30, 1995).

(xxx) Amendments Nos. 1 through 7, dated as of October 10, 1995, October 30, 1995, November 30, 1995, December 8, 1995, December 15, 1995, January 31, 1996 and February 8, 1996, respectively, to the Agreement to Implement the Execution and Closing of Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated as of September 22, 1995 (Exhibit 10.a.(xxx) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxi) Vessel Purchase Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated December 20, 1995 (Exhibit 10.a.(xxxi) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxii) Amendment No. 1 dated December 28, 1995 to the Vessel Purchase Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated December 20, 1995 (Exhibit 10.a.(xxxii) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxiii) 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).

*10.b.1. (i) 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).

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

(ii) Alexander & Baldwin, Inc. 1983 Stock Option Plan (Exhibit 10.c.1.(vii) to A&B's Form 10-K for the year ended December 31, 1982).

(iii) Amendment No. 1 to Alexander & Baldwin, Inc. 1983 Stock Option Plan, effective December 14, 1983 (Exhibit 10.c.1.(viii) to A&B's Form 10-K for the year ended December 31, 1983).

(iv) Amendment No. 2 to Alexander & Baldwin, Inc. 1983 Stock Option Plan, effective January 1, 1987 (Exhibit 10.c.1.(xii) to A&B's Form 10-K for the year ended December 31, 1986).

(v) Amendment No. 3 to the Alexander & Baldwin, Inc. 1983 Stock Option Plan (Exhibit 10.b.1.(xxv) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(vi) 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).

(vii) 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).

(viii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan, effective as of January 27, 1994 (Exhibit 10.b.1.(iv) to A&B's Form 10-Q for the quarter ended March 31, 1994).

(ix) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan, effective as of October 27, 1994 (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 1994).

(x) 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).

(xi) 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).

(xii) 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).

(xiii) Second Amended and Restated Employment Agreement between Alexander & Baldwin, Inc. and R. J. Pfeiffer, effective as of October 25, 1990 (Ex-hibit 10.c.1.(xiii) to A&B's Form 10-K for the year ended December 31, 1990).

(xiv) 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).

(xv) 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).

(xvi) A&B Life Insurance Plan for Outside Directors (Exhibit 10.c.1.(xix) to A&B's Form 10-K for the year ended December 31, 1985).

(xvii) A&B Excess Benefits Plan, Amended and Restated Effective July 1, 1991 (Exhibit 10.b.1.(xvi) to A&B's Form 10-K for the year ended December 31, 1992).

(xviii) Amendment No. 1 to the A&B Excess Benefits Plan, effective January 1, 1994 (Exhibit 10.b.1.(xvii) to A&B's Form 10-K for the year ended December 31, 1993).

(xix) Amendment No. 2 to the A&B Excess Benefits Plan, effective August 24, 1994 (Exhibit 10.b.1.(xix) to A&B's Form 10-K for the year ended December 31, 1994).

(xx) Amendment No. 3 to and Restatement of the A&B Excess Benefits Plan, effective February 1, 1995 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1994).

(xxi) A&B Executive Survivor/Retirement Benefit Plan, Amended and Restated Effective July 1, 1991 (Exhibit 10.b.1.(xvii) to A&B's Form 10-K for the year ended December 31, 1992).

(xxii) Amendment No. 1 to and 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).

(xxiii) A&B 1985 Supplemental Executive Retirement Plan, Amended and Restated Effective July 1, 1991 (Exhibit 10.b.1.(xviii) to A&B's Form 10-K for the year ended December 31, 1992).

(xxiv) Amendment No. 1 to and 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).

(xxv) A&B Retirement Plan for Outside Directors, Amended and Restated Effective October 24, 1991 (Exhibit 10.b.1.(xix) to A&B's Form 10-K for the year ended December 31, 1992).

(xxvi) Amendment No. 1 to and 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).

(xxvii) Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 22, 1991 (Exhibit 10.c.1.(xxiv) to A&B's Form 10-Q for the quarter ended September 30, 1991).

(xxviii) 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).

(xxix) 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).

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

11. Statement re computation of per share earnings.

13. Annual report to security holders.

13. Alexander & Baldwin, Inc. 1996 Annual Report.

21. Subsidiaries.

21. Alexander & Baldwin, Inc. Subsidiaries as of February 28, 1997.

23. Consent of Deloitte & Touche LLP dated March 27, 1997 (included as last page of A&B's Form 10-K for the year ended December 31, 1996).

27. Financial data schedule.

D. REPORTS ON FORM 8-K

No reports were filed during the quarter ended December 31, 1996.

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 27, 1997

By /s/ John C. Couch
John C. Couch
Chairman of the Board,
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/ John C. Couch John C. Couch	Chairman of the Board, President and Chief Executive Officer and Director	March 27, 1997
/s/ Glenn R. Rogers Glenn R. Rogers	Vice President, Chief Financial Officer and Treasurer	March 27, 1997
/s/ Thomas A. Wellman Thomas A. Wellman	Controller	March 27, 1997
/s/ Michael J. Chun Michael J. Chun	Director	March 27, 1997
/s/ Leo E. Denlea, Jr. Leo E. Denlea, Jr.	Director	March 27, 1997
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Director	March 27, 1997
/s/ Charles G. King Charles G. King	Director	March 27, 1997
/s/ Carson R. McKissick Carson R. McKissick	Director	March 27, 1997
/s/ C. Bradley Mulholland C. Bradley Mulholland	Director	March 27, 1997
/s/ Robert G. Reed III Robert G. Reed III	Director	March 27, 1997
/s/ Maryanna G. Shaw Maryanna G. Shaw	Director	March 27, 1997

/s/ Charles M. Stockholm	Director	March 27, 1997
Charles M. Stockholm		

INDEPENDENT AUDITORS' REPORT

Alexander & Baldwin, Inc.:

We have audited the financial statements of Alexander & Baldwin, Inc. and its subsidiaries as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, and have issued our report thereon dated January 23, 1997; such financial statements and report are included in your 1996 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedules of Alexander & Baldwin, Inc. and its subsidiaries, listed in Item 14.B. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

January 23, 1997

SCHEDULE I

ALEXANDER & BALDWIN, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED BALANCE SHEETS
DECEMBER 31, 1996 AND 1995
(In thousands)

	1996	1995
ASSETS		
Current Assets:		
Cash and cash equivalents	$ -	$ 44
Income tax receivable	18,292	6,292
Accounts and notes receivable, net	1,909	75
Prepaid expenses and other	1,050	741
Total current assets	21,251	7,152
Investments:		
Subsidiaries consolidated, at equity	592,691	584,151
Other	90,796	81,538
Total investments	683,487	665,689
Property, at cost	78,581	91,377
Less accumulated depreciation and amortization	9,610	10,512
Property -- net	68,971	80,865
Other Assets	10,324	1,234
Total	$ 784,033	$ 754,940
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank overdraft	$ 16	$ -
Accounts payable	239	319
Other	3,829	4,361
Total current liabilities	4,084	4,680
Long-term Liabilities	5,740	5,127
Due to subsidiaries	40,477	53,805
Deferred Income Taxes	49,404	41,650
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	37,150	37,133
Additional capital	43,377	40,138
Unrealized holding gains on securities	48,205	39,830
Retained earnings	568,969	546,394
Cost of treasury stock	(13,373)	(13,817)
Total shareholders' equity	684,328	649,678
Total	$ 784,033	$ 754,940

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(In thousands)

	1996	1995	1994
Revenue:			
Net sales, revenue from services and rentals	$ 18,449	$ 10,287	$ 9,753
Interest, dividends and other	3,961	3,798	3,753
Total revenue	22,410	14,085	13,506
Costs and Expenses:			
Cost of goods sold, services and rentals	4,331	2,946	4,972
Selling, general and administrative	7,331	9,111	11,119
Interest and other	1,019	1,604	1,148
Income taxes	3,008	427	(4,339)
Total costs and expenses	15,689	14,088	12,900
Income (Loss) Before Equity in Net Income of Subsidiaries Consolidated	6,721	(3)	606
Equity in Net Income From Continuing Operations of Subsidiaries Consolidated	58,564	32,422	63,373
Equity in Net Income From Discontinued Operations of Subsidiaries Consolidated	-	23,336*	10,629
Net Income	$ 65,285	$ 55,755	$ 74,608

*Includes an after-tax gain of $18 million on the sale of the net assets of Matson Leasing Company, Inc.

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(In thousands)

	1996	1995	1994
Cash Flows from Operations	$ (5,892)	$ (9,405)	$ (6,341)
Cash Flows from Investing Activities:			
Capital expenditures	(353)	(678)	(935)
Proceeds from sale (purchase) of investments	10,182	(1,514)	1,200
Dividends received from subsidiaries	50,000	70,000	60,000
Net cash provided by investing activities	59,829	67,808	60,265
Cash Flows from Financing Activities:			
Increase (decrease) in intercompany payable	(13,328)	(357)	5,066
Payments of long-term debt	(850)	(6,892)	(935)
Proceeds from issuances of capital stock	1,291	468	122
Repurchase of capital stock	(1,250)	(11,580)	(17,717)
Dividends paid	(39,860)	(40,035)	(40,563)
Net cash used in financing activities	(53,997)	(58,396)	(54,027)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	(60)	7	(103)
Balance, beginning of year	44	37	140
Balance, end of year	$ (16)	$ 44	$ 37
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 152	$ 479	$ 889
Income taxes paid, net of refunds	26,360	53,014	18,391
Other Non-cash Information:			
Depreciation	2,604	3,049	3,043

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
NOTES TO CONDENSED FINANCIAL STATEMENTS

(a) ORGANIZATION AND OPERATIONS

Alexander & Baldwin, Inc. is the parent company of A&B-Hawaii, Inc. (ABHI) and Matson Navigation Company, Inc. (Matson). ABHI has principal business operations of Food Products and Property Development and Management. Matson has principal business operations of Ocean Transportation and until June 1995, of Container Leasing. The net assets of Matson Leasing Company, Inc., the Company's container leasing subsidiary, were sold in June 1995 for $361.7 million in cash. Accordingly, the operating results and the gain on sale of the container leasing segment have been separately reported.

(b) LONG-TERM LIABILITIES

At December 31, 1996 and 1995, long-term liabilities consisted of the following:

	1996	1995
	(In thousands)	
Long-term debt:		
Limited partnership subscription notes, no interest, payable through 1996	$ -	$ 850
Less current portion		850
Long-term debt	-	0
Other--principally deferred compensation and executive survivors	5,740	5,127
Total	$ 5,740	$ 5,127

(c) COMMITMENTS AND CONTINGENCIES

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

At December 31, 1996, the Company did not have any significant firm commitments.

(d) CASH DIVIDENDS FROM AFFILIATES

Cash dividends from a consolidated subsidiary were $50,000,000 in 1996, $70,000,000 in 1995 and $60,000,000 in 1994.

$155,000,000

SECOND AMENDED AND RESTATED

REVOLVING CREDIT

AND

TERM LOAN AGREEMENT

among

ALEXANDER & BALDWIN, INC.,

A & B-HAWAII, INC.,

and

FIRST HAWAIIAN BANK, as Agent
BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Co-Agent
BANK Of HAWAII
CREDIT LYONNAIS LOS ANGELES BRANCH
THE UNION BANK OF CALIFORNIA, N.A.

December 31, 1996

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SECOND AMENDED AND RESTATED
REVOLVING CREDIT
AND TERM LOAN AGREEMENT

THIS SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT, effective as of December 31, 1996 (the "Effective Date"), at Honolulu, Hawaii, between ALEXANDER & BALDWIN, INC., a Hawaii corporation (the "Parent"), A & B-HAWAII, INC., a Hawaii corporation ("A & B-Hawaii") (A & B-Hawaii and the Parent are hereinafter referred to jointly and severally as the "Borrowers" and individually as a "Borrower"), the undersigned Banks (herein called, individually, a "Bank" and, collectively, the "Banks"), and FIRST HAWAIIAN BANK, as agent for the Banks (the "Agent") under this Agreement. Certain other capitalized terms used herein, unless otherwise defined, are defined in Article IX hereof.

PRELIMINARY STATEMENTS

A. The Parent, certain of the Banks and other institutions were parties to the Revolving Credit and Term Loan Agreement dated as of December 1, 1982. Such Revolving Credit and Term Loan Agreement was amended on nine occasions by the First through the Ninth Amendments to Revolving Credit and Term Loan Agreement.

B. The Parent, with the consent of the Banks, transferred from Parent to A & B-Hawaii the bulk of its assets excluding the stock of Matson, First Hawaiian, Inc., Bancorp Hawaii, Inc., Hawaii Western Steel, and its aircraft and certain less material assets (the "Transferred Assets"). A & B-Hawaii is a wholly owned subsidiary of the Parent.

C. The Borrowers, certain of the Banks and other institutions were parties to the Amended and Restated Revolving Credit and Term Loan Agreement dated as of April 1, 1989 pursuant to which borrowings are the joint and several obligations of Parent and A&B-Hawaii. Such Amended and Restated Revolving Credit and Term Loan Agreement was amended on eight occasions by the First through Eighth Amendments to Amended and Restated Revolving Credit and Term Loan Agreement. As amended, such Amended and Restated Revolving Credit and Term Loan Agreement is hereinafter referred to as the "Existing Agreement".

D. The Borrowers, the Banks, and the Agent desire to amend and restate the Existing Agreement in its entirety except for the continuation of the Notes executed pursuant to the Existing Agreement, all as provided herein.

ARTICLE I - AMOUNT AND TERMS OF THE LOANS

Section 1.1 Revolving Credit.

A. Subject to and upon the terms and conditions herein set forth, each Bank agrees to lend to the Borrowers from time to time, until the Termination Date, amounts hereunder up to an aggregate principal amount not to exceed at any one time outstanding its Commitment hereunder. The total amount of the Revolving Loans shall not exceed $155,000,000 (the "Total Commitment"). Within the limits of each Bank's Commitment, the Borrowers may borrow, prepay pursuant to Section 1.11, and reborrow under this Section 1.1. Each Borrowing under this Article I (a "Revolving Loan," and, collectively, the "Revolving Loans") shall be, (i) in the case of Eurodollar Loans or CD Loans, not less than $500,000 and an integral multiple of $50,000 from each Bank and, (ii) in the case of Prime Loans, in an aggregate principal amount from all the Banks of not less than $1,000,000 and an integral multiple of $100,000, and shall be made simultaneously from the Banks ratably according to their respective Commitments. Upon the Effective Date, all Revolving Loans (as defined in the Existing Agreement) outstanding under the Existing Agreement shall become Revolving Loans hereunder and Parent and A & B-Hawaii shall thereby have liability, jointly and severally, for such outstanding amounts.

B. Not later than November 30 of each year in which the Borrowers are eligible to borrow Revolving Loans, commencing with November 30, 1997, if the Borrowers wish to extend the then applicable Termination Date for an additional 12-month period and so long as no Event of Default or Unmatured Event of Default shall have occurred and be continuing they shall give Notice to the Agent. Upon receipt of such Notice, the Agent shall transmit the same to the Banks, which shall, not later than December 31 of such year, give the Agent Notice as to whether each such Bank consents to the proposed extension. If all of the Banks consent, the then applicable Termination Date shall be extended for 12 months. If any Bank does not consent, the then applicable Termination Date shall remain in full force and effect. Notwithstanding the foregoing provisions of this Section 1.1B, if the Termination Date has <u>not</u> been so extended, such additional lender(s) (the "Replacement Lenders") as agree at the election and invitation of the Borrowers to become parties to this Agreement shall have the option to purchase from the Bank(s) that did not so consent (the "Departing Bank(s)"), and the Departing Bank(s) shall be required to sell, as of November 30 of the next year, all or any portion of the Note(s) then held by the Departing Bank(s); <u>provided however</u> that the Commitment of any Replacement Lender, after such purchase, shall not be less than $5,000,000. To the extent the Replacement Lenders elect to purchase less than 100% of the Note(s) of the Departing Bank(s), those Banks that would have elected to extend the Termination Date (the "Continuing Banks") shall have the option to purchase, and the Departing Bank(s) shall be required to sell, as of such November 30, all or any of the remaining portion of such Note(s), without recourse to or

warranty by (other than a warranty from each Departing Bank as to the principal amount of the Loans being purchased from such Departing Bank), or expense to, such Departing Bank(s).

In the case of any purchase of 100% of such Notes, (i) the Departing Banks shall no longer have any obligations hereunder (other than those, if any, as have been accrued before the date of such purchase) and shall no longer constitute Banks for purposes of this Agreement, and (ii) this Agreement shall continue in full force and effect, and the Continuing Banks and such Replacement Lenders shall then constitute the Banks hereunder, and (iii) the then applicable Termination Date shall be extended for 12 months. Each Continuing Bank's Commitment shall be increased in, and each Replacement Bank's Commitment shall be, an amount equal to the pro rata share of the Departing Banks' Commitments represented by the Note(s) or portion(s) thereof purchased by such Continuing Bank or Replacement Bank. Upon completing any purchase pursuant to this Section 1.1B and upon executing an appropriate Amendment to this Agreement, each Replacement Lender shall become a Bank hereunder to the extent of their respective Commitment. If the Continuing Banks and/or such Replacement Lenders elect to purchase less than 100% of the Notes then held by the Departing Banks, then no purchase shall be deemed to have occurred and each Departing Bank shall make a Term Loan, as of such November 30, pursuant to Sections 1.5 and 1.6, in the amount of their respective Commitments. In the case of the issuance of such Term Note, this Agreement shall continue in full force and effect and the Continuing Banks, any Replacement Lenders and any Departing Banks holding such Term Notes shall then constitute the Banks hereunder.

The purchase price of Notes held by Departing Banks shall be the outstanding principal amount thereof as of the date of purchase. Interest accrued on such Notes and accrued Commitment Fees shall remain payable as provided in this Agreement and upon receipt thereof by the Agent shall be apportioned among the sellers and purchasers of such Notes pro rata according to the period each has held such Note or any portion thereof and the applicable interest rates during such period.

Section 1.2 Revolving Credit Notes. The obligation of the Borrowers to repay the amount of their Revolving Loans to each Bank are and shall be evidenced by the existing promissory note ("Revolving Credit Note") in substantially the form of Exhibit A hereto (except that reference therein is to the Existing Agreement) executed and delivered by the Borrowers pursuant to the Existing Agreement, with appropriate insertions, which shall remain in full force and effect upon the execution and delivery of this Agreement and reference therein to the Existing Agreement shall be deemed to be reference to this Agreement, shall mature on the Termination Date, and shall bear interest on the daily unpaid principal amount at the rate(s) specified in Section 1.7. The date and amount of each Revolving Loan made by such Bank to the Borrowers and the date and amount of each payment of principal and interest on such Revolving Loans shall be recorded by such Bank at the time of each such Revolving Loan or payment, as the case may be, on the schedule annexed to the Revolving Credit Note; provided, however, that failure to make such a notation with respect to any Revolving Loan shall not limit or otherwise affect (a) the obligation of the Borrowers hereunder or under such Revolving Credit Note, and (b) recognition of payments of principal or interest on such Revolving Credit Note by the Borrowers.

Section 1.3 Fee for Revolving Credit Commitment. The Borrowers agree to pay the Agent, for distribution to the Banks ratably according to their respective Commitments, a single commitment fee, computed on the basis of the actual number of days elapsed and a 365-day year, payable from time to time at the rate of one-eighth of one percent (0.125%) per annum on the average daily unused portion of the Total Commitment. The commitment fee shall be determined at the aforesaid rate from the Effective Date, to and including the Termination Date. Except as otherwise provided in Section 1.4 below, the commitment fee will be payable quarterly in arrears not later than the fifteenth day of each January, April, July and October, for the quarter ending on the last day of the previous month commencing April 15, 1997.

Section 1.4 Termination or Reduction of Commitment. The Borrowers shall have the right, upon Notice to the Agent (which shall give prompt Notice thereof to each other Bank), to reduce permanently in an aggregate principal amount of $5,000,000 or an integral multiple thereof, or terminate, the Total Commitment without premium or penalty therefor, provided that (i) any such permanent partial reduction shall be accompanied by prepayment of the Revolving Loans to the extent that the aggregate principal amount thereof outstanding at the time of such reduction exceeds the Total Commitment as so reduced, and (ii) in the case of a termination, the Revolving Loans then outstanding shall be paid in full, together in each case with all interest accrued thereon and all commitment fees due hereunder. From the effective date of any such termination or reduction, the obligation of the Borrowers to pay commitment fees pursuant to Section 1.3 shall correspondingly cease or be proportionately reduced.

Section 1.5 Term Credit. Subject to and upon the terms and conditions herein set forth, each Bank agrees to make a term loan (a "Term Loan," and, collectively, the "Term Loans") to the Borrowers on each Bank's applicable Termination Date in an amount up to an aggregate principal amount not exceeding the amount of such Bank's Commitment on the applicable Termination Date. The proceeds of the Term Loan shall be immediately applied by each Bank, to the extent necessary, to the repayment in full of the Revolving Credit Note then held by such Bank. On each Bank's Termination Date, the commitment of each Bank shall terminate and any commitment fee then outstanding shall be paid in full.

Section 1.6 Term Notes. The obligation of the Borrowers to repay

the amount of their Term Loan to each Bank shall be evidenced by a promissory note of the Borrowers (a "Term Note," and collectively, the "Term Notes"), in substantially the form of Exhibit B hereto, with appropriate insertions, dated the date of such Term Loan, shall bear interest on the unpaid principal amount of each installment thereof at the rate provided in Section 1.7, and shall be payable in sixteen substantially equal quarterly installments, each equal to 6.25% of the original principal balances of such Term Note, on the last Business Day of September, December, March and June of each year commencing the first such day after the date of the Term Note, all as set forth in such Term Note; provided, however, that the sixteenth such installment shall be in an amount sufficient to repay in full the unpaid principal amount thereof.

Section 1.7 Interest.

A. Interest on Each Loan. Each Loan shall bear interest, determined as herein provided, on its unpaid principal amount from the date on which such Loan is made to the date on which the full amount thereof is repaid. Interest on each Prime Loan shall be payable quarterly in arrears on the first Domestic Business Day of each calendar quarter commencing the first such date after such Prime Loan is made, and at maturity (whether by acceleration or otherwise), at the applicable Interest Rate computed on the basis of the actual number of days elapsed and a 365-day or 366-day year. Accrued interest on each CD Loan and Eurodollar Loan shall be payable in arrears on (i) the last day of the applicable CD Interest Period or Eurodollar Interest Period, (ii) the 90th day after such CD Loan or Eurodollar Loan is made if the applicable CD Interest Period or Eurodollar Interest Period shall exceed 90 days, and (iii) at maturity (whether by acceleration or otherwise), at the applicable Interest Rate computed on the basis of the actual number of days elapsed and a 360-day year. Notwithstanding any other provision of this Agreement, the Borrowers agree to repay the principal amount of each CD Loan and Eurodollar Loan on the last day of the applicable CD Interest Period or Eurodollar Interest Period and upon maturity (whether by acceleration or otherwise), which repayment may be accomplished with the proceeds of a Prime Loan, CD Loan, or Eurodollar Loan to the extent otherwise permitted hereunder.

B. Extensions of Eurodollar Loans and CD Loans. Not later than three (3) Eurodollar Business Days prior to the end of each Eurodollar Interest Period, the Borrowers shall, if they elect to extend the related Eurodollar Loans, give the Agent a Notice specifying the proposed Extension Date and the duration of the next succeeding Eurodollar Interest Period. Not later than three (3) Domestic Business Days prior to the end of each CD Interest Period, the Borrowers shall, if they elect to extend the related CD Loans, give the Agent a Notice specifying the proposed Extension Date and the duration of the next succeeding CD Interest Period. The Agent shall advise each Bank of each above Notice promptly after its receipt thereof.

Any Notice given by the Borrowers under this Section 1.7B, shall be irrevocable. If no such Notice (or Notice of Conversion pursuant to Section 1.8) is so received by the Agent, the relevant Eurodollar Loans or CD Loans of the Borrowers shall automatically be converted into Prime Loans on the last day of the relevant Eurodollar Interest Period or CD Interest Period.

C. Interest Rates on Revolving Loans. Except as otherwise provided in Section 1.7F:

(i) The Interest Rate in respect of each Prime Loan shall be the Prime Rate;

(ii) For each Revolving Loan that is a Eurodollar Loan, the Interest Rate in respect of each Eurodollar Loan during its related Eurodollar Interest Period shall be the Eurodollar Rate for such Eurodollar Interest Period Plus thirteen-fortieths of one percent (0.325%);

(iii) For each Revolving Loan that is a CD Loan, the Interest Rate in respect of each CD Loan during its related CD Interest Period shall be the CD Rate for such CD Interest Period plus nine-twentieths of one percent (0.45%).

D. Interest Rates on Term Loans. Except as otherwise provided in Section 1.7F:

(i) The Interest Rate in respect of each Term Loan that is a Prime Loan shall be the Prime Rate plus, (x) from the Termination Date to and including the last day before the second anniversary of the Termination Date, one-fifth of one percent (0.20%), and (y) from the second anniversary of the Termination Date to and including the Final Maturity Date, thirteen-fortieths of one percent (0.325%);

(ii) The Interest Rate in respect of each Term Loan that is a Eurodollar Loan during its related Eurodollar Interest Period shall be the Eurodollar Rate for such Eurodollar Interest Period plus, (x) from the Termination Date to and including the last day before the second anniversary of the Termination Date, twenty-three-fortieths of one percent (0.575%), and (y) from the second anniversary of the Termination Date to and including the Final Maturity Date, seven-tenths of one percent (0.70%); and

(iii) The Interest Rate in respect of each Term Loan that is a CD Loan during its related CD Interest Period shall be the CD Rate for such CD Interest Period plus, (x) from the Termination Date to and including the last day before the second anniversary of the Termination Date, seven-tenths of one percent (0.70%), and (y) from the second anniversary of the Termination Date to and including the Final Maturity Date, thirty-three-fortieths of one percent (0.825%).

E. Notice of Prime Rate, Eurodollar Rate and CD Rate. The relevant Interest Rates for Prime Loans, Eurodollar Loans and CD Loans shall be determined by the Agent as herein provided. Notice of Eurodollar Rates and CD Rates shall be given by the Agent to the Borrowers on or before the first day of the relevant Interest Period, and to each Bank promptly thereafter, and Notice of changes in the Prime Rate shall be given by the Agent to the Borrowers within a reasonable time after such change is made.

F. Interest Rates After Maturity. If the Borrowers default in the payment when due (whether by acceleration or otherwise) of any principal amount of any loan, or of any other amount (other than interest) due under this Agreement, the Borrowers shall pay interest on such unpaid amount, payable on demand, from the date such amount shall have become due to the date of actual payment, for each day from and including the date such amount is payable to but excluding the date such amount is paid, at a rate equal to the Prime Rate from time to time in effect, plus two percent (2%).

Section 1.8 Conversions. Subject to the terms and conditions of this Agreement, the Borrowers shall have the option to convert at any time any Loans into Prime Loans, CD Loans or Eurodollar Loans, provided, however, that (i) CD Loans may be converted only on the last day of the relevant CD Interest Period, and (ii) Eurodollar Loans may be converted only on the last day of the relevant Eurodollar Interest Period (except as otherwise required by Section 2.4). The Borrowers shall give a Notice to the Agent of each proposed Conversion, on the day which is (i) in the case of a proposed Conversion into CD Loans, three (3) Domestic Business Days, or (ii) in the case of a proposed Conversion into Eurodollar Loans, three (3) Eurodollar Business Days, prior to the proposed Conversion Date. Such Notice shall specify the proposed Conversion Date (which shall be a Domestic Business Day in the event of a Conversion into Prime Loans or CD Loans and a Eurodollar Business Day in the event of a Conversion into Eurodollar Loans). If the Conversion is to be into CD Loans or Eurodollar Loans, such Notice shall also specify the duration of the initial respective CD Interest Period or Eurodollar Interest Period. Any Notice given by the Borrowers under this Section shall, subject to the provisions of Article II, be irrevocable and shall constitute a representation by the Borrowers of the matters set forth in Section 3.lA(i) and 3.lA(ii). The Agent shall advise each Bank of a conversion promptly after receiving such Notice from the Borrowers.

Section 1.9 Lending Office for CD or Eurodollar Loans. As to any CD Loan or Eurodollar Loan, each Bank may fulfill its commitment to make any Loan by causing any of its foreign branches or foreign affiliates to make such Loan (whether or not such branch or affiliate is named as a lending office on the signature pages hereof); provided, however, that in such event the obligation of the Borrowers to repay such Loan shall nevertheless be to such Bank and shall, for all purposes of this Agreement (including, without limitation, for purposes of the definition of the term "Majority Banks") be deemed held by it, to the extent of such Loan, for the account of such branch or affiliate; and provided, further, that, as of the time of the making of such election, such election does not increase the amounts which would have been payable by the Borrowers to such Bank under this Agreement and such Bank's Note in the absence of such election.

Section 1.10 Notice and Manner of Borrowing. The Borrowers shall give a Notice to the Agent of each proposed Prime Loan Borrowing not less than four (4) Domestic Business Days prior to the proposed Borrowing Date, specifying the aggregate principal amount of Prime Loans the Borrowers then desire the Banks to make, and the proposed Borrowing Date thereof (which date shall be a Domestic Business Day). The Borrowers shall give a Notice to the Agent of each proposed CD Loan Borrowing, not less than four (4) Domestic Business Days prior to the proposed Borrowing Date, specifying the aggregate principal amount of CD Loans the Borrowers then desire the Banks to make, the proposed Borrowing Date and Maturity Date (which dates shall be CD Business Days) and the duration of the initial CD Interest Period with respect thereto. The Borrowers shall give a Notice to the Agent of each proposed Eurodollar Loan Borrowing not less than four (4) Eurodollar Business Days prior to the proposed Borrowing Date, specifying the aggregate principal amount of Eurodollar Loans the Borrowers then desire the Banks to make, the proposed Borrowing Date and Maturity Date (which dates shall be Eurodollar Business Days) and the duration of the initial Eurodollar Interest Period with respect thereto. Any Notice given by the Borrowers under this Section 1.10 shall, subject to the provisions of Article II, be irrevocable. The Agent shall advise each Bank of each such Notice promptly after the Agent's receipt thereof. Not later than 12:00 noon, San Francisco time, on each proposed Borrowing Date, each Bank shall provide the Agent at its office specified in Section 12.4, with immediately available funds in Dollars covering such Bank's Proportional Share of the Borrowing, and the Agent shall promptly pay over to the Borrowers such funds as it has received from the Banks pursuant to this section by depositing the same in the general deposit account of the Parent maintained with the Agent; provided, however, that if such Loan is a refinancing of a Eurodollar Loan or a CD Loan having a Maturity Date on such Borrowing Date, each Bank shall on behalf of the Borrowers on such Borrowing Date repay in full or in part such Eurodollar Loans or CD Loans theretofore outstanding from the proceeds of the Loans made on such Borrowing Date.

Section 1.11 Voluntary Prepayments. The Borrowers shall have the right at any time and from time to time upon at least one full Business Day's Notice to the Agent (which shall promptly advise the Banks) to prepay, without

premium or penalty, either the Revolving Credit Notes or the Term Notes, as the Borrowers shall specify, in whole or in part, in the amount of $500,000, or an integral multiple thereof, provided that (i) any such prepayment on the Term Notes shall be applied, first to the last maturing installment or installments of said Notes, (ii) the amount of each prepayment on the Revolving Credit Notes shall again become available for borrowing pursuant to Section 1.1 on the date of such prepayment, and (iii) any repayment of CD Loans or Eurodollar Loans shall be made only on the expiration date(s) of the related CD Interest Period(s) or Eurodollar Interest Period(s).

Section 1.12 Place and Manner of Payment. All amounts payable by the Borrowers to the Banks pursuant to the provisions of this Agreement shall be paid in Dollars and in immediately available funds. All such amounts payable by the Borrowers to the Banks shall be paid to the Agent at its office specified in Section 12.4 for the account of the Banks ratably, and the Agent shall concurrently pay to the Banks such amounts as and when received by it for the account of the Banks, in the same funds in which such amounts were received. Any payment received by the Agent after 12:00 noon San Francisco time shall be deemed to have been received on the next Domestic Business Day and interest thereon shall accrue until, and be payable on, such next Domestic Business Day. Any payment made by the Borrowers to the Agent pursuant to the terms of this Agreement or the Notes for the Account of any Bank shall constitute payment to such Bank. Until the Borrowers give the Agent a Notice to the contrary, the Borrowers hereby authorize the Agent to debit the Parent's deposit account maintained at said office of the Agent for all payments of principal and interest when due hereunder. The Agent shall promptly furnish the Borrowers a written debit advice after each such debit.

Section 1.13 Pro Rata Treatment. Each Borrowing from, and change in the Commitments of, the Banks hereunder, shall be made pro rata in accordance with their respective Commitments, except as provided in Section 2.5. If any Notes or any payment required to be made thereon becomes due and payable on a day other than a Domestic or Eurodollar Business Day, as the case may be, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the then applicable rate during such extension, unless, in the case of interest on a Eurodollar Loan, the next succeeding Eurodollar Business Day falls in another calendar month, in which case the applicable Eurodollar Interest Period shall expire on the next preceding Eurodollar Business Day. Each payment and prepayment on the Term Notes and on the Revolving Credit Notes shall be made to the Banks pro rata in accordance with the unpaid principal amount of the Term Notes and Revolving Credit Notes, respectively, held by each of them at the time of such payment. The Banks agree among themselves that, if a Bank shall obtain payment of any obligation held by it through the exercise of a right of setoff, banker's lien or counterclaim, or from any other source, it shall promptly purchase from the other Banks participations in the obligations held by the other Banks in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all the Banks shall share the benefit of such payment pro rata as specified in the preceding sentence, provided, however, that if all or any portion of such excess payment is hereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Banks further agree that for the purpose of this Section 1.13, all exercises of right of setoff, banker's lien or counterclaim by any Bank shall be deemed to have been made against and in respect of the Note or Notes held by such Bank and not against any other obligation of either Borrower to it. The Borrowers agree that any Bank so purchasing a participation in obligations held by the other Banks may exercise all rights of setoff, banker's lien or counterclaim with respect to such participation as fully as if such Bank were a direct holder of said Note or other Obligations in the amount of such participation.

ARTICLE II - YIELD PROTECTION; CHANGED CIRCUMSTANCES

Section 2.1 Unavailability or Impracticability of CD or Eurodollar Loans. If (i) with respect to any Eurodollar Interest Period or CD Interest Period, the Agent reasonably determines that Dollar deposits in the principal amount requested in the relevant Notice of Borrowing for periods equal to the relevant Eurodollar Interest Period or CD Interest Period are not available in the London Interbank Eurodollar Market or in the domestic CD market, respectively, or (ii) the Majority Banks in any Borrowing reasonably determine, and give Notice to the Agent, that the making of Eurodollar Loans or CD Loans, as the case may be, in such Borrowing has become impracticable because the related Eurodollar Rate or CD Rate, as the case may be, does not adequately and accurately reflect the cost of maintaining or funding such Eurodollar Loans or CD Loans, as the case may be, then the Agent shall forthwith give Notice of such determination to the Borrowers and the Banks in such Borrowing. Thereafter, and so long as either conditions specified in clause (i) or (ii) of this Section 2.1 continues, no Bank shall have any obligation to make or extend Eurodollar Loans or CD Loans, as the case may be, (or to convert Loans into Eurodollar Loans or CD Loans, as the case may be) in such Borrowing (and any outstanding Notice requesting any such Borrowing, Extension or conversion pertaining to such Borrowing shall be deemed to be revoked), and the Borrowers shall convert any Eurodollar Loans or CD Loans, as the case may be, in such Borrowing into Prime Loans, Eurodollar Loans or CD Loans, as the case may be, in accordance with Section 1.8, or prepay such Eurodollar Loans or CD Loans, as the case may be, upon four (4) Domestic Business Days' prior Notice to the Agent, which prepayment shall be made without premium or penalty and on the expiration date of the related existing Eurodollar Interest Period or CD Interest Period, as the case may be.

Section 2.2 Increased Costs. If any Bank reasonably determines that, because of any Regulatory Requirement (including, but not limited to,

those affecting Taxes or reserve or special deposit or similar requirements), or because of actions permitted by Section 1.9, the cost to such Bank of making or maintaining any Loans has increased (which increased cost shall be deemed to include any decrease in any amount receivable by such Bank in connection with any Loans and, notwithstanding the definition herein of "Regulatory Requirement," any material difference between the Federal Reserve System reserve requirement now or hereafter imposed on such Bank and the reserve requirement for which such Bank is compensated pursuant to Section 2.3 or the definition herein of "CD Rate"), then such Bank shall forthwith give Notice of such determination to the Borrowers and the Agent. Thereafter, the Borrowers shall pay to each such Affected Bank, fifteen (15) Domestic Business Days after written demand to the Borrowers with a copy to the Agent (which demand shall show the basis for the calculation of the increased cost), such additional amounts as shall be required to compensate such Affected Bank for such increased costs. If as a result the Borrowers elect to prepay or convert Loan(s) pursuant to Section 2.5, the Borrowers shall pay fifteen (15) Domestic Business Days after written demand the increased costs of the Affected Bank(s) accruing for the period prior to such date of prepayment or Conversion.

If after the Effective Date the implementation of or any change in any Regulatory Requirement imposes, modifies or deems applicable any capital adequacy or similar requirement (including without limitation a request or requirement which affects the manner in which any Bank allocates capital resources to its commitments, including its obligations hereunder) and as a result thereof, in the sole opinion of such Bank, the rate of return on such Bank's capital as a consequence of its obligations hereunder is reduced to a level below that which such Bank could have achieved but for such circumstances, then and in each such case upon demand from time to time the Borrowers shall pay to such Bank such additional amount or amounts as shall compensate such Bank for such reduction in rate of return; *provided, however*, that such amounts shall be computed solely on a prospective basis from the date such Bank notifies the Borrowers of such circumstances. A certificate of such Affected Bank as to any such additional amount or amounts, in the absence of manifest error, shall be final and conclusive. In determining such amount, the Affected Bank may use any reasonable averaging and attribution methods.

Section 2.3 *Reserve Requirements.* In addition to all other amounts payable by the Borrowers hereunder, the Borrowers shall pay to each Bank that is subject to a Eurodollar Reserve Requirement an amount equal to the difference between (i) the interest payable to such Bank on each Eurodollar Loan at the applicable Eurodollar Rate and (ii) the interest that would have been so payable if such Eurodollar Rate had been multiplied by the following fraction:

$$\frac{1}{100\% - \text{Eurodollar Reserve Requirement}}$$

Each Bank which has such a reserve requirement imposed on it shall forthwith give Notice of such requirement to the Borrowers and the Agent. Within fifteen (15) Domestic Business Days after the date of such Notice, the Borrowers shall pay to each such Bank such additional amount as shall be required to compensate such Bank for such reserve requirement; *provided, however*, to the extent such additional amounts relate to a Eurodollar Loan that has not yet matured, the Borrowers shall pay such amount upon the maturity of that Eurodollar Loan concurrently with the payment of interest thereon; and *provided further*, that the Borrowers shall not be liable to a Bank for amounts under this Section 2.3 that are allocable to any time more than sixty (60) days before such Bank gives the Notice of imposition of a reserve requirement described above.

Section 2.4 *Illegality of Eurodollar Loans.* If any Bank reasonably determines that it has become unlawful, because of any Regulatory Requirement, for such Bank (i) to make Eurodollar Loans hereunder, or (ii) to maintain Eurodollar Loans hereunder, then such Bank shall give Notice of such determination to the Borrowers and the Agent. Thereupon, in the case of clause (i), the obligation of such Affected Bank to make or extend Eurodollar Loans or to convert Loans into Eurodollar Loans shall be suspended until such time as it is once again lawful for such Affected Bank to make Eurodollar Loans, and, in the case of clause (ii), the Borrowers shall prepay each Eurodollar Loan of such Affected Bank either (x) on the last day of the then current Interest Period applicable to such Eurodollar Loan if such Bank may lawfully continue to fund and maintain such Eurodollar Loan to such day or (y) immediately if such Bank may not lawfully continue to fund and maintain such Eurodollar Loan to such day. Any such prepayment of an Affected Bank's Eurodollar Loan(s) or any such conversion of all Borrowings of which the Affected Bank's Eurodollar Loans are a part shall be subject to the payment of the indemnity referred to in Section 2.6.

Section 2.5 *Substitution of Banks.* If any Affected Bank has given Notice pursuant to Section 2.2 or 2.4, the Borrowers shall, at their election, take one of the following actions: (i) revoke (subject to payment of any amounts required under Section 2.6) any then pending Notice of proposed Borrowing or Conversion and give another Notice for a Borrowing or a Conversion to be made up of, and/or prepay or convert each existing Borrowing made up of Loans subject to such Notice into a Borrowing consisting of, Loans not subject to such increased costs or not claimed to be illegal; (ii) if any Affected Bank has given Notice of increased costs, agree to pay such increased costs, on terms and conditions mutually satisfactory to the Borrowers and such Affected Bank; (iii) instruct the Affected Bank to make such Affected Bank's Loan as a Prime Loan or a CD Loan, which shall be converted to a Eurodollar Loan at such time as such Notice is no longer applicable; (iv) request the non-Affected Banks to take over all (but not part) of such Affected Bank's Loans; *provided, however*, that the non-Affected Banks may elect to take over fewer than all of

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the Affected Bank's Loans; or (v) if and only if the non-Affected Banks have elected to take over less than all of the Affected Bank's Loans, designate a Replacement Lender or Lenders to take over all of the Loans of the Affected Bank not being taken over by the non-Affected Banks subject, in the case of (v), to the requirement that no Replacement Lender may have a Commitment of less than $5,000,000.

If one or more non-Affected Banks shall so agree in writing, such non-Affected Banks (pro rata according to their outstanding Loans) shall make Loans to the Borrowers in an aggregate amount equal to the portion of the outstanding Loans of the Affected Bank being replaced pursuant to this sentence (and in the same admixture of Prime Loans, CD Loans and Eurodollar Loans as all the outstanding Loans of the Affected Bank) on a date mutually acceptable to such non-Affected Banks and the Borrowers. The proceeds of such Loans shall be used to repay the outstanding principal amount of the Loans of the Affected Bank being taken over the non-Affected Banks. If the Borrowers designate a Replacement Lender or Lenders in respect of all or a portion of the outstanding Loans of the Affected Bank, such Replacement Lenders shall purchase such Loans or portion, without recourse to or warranty by (other than a warranty from the Affected Bank as to the principal amount of the Loans being purchased), or expense to, such Affected Bank, and such Affected Bank shall sell such Loans, for a purchase price equal to the outstanding principal amount of the Loans of such Affected Bank being purchased. Thereafter, the Commitment of such Affected Bank shall be allocated pro rata among such non-Affected Banks and/or such Replacement Lender(s). Any purchase of CD Loans or Eurodollar Loans by non-Affected Banks or Replacement Lenders shall take place only on the last day of the relevant CD Interest Period or Eurodollar Interest Period (except, in the case of Eurodollar Loans, as otherwise required by Section 2.4).

Upon accomplishment of the foregoing, the Affected Bank shall no longer have any obligations hereunder (except for obligations, if any, accrued before and not discharged as of such accomplishment) and shall no longer constitute a Bank for the purposes of this Agreement.

Upon completing any purchase pursuant to this Section 2.5 and upon executing a counterpart of this Agreement, each Replacement Lender shall become a Bank hereunder. The Borrowers shall provide replacement Notes to each Replacement Lender and to any non-Affected Bank making Loans pursuant to this Section 2.5 to reflect the identity of, and/or the increased or new, respectively, Commitment of, each such non-Affected Bank or Replacement Lender, respectively.

Section 2.6 Indemnity. The Borrowers shall compensate each Bank, fifteen (15) Domestic Business Days after Notice by such Bank (which Notice shall set forth the basis for requesting such amounts), for all reasonable losses and expenses in respect of any interest paid or premium or penalty incurred by such Bank (or its lending ,branch or affiliate) to lenders or otherwise in respect of the funds borrowed by or deposited with it to make or maintain its CD Loans or Eurodollar Loans which such Bank (or its lending branch or affiliate) may sustain, to the extent not otherwise compensated for under this Agreement (under Section 2.2 or otherwise) and not mitigated by the re-employment of such funds: (i) if for any reason (other than a default by such Bank or the operation of Section 2.1) a Borrowing, Conversion or Extension of any Loan does not occur on a date specified therefor in a Notice of Borrowing, Conversion or Extension given by the Borrowers, including, without limitation, because a Notice is revoked pursuant to Section 2.5(i), or (ii) if a CD Loan or a Eurodollar Loan is repaid other than on the expiration date of the related CD Interest Period or Eurodollar Interest Period. A statement as to such loss or expense (including calculations, in reasonable detail, showing how such Bank computed such loss or expense) shall be promptly submitted by such Bank to the Borrowers (with a copy to the Agent).

Section 2.7 Payments of Accrued Amounts. On the date of any Loan prepayment made in accordance with this Article II, the Borrowers shall also pay, to the Bank being prepaid, interest accrued on the amount of such Loan being prepaid. The Borrowers shall also make timely payment of all other amounts owing to such Bank hereunder with respect to the amount of such Loan being prepaid.

Section 2.8 Banks' Obligation to Mitigate. Each Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event that would entitle it to give Notice pursuant to Section 2.2 or 2.4, it will, prior to the date of any prepayment or Conversion of an affected Loan, use reasonable efforts to make, fund or maintain such Loan through another lending office of such Bank if as a result thereof the increased costs would be avoided or materially reduced or the illegality would thereby cease to exist and if, as determined by such Bank, the making, financing or maintenance of such Loan through such other lending office does not otherwise materially adversely affect such Loan or Bank. The Borrowers hereby agree to pay all reasonable expenses incurred by any Bank in utilizing another lending office of such Bank pursuant to this Section 2.8.

Section 2.9 Funding Assumptions. Solely for purposes of calculating amounts payable by the Borrowers to the Banks under this Article II, (i) each Eurodollar Loan made by a Bank (and each related reserve, special deposit similar requirement) shall be conclusively deemed to be funded at the Libor Rate used in determining the relevant Eurodollar Rate by such Bank (or its branch or affiliate) by a matching deposit in the London Interbank Eurodollar Market, whether or not such Loan is in fact so funded, and (ii) each CD Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to be funded at the Certificate Rate used in determining the relevant CD Rate by such Bank (or its branch or affiliate) by the issuance of its certificate of deposit in a comparable amount and for a comparable period, whether or not such Loan is in fact so funded.

ARTICLE III - CONDITIONS PRECEDENT

Section 3.1 All Loans. The obligation of each of the Banks to make any Loan hereunder on each Borrowing Date is subject to the following conditions precedent:

A. Receipt by the Agent from the Borrowers of the Notice of Borrowing specified in Section 1.10. Each such Notice received by the Agent hereunder shall be deemed to be a representation and warranty by the Borrowers as of the Borrowing Date in such Notice that, after giving effect to the requested Loan:

(i) the material representations and warranties contained herein, on and as the date of such Loan, or made in any writing delivered or furnished pursuant to this Agreement or to induce and Banks to amend or waive any provisions of this Agreement or extend the Termination Date on and as of the date as of which made, are or were, as the case may be, true and correct in all material respects, and provided the representations and warranties contained in Section 4.5 shall be deemed to be made with respect to the most recent financial statements delivered to the Banks; and

(ii) no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

Section 3.2 Effectiveness of the Agreement. This Agreement shall not be effective until the following conditions have been satisfied, all of which shall be deemed either satisfied or waived upon delivery by the Agent of the certificate attached as Exhibit D:

A. The Revolving Credit Notes. The Borrowers shall have delivered to the Agent for the account of each Bank duly executed Revolving Credit Notes.

B. Certificate of Authority. The Borrowers shall have delivered to the Agent a certificate of an officer of each Borrower concerning the authority of the officers executing this Agreement in form and substance satisfactory to the Agent.

C. Required Acts and Conditions. All acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed, and to have happened precedent to the execution, delivery and performance of this Agreement and the Notes, and to constitute the same legal, valid and binding obligations enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in due and strict compliance with all applicable laws.

D. Documentation and Proceedings. All corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Banks and their counsel, Watanabe, Ing & Kawashima, and the Banks and such counsel shall have received any and all further information and documents, including records of corporate proceedings, which the Banks and such counsel may reasonably have requested in connection therewith, such documents where appropriate to be certified by proper corporate or governmental authorities.

Section 3.3 Certificate of Agent. When the conditions enumerated under Section 3.2 have been fulfilled, the Agent, on behalf of the Banks, shall execute and deliver to the Borrowers a certificate substantially in the form of Exhibit D attached hereto.

Section 3.4 Loan Under Term Credit. In the case of the Term Loans pursuant to Section 1.5 above, the Borrowers shall have delivered to the Agent for the account of the Banks Term Notes complying with the requirements of Section 1.6 above.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES OF THE BORROWERS

As an inducement to the Banks to enter into this Agreement and to make the Loans provided for herein, the Borrowers represent and warrant to the Banks as follows:

Section 4.1 Due Incorporation, Qualification, Etc. Each of the Borrowers and the Significant Subsidiaries is a corporation duly organized, validly existing and in good standing under the law of the jurisdiction in which incorporated and is authorized to do business in the jurisdictions in which its ownership of property or conduct of business legally requires such authorization and where failure to do so would have a material adverse effect on either Borrower or any such Significant Subsidiary, and has full power and authority to own its properties and assets and to conduct its business as presently conducted.

Section 4.2 Capacity. Each Borrower has full power and authority to execute and deliver, and to perform and observe the provisions of, this Agreement and the Notes and to carry out the transactions contemplated hereby and

thereby.

Section 4.3 Authority and Enforceability. The execution, delivery and performance by each Borrower of this Agreement and the Notes have been duly authorized by all necessary corporate action, and do not and will not require any registration with, consent or approval of, notice to, or any action by, any Person, except such, if any, as have been obtained in writing, copies of which consents have been furnished to the Banks. This Agreement constitutes, and the Notes when delivered by the Borrowers hereunder will constitute, legal, valid and binding obligations of each Borrower enforceable against each Borrower in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally and by the effect of rules of law governing specific performance, injunctive relief or other equitable remedies.

Section 4.4 Compliance with other Instruments. The execution and delivery of this Agreement and compliance with its terms, and the issuance of the Notes as contemplated herein, will not result in a material breach of any of the terms or conditions of, or result in the imposition of any lien, charge or encumbrance upon any properties of either Borrower or their respective Subsidiaries pursuant to, or constitute a default (with due notice or lapse of time or both) or result in an occurrence of an event for which any holder or holders of Funded Indebtedness with any unpaid principal balance of $1,000,000 or more may declare the same due and payable under, any indenture, agreement, order, judgment or instrument under which either Borrower or any of their respective Subsidiaries is a party or by which either Borrower or any of their respective Subsidiaries or its or their property may be bound or affected, or under the charter documents or bylaws of either Borrower or any of their respective Subsidiaries, and will not violate any existing provision of law applicable to either Borrower.

Section 4.5 Financial Statements. The consolidated balance sheet of A&B-Hawaii as of December 31, 1995 and the related consolidated statements of income and the audited consolidated balance sheets of Parent as of December 31, 1995, and the related consolidated statements of income and shareholders' equity of Parent and its Subsidiaries for the year then ended, in the latter case covered by the opinion of Deloitte Haskins & Sells, independent public accountants, and the unaudited consolidated balance sheets of Parent and of A&B-Hawaii as of September 30, 1996, and, respectively, the related consolidated statement of income of Parent and its Subsidiaries and of A&B-Hawaii for the four months then ended, duly certified by the chief financial officer thereof, copies of which have been furnished to the Banks, are complete and correct and fairly present, subject, in the case of said balance sheets as of September 30, 1996, and said statement of income for the nine months then ended, to year-end audit adjustments, the consolidated financial position of A & B-Hawaii and Parent and its Subsidiaries, respectively, as at such dates and the consolidated results of operations of the Parent and its Subsidiaries and of A&B-Hawaii, respectively, for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis (except as set forth in the notes thereto).

Section 4.6 Material Adverse Events. Since December 31, 1995, there has been no material adverse change in the business, financial position or results of operations of the Parent and its Subsidiaries, considered as a whole.

Section 4.7 Litigation, Etc. Except as reflected in the financial statements referred to in Section 4.5 or as otherwise disclosed to the Banks in writing, (including, without limitation, for such purposes, any document furnished to the Banks pursuant to Section 6.1) there are no actions, suits or proceedings (whether or not purportedly on behalf of either Borrower) pending, or to the knowledge of either Borrower threatened, against or affecting either Borrower or any of their respective Subsidiaries, at law or in equity, which, if adversely determined, could have a material adverse effect on the business, properties or condition (financial or otherwise) of the Parent and its Subsidiaries taken as a whole. Any action, suit or proceeding as to which either Borrower and/or the relevant Subsidiary or Subsidiaries have received, from the counsel representing either Borrower and/or the relevant Subsidiary or Subsidiaries therein, a written opinion that the likelihood of the successful assertion of any liability that could have a material adverse effect as described in the preceding sentence is remote, shall not be deemed an action, suit or proceeding which could have such a material adverse effect. After due inquiry, to the knowledge of the Borrowers, neither of the Borrowers nor any of their respective Subsidiaries is in violation or default with respect to any applicable laws and/or regulations which materially affect the operations and/or condition (financial or otherwise) of the Parent and its Subsidiaries taken as a whole nor are they, or any of them, in violation or default with respect to any order, writ, injunction, demand or decree of any court or any governmental agency or in violation or default in any material respect under any indenture, agreement or other instrument under which either Borrower or any of their respective Subsidiaries is a party or may be bound, default under which there might be consequences that would materially and adversely affect the business, properties or condition (financial or otherwise) of the Borrowers and their respective Subsidiaries taken as a whole.

Section 4.8 Title. Each of the Borrowers and their respective Subsidiaries has good and marketable title to its properties reflected in the consolidated balance sheet and related notes referred to in Section 4.5 (except (i) those properties disposed of since the date of such accounts in the ordinary course of business or as are no longer used or useful in the conduct of its business, (ii) title defects and encumbrances which either individually or in the aggregate are of no material consequence to the Parent and its

Subsidiaries taken as a whole, (iii) such vessels and other assets of Matson, title to which is held in the name of owner trusts or similar entities pursuant to the requirements of the transactions by which the construction and/or purchase of the same were financed, and (iv) property leased pursuant to finance leases) and all properties and assets acquired by the Borrowers or a Subsidiary thereafter and prior to the Effective Date; and all such properties and assets are not subject to any lien (including any encumbrance or security interest), except liens permitted under Section 7.3 hereof and those which are reflected in the most recent balance sheet (referred to in Section 4.5) and the related notes.

Section 4.9 Patent and Other Rights. Each of the Borrowers and their respective Subsidiaries either possesses or has applied for all material patents, licenses, trademarks, trade names, trade secrets, copyrights and all rights with respect thereto, which are required to conduct their business as now conducted without known conflict with the rights of others which would materially affect the business, properties or condition (financial or otherwise) of the Parent and its Subsidiaries, taken as a whole.

Section 4.10 Adverse Contracts and Orders. Except as heretofore publicly disclosed or disclosed in writing to the Banks, neither of the Borrowers nor any of their respective Subsidiaries is a party to or is bound by, or subject to, any contract, instrument, charter, bylaw or other corporate restriction or any order, decree or judgment of any Person (the "Restrictive Documents") which materially and adversely affects the business, properties or condition (financial or otherwise) of the Parent and its Subsidiaries taken as a whole or is in material default in the performance, observance, or fulfillment of any of the material obligations or conditions contained in any of such Restrictive Documents.

Section 4.11 Taxes. Each of the Borrowers has filed or caused to be filed all material tax returns which are required to be filed by it and any of their respective Subsidiaries, pursuant to the laws, regulations or orders of each Person with taxing power over either Borrower or any of their respective Subsidiaries or the assets of any thereof. Each Borrower and each of their respective Subsidiaries has paid, or made provision for the payment of, all material taxes, assessments, fees and other governmental charges which have or may have become due pursuant to said returns, or otherwise, or pursuant to any assessment received by either Borrower or any of their respective Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves (determined in accordance with generally accepted accounting principles) have been provided. Federal income tax returns of the Parent have been audited by and settled with the Internal Revenue Service or the statute of limitations has expired for all years to and including the fiscal year ended December 31, 19[ ], and the results of such settlement are or will be properly reflected in the financial statements referred to in Section 4.5 and Section 6.1. The charges, accruals and reserves in respect of taxes on the books of the Borrowers are sufficient to comply with generally accepted accounting principles. The Borrowers know of no proposed material tax assessment against either of them or any of their respective Subsidiaries, and no extension of time for the assessment of federal, state or local taxes of either Borrower or any of their respective Subsidiaries is in effect or has been requested except in either case as disclosed in the financial statements furnished to the Banks pursuant to Sections 4.5 and 6.1A, and except for extensions obtained in the ordinary course of business.

Section 4.12 Lawful Use of Proceeds; Compliance with Federal Reserve Board Regulations. All proceeds of the Revolving Loans shall be used by the Borrowers for their general working capital purposes or to make Friendly Acquisitions or by the Parent to repurchase shares of the capital stock of the Parent. No part of the proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Borrowers in a violation of Regulation X of said Board or the Banks in a violation of Regulation U of said Board. If requested by the Banks, the Borrowers will furnish to the Banks in connection with the Loans a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in said Regulation U.

Section 4.13 Employee Retirement Income Security Act of 1974.

A. To the best of the Borrowers' knowledge, after due inquiry, no material Reportable Event has occurred and is continuing with respect to any Plan.

B. No accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by either Borrower or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by either Borrower, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, condition (financial or otherwise) or operations of the Borrowers and their Subsidiaries taken as a whole. Neither Borrower, any of their Subsidiaries or any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV or ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the Borrowers and their Subsidiaries taken as a whole. The execution and delivery of this Agreement and of the Notes will be exempt from, or will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code. The representation by the Companies in the next preceding sentence is made in reliance upon and subject to the accuracy of each Bank's representation in Article V.

Section 4.14 Investment Borrower(s) Act of 1940. Neither of the Borrowers nor any of their respective Subsidiaries is an "investment borrower(s)" within the meaning of the Investment Borrowers Act of 1940.

Section 4.15 Subsidiaries. Exhibit E is a complete and correct list of all present Subsidiaries of each Borrower, which list shows for each Subsidiary, its state or jurisdiction of incorporation, its principal business, and the number and percentage of its outstanding securities owned of record and/or beneficially by such Borrower. Except as disclosed in Exhibit E, each Borrower directly or indirectly owns, free and clear of all liens, charges, encumbrances and rights of others whatsoever, all shares of such Subsidiaries shown on Exhibit E for such Borrower, and all shares of Significant Subsidiaries are validly issued and fully paid.

Section 4.16 Solvency. The fair value of the property of each Borrower is greater than the total amount of liabilities, including without limitation contingent liabilities, of such Borrower; the present fair salable value of the assets of each Borrower is not less than the amount that will be required to pay the probable liability of such Borrower on its debts as they become absolute and matured; each Borrower does not intend to, nor does it believe that it will, incur debts or liabilities beyond its abilities to pay as such debts and liabilities mature; and neither Borrower is engaged in a business or a transaction, or about to engage in a business or a transaction, for which such Borrower's property would constitute an unreasonably small capital.

ARTICLE V - REPRESENTATION OF THE BANKS

Each Bank represents that it is its present intention to make the Loans for its own account and not to make any public offering or to effect any distribution of the Notes, subject nevertheless to any requirement of law that the disposition of its Notes should remain within the control of such Bank. Each Bank further represents and warrants that no Loan made by it will be made out of the assets of any separate account maintained by it in which any Plan (or any individual account plan maintained for employees of the Parent or any Subsidiary) has an interest, nor will such Bank assign or otherwise transfer any of its Loans or Notes to any Plan.

ARTICLE VI - AFFIRMATIVE COVENANTS OF THE BORROWERS

During the term of this Agreement and until payment in full of the obligations, unless compliance shall have been waived in accordance with Section 12.10 by the Majority Banks, the Borrowers agree that:

Section 6.1 Financial Records, Statements and Reports and Inspection.

A. The Borrowers at all times will keep, and will cause each of its Subsidiaries to keep, books of record and account in which proper entries will be made of its financial transactions in accordance with generally accepted accounting principles and will furnish to the Banks:

(i) as soon as possible and in any event within ten days after any officer of either Borrower has knowledge of the occurrence of each Event of Default, or each Unmatured Event of Default which is continuing on the date of such statement, the statement of the chief financial officer of the Parent setting forth details of such Event of Default or Unmatured Event of Default and the action which the Borrowers propose to take with respect thereto;

(ii) as soon as available and in any event within 45 days after the close of each of the first three quarters of each of the Borrowers' fiscal years, (a) a consolidated and consolidating balance sheet of the Parent and its Subsidiaries as of the end of such quarter and comparative consolidated statements of income for such quarter and year to date, (b) a consolidated balance sheet of A & B-Hawaii as of the end of the end of such quarter and comparative consolidated statements of income for such quarter and year to date, and (c) a statement that, to the best of the Borrowers' knowledge, after due inquiry, no event which constitutes an Event of Default or Unmatured Event of Default hereunder has occurred and is continuing, each certified by the chief financial officers of the Borrowers;

(iii) as soon as available and in any event within 90 days after the close of each of the Borrowers' fiscal years, (a) a copy of the annual report for such year for the Parent and its Subsidiaries, including therein an audited consolidated and consolidating balance sheet of the Parent and its Subsidiaries and the unaudited consolidated balance sheet of A & B-Hawaii as of the end of such fiscal year and audited consolidated statements of income and shareholders' equity of the Parent and its Subsidiaries for such fiscal year, in the case of each of the audited statements, covered by the opinions of Deloitte Haskins & Sells or other independent public accountants of recognized standing reasonably acceptable to the Banks; and (b) a letter of the chief financial officers of the Borrowers, dated as of the end of such year, stating that, to the best of the Borrowers' knowledge, after due inquiry, no event which constitutes an Event of Default or Unmatured Event of Default hereunder has occurred and is continuing;

(iv) within 45 days after the close of each of the first three quarters of each of the Borrowers' fiscal years, and within 90 days after

the close of each of the Borrowers' fiscal years, a report in form reasonably satisfactory to the Banks comparing the required quantitative covenants set forth in Section 7.1, 7.2, 7.4, 7.5 and 7.8 hereof and certified as correct by the chief financial officers of the Borrowers;

(v) prompt notice of any Reportable Condition reported to either Borrower, or to either Borrower's Board of Directors, by the Borrowers' independent public accountants;

(vi) promptly after the sending or filing thereof, copies of all proxy statements, financial statements, and reports which the Parent sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements under the Securities Act of 1933, as amended, which the Parent or any Subsidiary files with the Securities and Exchange commission, with any governmental authority successor thereto, or with any national securities exchange;

(vii) promptly after the furnishing thereof, copies of any statement or report furnished to any other holder of the securities of either Borrower pursuant to the terms of any indenture, loan or credit, or similar agreement, and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 6.lA;

(viii) prompt notice of any condition or event which has resulted in (a) a material adverse change in the Parent's consolidated financial condition or (b) a material breach of or noncompliance with any material term, condition or covenant of any material contract to which either Borrower or any Significant Subsidiary is a party or by which it or its property may be bound;

(ix) prompt written notice of any claims, proceedings or disputes (whether or not purportedly on behalf of either Borrower) against, or to the knowledge of either Borrower, threatened against or affecting, either Borrower and/or any of its Subsidiaries not fully covered by insurance (other than usual and customary deductibles), which, if adversely determined, would have a material adverse effect on the business, properties or condition (financial or otherwise) of either Borrower and its Subsidiaries taken as a whole (without in any way limiting the foregoing, claims, proceedings, or disputes involving monetary amounts the uninsured portion of which is in excess of $5,000,000 shall be deemed to be material, other than claims for personal injury brought by seamen and longshoremen against Matson unless there exists a substantial probability that the uninsured liability of Matson thereunder will be in excess of $5,000,000), or any material labor controversy resulting in a strike against either Borrower or any Significant Subsidiary that is likely to have a material adverse effect on the condition (financial or otherwise) of the Borrower or such Significant Subsidiary, or any proposal by any public authority to acquire any material amount of the assets or business of either Borrower or any significant subsidiary;

(x) (a) and will cause each of its Subsidiaries to furnish to the Banks, as soon as possible, and in any event, within thirty (30) days after either Borrower or any of their respective Subsidiaries knows that any material Reportable Event with respect to any Plan has occurred, a statement of the chief financial officer to the affected Borrower or Subsidiary setting forth details as to such material Reportable Event and the action which the affected Borrower or Subsidiary proposes to take with respect thereto, together with a copy of the notice of such material Reportable Event given to the PBGC, if a copy of such notice is available to the affected Borrower or Subsidiary, (b) prompt written Notice of any decision by either Borrower, any Subsidiary or any member of the Controlled Group to terminate or withdraw from any Plan, and (c) promptly after receipt thereof a copy of any notice of intent to terminate any Plan or to appoint a trustee to administer any Plan which either Borrower, any Subsidiary or any member of the Controlled Group may receive from the PBGC or the Internal Revenue Service with respect to any Plan; and

(xi) at any time the value of all Margin Stock and Publicly Traded Securities owned by the Parent and its Subsidiaries or by A & B-Hawaii and its Subsidiaries exceeds (or following application of the proceeds of an intended Borrowing hereunder to a Friendly Acquisition would exceed) 25% of the value of the total assets of the Parent and its Subsidiaries or A & B-Hawaii and its Subsidiaries, respectively, in each case as reasonably determined by the Borrowers, the Borrowers shall give prompt Notice of such fact to the Agent.

B. So long as the Parent is required to file periodic reports with the Securities and Exchange Commission (or any successor agency thereto) under the Securities Exchange Act of 1934 (or any successor statute thereto), the Borrowers shall be deemed to have fulfilled their obligations under Sections 6.lA(ii)(a) and 6.lA(iii)(a) to provide consolidated financial statements if they timely furnish the Banks the Parent's quarterly report on Form l0-Q and its annual report on Form 10-K, respectively (or any successor forms required to be filed under such Act if they contain substantially the same information).

C. The Borrowers will, upon request, furnish to the Banks and will cause any of their respective Subsidiaries to furnish such information as the Banks may reasonably request with respect to the business, affairs or condition (financial or otherwise) of the Borrowers or any of their respective Subsidiaries, and will permit and will cause their respective Subsidiaries to permit the Banks or representatives thereof, with reasonable prior Notice, at any reasonable time or times, to inspect the properties of the Borrowers or their respective Subsidiaries, and to inspect and examine the books or records of the Borrowers and their respective subsidiaries and to take extracts therefrom, in each case while accompanied by an officer or representative of one of the Borrowers, provided that the information obtained pursuant to this Section 6.lC, to the extent not otherwise publicly available, shall remain confidential, but shall be available to the Agent and the other Banks (until such time, if any, as it otherwise becomes publicly available), subject,

however, to any laws, regulations or orders of any court or governmental agency requiring the Banks to divulge any of such information.

Section 6.2 Insurance. The Borrowers will maintain, and will cause each of their respective Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which such Borrower or subsidiary operates. Notwithstanding the foregoing, the Borrowers or any of their respective Subsidiaries may maintain a plan or plans of self-insurance to such extent and covering such risks as is usual for companies of comparable size engaged in the same or similar business, and, on request, the Borrowers will advise the Banks concerning any such plan or plans for self-insurance.

Section 6.3 Other Debt. The Borrowers will promptly pay and discharge, and will cause each of their respective Subsidiaries promptly to pay and discharge, any and all Indebtedness, liens, charges, taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any of its properties prior to the date on which penalties accrue thereon, and lawful claims which, if unpaid, might become a lien or charge upon the property of such Borrower or Subsidiary, except such as may in good faith be contested or disputed, or for which arrangements for deferred payment have been made, provided appropriate reserves are maintained to the reasonable satisfaction of the Majority Banks.

Section 6.4 Maintenance of Existence; Conduct of Business. Each Borrower will preserve and maintain, and will cause each of their respective Significant Subsidiaries to preserve and maintain, its corporate existence, and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business, and will conduct its business in an orderly and efficient manner, keep the properties which are useful or necessary in its business in good working order and condition, and will comply with all applicable laws and regulations of any governmental authority and the terms of any indenture, contract or other instrument to which it may be a party or under which it or its properties may be bound, if noncompliance will have a material adverse effect upon its consolidated financial condition, except where contested in good faith and by proper proceedings; provided, however, that nothing herein contained shall prevent the Borrowers or any of their respective Subsidiaries from exercising any of their rights under Sections 7.4 and 7.5 of the Agreement.

Section 6.5 Expenses. The Borrowers will pay all reasonable out-of-pocket expenses of the Agent (including, but not limited to, reasonable fees and disbursements of the Agent's special counsel) incident to the preparation, execution and delivery of, and the making of the Loans under, this Agreement, the administration of the Loans, any amendments to or waivers of this Agreement, the protection of the rights of the Banks under this Agreement and the enforcement of payment of the Obligations, whether by judicial proceedings or otherwise; provided, however, that upon and after the occurrence of an Event of Default under Section 8.lF, the Borrowers shall pay the reasonable fees and disbursements of each Bank's counsel incurred by such Bank in its dealings with the Borrowers after the occurrence of such Event of Default. The billing rates usually and customarily charged by the counsel referred to in the above proviso in the jurisdiction in which it maintains its principal offices shall be deemed reasonable under the provisions of this Section 6.5 even if such rates are greater than the billing rates usually and customarily charged by counsel whose principal offices are located in a different jurisdiction where a proceeding to enforce the rights of the Banks or any Bank under this Agreement may be pending. The Obligations of the Borrowers under this Section 6.5 shall survive payment of the Loans and cancellation of the Notes.

Section 6.6 Advice of Acquisition. Not later than five (5) Business Days before the proposed Borrowing Date of any Borrowing, the proceeds of which are proposed to be used to make an Acquisition or to replenish any portion of either Borrower's working capital that is proposed to be or has been expended to make an Acquisition, the Borrowers shall give a Notice to the Agent (which shall promptly transmit the same to the Banks) specifying: (a) the identity of the Person the securities or assets of which were or are to be acquired in the Acquisition, (b) the nature of the Acquisition, (c) the tentative principal amount of Loans to be outstanding at any one time with respect to such Acquisition; (d) with respect to a proposed Acquisition, whether or not the Borrowers believe it will be a Friendly Acquisition and the basis for such belief; and (e) which Borrower intends to undertake such Acquisition. It is understood and agreed that notwithstanding the provisions of this Section 6.7, the Banks shall make any Loan the proceeds of which are to be used to make a Friendly Acquisition if the requirements of Article I hereof have been fulfilled with respect to the proposed Borrowing and if the conditions of Section 3.1 hereof have been met. Any Acquisition other than a Friendly Acquisition for which the proceeds of a Borrowing shall be used shall require the consent of the Majority Banks.

ARTICLE VII - NEGATIVE COVENANTS OF THE BORROWERS

During the term of this Agreement and until the payment in full of any and all Obligations of the Borrowers, without the consent of the Majority Banks given in accordance with Section 12.10:

Section 7.l Financial Covenants. The Parent agrees that it will

not:

A. (i) Commencing with the fiscal year beginning January 1, 1996, permit the Parent's Consolidated Tangible Net Worth to be less than the sum of (x) $550,000,000 plus (y) 25% of the Parent's Consolidated Cumulative Net Income after December 31, 1995 (such required minimum net worth not to be reduced by any consolidated net loss during any such period);

(ii) Notwithstanding the provisions of Section 7.lA(i), the Parent's Consolidated Tangible Net worth may decline below the amount then permitted under Section 7.lA(i), but in no event more than $100,000,000 below such amount, in an amount equal to the aggregate consideration paid by the Parent to its shareholders to repurchase shares of its capital stock as permitted by Section 7.8B hereof; *provided*, that if Consolidated Tangible Net Worth has already declined by $100,000,000 below such amount, it may decline by up to an additional $1,000,000 as a result of such repurchases permitted under the second sentence of the second paragraph of Section 7.8B hereof.

B. (i) At any time that the aggregate principal balance of Loans outstanding hereunder is less than $75,000,000, permit the Parent's Consolidated Current Assets plus the amount available to the Parent under committed (subject only to conditions precedent that are or could promptly be satisfied) but unfunded lines of credit (including amounts available hereunder) to be less than 130% of the Parent's Consolidated Current Liabilities, and (ii) at any time that the aggregate principal balance of Loans outstanding hereunder is $75,000,000 or more, permit the Parent's Consolidated Current Assets plus the amount available to the Parent under committed (subject only to conditions precedent that are or could promptly be satisfied) but unfunded lines of credit (including amounts available hereunder) to be less than 100% of the Parent's Consolidated Current Liabilities.

C. Permit the Parent's consolidated Contingent Liabilities to be more than 20% of its Consolidated Tangible Net Worth.

D. Permit the Parent's consolidated Excluded Liabilities to be more than 50% of its Consolidated Tangible Net Worth.

E. Permit the Parent's Interest Coverage Ratio for any fiscal quarter (measured at the end of such fiscal quarter) to be less than 2.0 to 1.0.

Section 7.2 *Indebtedness.* Each Borrower agrees that it will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist, or otherwise become or be liable in respect of any Funded Indebtedness, other than Funded Indebtedness which, together with all other Funded Indebtedness of the Parent and its Subsidiaries, does not exceed 150% of Consolidated Tangible Net Worth.

Section 7.3 *Liens.* Each Borrower agrees that it will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any lien (including any encumbrance or security interest) of any kind upon any of its assets, whether now owned or hereafter acquired, except:

A. liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being contested in good faith, and liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith, provided provision is made to the satisfaction of the Banks for the eventual payment thereof in the event it is found that such is payable by the Parent or any of its subsidiaries;

B. liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders and statutory obligations entered into in the ordinary course of business or to secure obligations on surety or appeal bonds, or easements, rights of way, restrictions and similar encumbrances incurred in the ordinary course of business and not interfering with the ordinary conduct of the business of the Parent or any of its Subsidiaries nor materially and adversely affecting the value of the properties encumbered;

C. material judgment liens in existence less than thirty (30) days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full by insurance;

D. liens existing on the Effective Date reflected in the latest balance sheet furnished to the Banks pursuant to Section 6.1A or any mortgage or lien which replaces an existing mortgage or other lien, provided the principal amount of the debt secured by the replacing mortgage or lien does not exceed the principal amount at the time of replacement of the existing mortgage or lien, or cover property different from the property covered by the existing mortgage or lien;

E. liens and mortgages on the vessels owned or to be owned or chartered, or any shoreside facilities or equipment to be owned or leased by Matson or its Subsidiaries;

F. the giving, simultaneously with or within ninety (90) days after the acquisition or construction of real property or tangible personal property, of any purchase money lien (including vendor's rights under purchase contracts under an agreement whereby title is retained for the purpose of securing the purchase price thereof) on real property or tangible personal property here-after acquired or constructed and not heretofore owned by the Parent or any of its Subsidiaries, or the acquiring hereafter of real property or personal tangible property not heretofore owned by the Parent or any of its Subsidiaries subject to any then existing lien (whether or not assumed); provided, however,

that in each such case (i) such lien is limited to such acquired or constructed real or tangible personal property, and (ii) the principal amounts of the Indebtedness secured by each such lien, together (without duplication) with the principal amount of all other Indebtedness secured by liens on such property, shall not exceed 100% of the cost (which shall be deemed to include the amount of Indebtedness secured by liens, including existing liens, on such property) of such property to the Borrowers or any of its Subsidiaries;

G. liens incurred in the ordinary course of Borrowers' property development activities not in excess, in the aggregate, of sixty-five million dollars ($65,000,000) plus an additional five million dollars ($5,000,000) for each completed calendar year commencing with the year ended December 31, 1997, provided that each lien permitted by this Section 7.3G shall be limited to such real and personal property secured thereby and the aggregate principal amounts of the debt secured by each such lien, together with the principal amount of all other debt secured by liens on such property, shall not exceed one-hundred percent (100%) of the cost (which cost shall be deemed to include the amount of debt secured by liens, including existing liens, on such property) of such property to such Borrower;

H. other liens, charges or encumbrances incidental to the conduct of the business of the Parent and its Subsidiaries or the ownership of their property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances of credit and which do not in the aggregate materially detract from the value of their property or assets or materially impair the use thereof in the operation of their businesses.

Section 7.4 Sale of Assets. Each Borrower agrees that it will not, and Parent agrees that it will not permit Matson or any Subsidiary of Matson to, sell the accounts, contract rights or receivables pertaining to its business or sell, lease, abandon or otherwise dispose of, directly or indirectly, its assets or any portion thereof except in the ordinary course of business; provided, however, that the Borrowers, Matson or any Subsidiary of Matson may discontinue or sell the operations of any division of its business (other than discontinuing or selling the Borrowers' HC&S division substantially in its entirety), or otherwise may dispose of any operation, right, privilege or property, if management shall deem the same advisable in the interest of the business of such Borrower and of Matson and Matson's Subsidiaries, subject to the provisions of Section 7.5 hereof, and subject to the further provisions that, (i) in any fiscal year, the aggregate value of all such dispositions not in the ordinary course of business shall not exceed fifteen percent (15%) of Consolidated Total Assets, and (ii) from and after the Effective Date, the aggregate value of all such dispositions not in the ordinary course of business shall not exceed three hundred million dollars ($300,000,000), provided that at any time such assets disposed of since the beginning of the most recently ended fiscal year shall not have contributed more than an average of ten percent (10%) of Parent's Consolidated Net Income during the two most recently ended fiscal years and, provided further that the proceeds of any such dispositions in excess of one hundred million dollars ($100,000,000) after the Effective Date shall be applied to the repayment of Funded Indebtedness. Sales of assets from the Borrowers' property management and development activities, and sales of marketable securities owned by the Parent and that are not securities issued by a Subsidiary shall be deemed within the ordinary course of business. Nothing in this Section 7.4 shall restrict any transfer of any assets from A & B-Hawaii to the Parent at any time or from time to time.

Section 7.5 Consolidation, Merger, Etc. Each Borrower agrees that it will not, and agrees it will not permit either Matson or any Subsidiary of Matson to, consolidate or merge with, or sell (whether in one transaction or in a series of transactions) all or substantially all of its assets to any Person, except that Matson and any Subsidiary of Matson may merge with or transfer assets to one another, either Borrower, or any other Subsidiary; provided, that after such merger or transfer such other Subsidiary shall be subject to the provisions of Article VII hereof. Nothing in this Section 7.5 shall restrict any transfer of any assets from A & B-Hawaii to the Parent at any time or from time to time.

Section 7.6 Investment, Advances and Guarantees. Each Borrower agrees that it will not, and Parent agrees it will not permit Matson or any Subsidiary of Matson to, advance funds to (by way of loan) or to incur any Indebtedness with respect to the obligations of, any Person (other than (i) the Parent, or a Subsidiary, (ii) employees thereof in connection with customary employee benefit arrangements, (iii) owner trusts and similar title holding entities used in transactions to finance vessels, shoreside facilities or equipment and other facilities to be operated by the Borrowers, Matson or any Subsidiary of Matson or (iv) partnerships or joint ventures in which the Parent and/or any Subsidiary is a partner or joint venturer), or make any Acquisition other than a Friendly Acquisition.

Section 7.7 Subsidiary Ownership. Each Borrower agrees that it will not, except for directors' qualifying shares (if required), directly or indirectly sell, assign, pledge or otherwise transfer (except to a subsidiary) any indebtedness of or claim against Matson or any Subsidiary of Matson or any shares of stock or securities of Matson or any Subsidiary of Matson; and Parent will not permit Matson or any Subsidiary of Matson to sell, assign, pledge or therwise transfer (except to the Parent, Matson or a Subsidiary of Matson) any Indebtedness of or claim against the Parent, Matson or any Subsidiary of Matson or any shares of stock or securities of Matson or any Subsidiary of Matson, except pursuant to a transaction permitted under Section 7.4 or 7.5 of this Agreement.

Section 7.8 Dividends, Redemptions. Each Borrower agrees that it will not, and will not permit any of its Subsidiaries to, directly or indirectly:

A. Declare or pay any dividend or other distribution on any class of its capital stock or other equity interests, redeem or repurchase any such interests or make any other distribution on account of any such interests (all of the foregoing being "Restricted Payments"), except that either Borrower may make Restricted Payments in any amount so long as (i) no Event of Default or Unmatured Event of Default shall then be existing or be existing after giving effect to any such Restricted Payment, and (ii) any such Restricted Payment will not violate any applicable law or regulation, including Regulation U of the Board of Governors of the Federal Reserve System.

B. Redeem, retire, purchase or otherwise acquire beneficially any shares of any class of its own stock, or any stock of either Borrower or any of their respective Subsidiaries, now or hereafter outstanding, or set apart any sum for any such purposes, except that each Borrower may redeem, retire, or repurchase its own shares, if such shares are immediately retired and canceled, or if the Borrowers deliver to the Agent an opinion of counsel in form and substance reasonably satisfactory to the Majority Banks that failure to retire and cancel such shares will not result in the Banks being involved in a violation of Regulation U of the Board of Governors of the Federal Reserve System; provided, however, that the preceding requirements pertaining to cancellation or retirement or the provision of an opinion of counsel shall not apply to shares being redeemed, retired or repurchased pursuant to an employee benefit plan, or to options granted employees in the ordinary course of business.

On and after the date, if any, on which Consolidated Tangible Net Worth declines to an amount equal to $50,000,000 below the amount then permitted under Section 7.1A(i), the Parent shall be prohibited from reacquiring such shares as aforesaid. Notwithstanding the provisions of the preceding sentence, the Parent may reacquire shares as aforesaid when Consolidated Tangible Net Worth has declined to an amount more than $50,000,000 below the amount then permitted under Section 7.lA(i), but the aggregate net consideration paid by the Parent for such reacquisitions shall not exceed $1,000,000 and each such reacquisition shall be only pursuant to an employee benefit plan or to options granted employees in the ordinary course of business. When Consolidated Tangible Net Worth has once again increased to the amount then permitted under Section 7.lA(i), the Parent may reacquire such shares as aforesaid, in any amount that will not result in Consolidated Tangible Net Worth declining to more than $50,000,000 below the amount then permitted under Section 7.lA(i). Upon any such reacquisition, in any amount, the Parent shall once again become subject to the provisions of the first sentence of this paragraph.

Section 7.9 Release of Restrictions. The restrictions of Sections 7.3 and 7.4 shall not apply to any Margin Stock or Publicly Traded Securities (i) owned by the Parent or its Subsidiaries to the extent the value of such Margin Stock and Publicly Traded Securities exceeds 25% of the value of the total assets of the Parent and its Subsidiaries, or (ii) owned by A & B-Hawaii or its Subsidiaries to the extent the value of such Margin Stock and Publicly Traded Securities exceeds 25% of the value of the total assets of A & B-Hawaii and its Subsidiaries.

ARTICLE VIII - EVENTS OF DEFAULT

Section 8.1 Events of Default. If one or more of the following described events shall occur ("Event of Default"):

A. The Borrowers shall fail to pay interest or any part thereof within three (3) days of the same becoming due or shall fail to pay any principal or any part thereof on the day the same becomes due; or

B. The Borrowers shall fail to perform or observe any of the provisions contained in Article VII hereof; or

C. The Borrowers shall fail to perform or observe any of the provisions contained in any other Article of this Agreement and such failure shall continue for more than thirty (30) days after the Agent gives the Borrowers Notice of such failure; or

D. Any material representation or warranty made herein or in any writing delivered or furnished pursuant to this Agreement or to induce the Banks to amend or waive any provisions of this Agreement extend the Termination Date shall prove to have been false or incorrect in any material respect, or omits to state a material fact required to be stated therein in order to make the statements contained therein, in the light of the circumstances under which made, not misleading, on the date as of which made; or

E. Either of the Borrowers shall (i) cause a default in any required payment to be made, beyond any applicable grace period, or cause a material default in the performance of any other term, covenant or condition, beyond any applicable grace period, such default in any required payment or such material default in the performance of any other term, covenant or condition being as defined in any evidence of Funded Indebtedness, with a remaining unpaid principal amount of $5,000,000 or more made or issued by either of the Borrowers or under any indenture, agreement or other instrument under which the same may be issued, or (ii) permit any Significant Subsidiary to cause a default in any required payment to be made, beyond any applicable grace period, as defined in any evidence of Funded Indebtedness, with a remaining unpaid principal amount of $5,000,000 or more made or issued by any

Significant Subsidiary or under any indenture, agreement or other instrument under which the same may be issued, or (iii) cause, or permit any Significant Subsidiary to cause, any event which may result in the holder or holders of any Funded Indebtedness, with a remaining unpaid principal amount of $5,000,000 or more made or issued by either of the Borrowers or any Significant Subsidiary or under any indenture, agreement or other instrument under which the same may be issued, to declare the same due and payable before its stated maturity, whether or not such acceleration occurs or such default shall be waived, except where such Borrower or such Significant Subsidiary is contesting or disputing in good faith that such a default has occurred, provided that with respect to any such event caused by a Significant Subsidiary other than a default in a required payment, acceleration of the Funded Indebtedness shall have occurred; or

F. Either Borrower or any Significant Subsidiary shall be the subject of an order for relief entered by any United States Bankruptcy Court, or shall be adjudicated a bankrupt or insolvent, or shall fail to pay its debts as they generally come due, or make an assignment for the benefit of creditors; or either Borrower or any Significant Subsidiary shall apply for or consent to the appointment of a receiver, trustee, or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of either Borrower or any Significant Subsidiary, as the case may be, and such appointment shall continue undischarged for a period of sixty (60) days; or either Borrower or any Significant Subsidiary shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against either Borrower or any Significant Subsidiary and shall remain undismissed for a period of ninety (90) days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of either Borrower or any Significant Subsidiary and such judgment, writ, or similar process shall not be released, vacated or fully bonded within sixty (60) days after its issue or levy; or

G. A final judgment for money, in excess of $5,000,000 not covered by insurance where the insurer has admitted coverage in writing and the insurer is reasonably satisfactory to the Majority Banks, shall be rendered against either Borrower or any significant Subsidiary and if, within sixty (60) days after entry thereof, such judgment shall not have been discharged, satisfied or execution thereof stayed pending appeal, or if, within sixty (60) days after the expiration of any such stay, such judgment shall not have been discharged or satisfied; or

H. (i) Any material Reportable Event, which the Majority Banks determine in good faith constitutes grounds for the termination of any Plan or Plans by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer or liquidate any Plan or Plans, shall have occurred and be continuing thirty (30) days after written notice of such determination by the Majority Banks shall have been given to the Borrowers, or (ii) a decision shall have been made by either Borrower, any of their respective Subsidiaries or any member of the Controlled Group to terminate, file a notice of termination with respect to, or withdraw from, any Plan or Plans, or (iii) a trustee shall be appointed by the appropriate United States District Court to administer any Plan or Plans, or (iv) the PBGC shall institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer any Plan or Plans, and in case of the occurrence of any event described in the preceding clauses (i), (ii), (iii) and (iv) of this subsection 8.lH, the aggregate amount of either or both Borrowers' liability to the PBGC under Sections 4062, 4063 and 4064 of ERISA as determined in good faith by the Majority Banks could exceed 5% of Consolidated Tangible Net Worth of the Parent, and such liability is not covered in full, for the benefit of the Borrowers, by insurance; or

I. The Parent shall cease to own, either directly or through one or more of its wholly owned Subsidiaries, 80% or more of the capital stock of A & B-Hawaii;

THEN, or at any time thereafter:

(1) Where the Borrowers are in default under the provisions of Section 8.lF, the commitment to make the Loans shall terminate, and the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon and all other amounts payable hereunder shall automatically become and be forthwith due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrowers; and

(2) In any other case referred to in this Section 8.1, the Majority Banks may, at their option, by written notice to the Borrowers through the Agent, terminate the Commitments of the Banks to make the Loans and/or declare the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon and all other amounts payable hereunder to be forthwith due and payable, whereupon the same shall become immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers. In the case of either (1) or (2) above, the Banks may immediately, and without expiration of any period of grace, enforce payment of all Obligations of the Borrowers to it under this Agreement and under the Notes.

Any declaration made pursuant to subparagraph (2) above of this Section 8.1 is subject to the condition that, if at any time after the principal of the Notes shall have become due and payable, and before any judgment or decree for the payment of the moneys so due, or any thereof, shall have been entered, all arrears of interest upon the Notes and all other Obligations owed to the Banks (except that principal of the Notes which by such declaration shall have become payable) shall have been duly paid, and every other Event of Default shall have been made good, waived or cured, then and in every such case the Majority Banks may, by written notice to the Borrowers, rescind and annul such declaration and its consequences; but no such rescission or annulment shall extend to or affect

any subsequent default or Event of Default or impair any right consequent thereon.

ARTICLE IX - DEFINITIONS

Section 9.1 Certain Definitions. As used herein, and unless otherwise defined herein, the following terms shall have the following respective meanings:

"A & B-Hawaii": shall mean A & B-Hawaii, Inc., a Hawaii corporation, which is a wholly-owned Subsidiary of the Parent.

"Acquisition": shall mean the acquisition by a Borrower or any Subsidiary (i) of a number of the shares of the capital stock or other securities of any Person such that at the consummation of the acquisition such Person will thereby become a Subsidiary, or (ii) the purchase of all or any substantial division or portion of the assets of any other Person, in either case in exchange for cash and/or shares of capital stock or other securities of a Borrower or any other Person.

"Affected Bank": shall mean any Bank affected by any event described in the first sentence of any of the first paragraph of Section 2.2, the second paragraph of Section 2.2, or Section 2.4.

"Agreement": shall mean this Agreement and all future amendments and supplements, if any, thereto.

"Borrowing": shall mean a borrowing by the Borrowers from the Banks severally, pursuant to Article I.

"Borrowing Date": shall mean the date on which a Borrowing is, or is to be, consummated, as the context may indicate.

"Business Day": shall mean a day upon which banks in Hawaii, California and New York are open to conduct their regular banking business.

"CD Business Day": shall mean a Domestic Business Day on which New York dealers of certificates of deposit are open, at their respective addresses, for the purpose of conducting business.

"CD Interest Period": shall mean, as to any CD Loan, the period beginning on the Borrowing Date, Conversion Date or Extension Date, as the case may be, for such Loan and ending 30, 60, 90 or 180 days (as the Borrowers shall request) after such Borrowing Date, Conversion Date or Extension Date; provided, however, that if a CD Interest Period would otherwise expire on a non-Domestic Business Day, such CD Interest Period shall expire on the next succeeding Domestic Business Day; and provided, further, that no CD Interest Period shall extend beyond the Final Maturity Date or shall be of such duration as to require, after giving effect to all Eurodollar Interest Periods and CD Interest Periods then in effect, the Borrowers to prepay any Eurodollar Loan or CD Loan in order to make the scheduled amortization payments under any Term Note.

"CD Loans" and "CD Loan": shall mean respectively, (i) any Loans during any period in which such Loans bear interest at a rate based upon the CD Rate, and (ii) a single such Loan.

"CD Rate": shall mean, at the time any determination thereof is to be made and for any CD Interest Period, the rate per annum (rounded up to the nearest .05%) determined by the following formula:

$$\frac{\text{Certificate Rate X 100}}{\text{(100\% - CD Reserve Requirement)}} + \text{FDIC Assessment Rate}$$

Where:

"Certificate Rate" means the consensus bid rate determined by the Agent (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such consensus bid rate is not such a multiple) for the bid rates per annum, at 10:00 a.m. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period, of New York certificate of deposit dealers of recognized standing selected by Agent for the purchase at face value of certificates of deposit of Agent in New York City in an amount approximately equal or comparable to the Agent's Proportional Share of such Borrowing and with a maturity equal to such Interest Period.

"CD Reserve Requirement" is the then maximum effective rate per annum (expressed as a percentage) as determined by the Agent of the reserve requirement imposed by the Board of Governors of the Federal Reserve System against any Bank on non-personal certificates of deposit of the type used to determine the Certificate Rate with a maturity equal to such CD Interest Period.

"FDIC Assessment Rate" is the net annual assessment rate (expressed as a percentage) estimated by the Agent for determining the then current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation for insuring certificates of deposit having a maturity equal to such CD Interest Period.

"Code": shall mean the Internal Revenue Code of 1986, as amended.

"Commitment": shall mean, when used with reference to any Bank at the time any determination thereof is to be made, the amount of such Bank's commitment hereunder to extend credit to the Borrowers by means of Loans, which shall be the amounts set forth in Schedule I, as from time to time reduced by the amount of any permanent reduction in such amount made pursuant to Section 1.4, or increased pursuant to Section 1.lB or Section 2.5.

"Consolidated Cumulative Net Income": shall mean, as to any Borrower, the aggregate Consolidated Net Income of that Borrower for the fiscal period(s) in question.

"Consolidated Current Assets": shall mean those assets of the Parent and its Subsidiaries determined on a consolidated basis which would, in accordance with generally accepted accounting principles, be classified as current assets of a corporation conducting a business the same as or similar to the business of the Parent and its Subsidiaries.

"Consolidated Current Liabilities": shall mean Indebtedness of the Parent and its Subsidiaries determined on a consolidated basis which would, in accordance with generally accepted accounting principles, be classified as current liabilities of a corporation conducting a business the same as or similar to the business of the Parent and its Subsidiaries.

"Consolidated Interest Expense": shall mean the sum of all amounts that would, in accordance with GAAP, be deducted in computing Consolidated Net Income for such period on account of interest, including without limitation, imputed interest in respect of capitalized lease obligations, fees in respect of letters of credit and bankers' acceptance financing and amortization of debt discount and expense.

"Consolidated Net Income": shall mean, as to any Borrower, such Borrower's and its Subsidiaries' gross revenues, less all operating and non-operating expenses of such Borrower and its Subsidiaries, including all charges of a proper character (including current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any (i) gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion, exchange or other disposition of capital assets (i.e., assets other than current assets) other than real property sold for cash, cash equivalents or other property or tangible assets by any Subsidiary engaged in property development activities in the ordinary course of its property development activities, (ii) gains resulting from the write-up of assets, (iii) equity of such Borrower or its Subsidiaries in the unremitted earnings of any company (other than of such Borrower or its Subsidiaries), (iv) any goodwill, or (v) net income, gain or loss during such period from any change in accounting, from any discontinued operations or the disposition thereof, from any extraordinary events or from any prior period adjustments, all determined in accordance with GAAP.

"Consolidated Net Income Before Taxes": shall mean Consolidated Net Income plus the sum of all deferred and current federal, state, local and foreign taxes that are deducted in accordance with GAAP in computing Consolidated Net Income for such period.

"Consolidated Tangible Net Worth": shall mean, as to any Borrower, the consolidated net worth of such Borrower, and its Subsidiaries, determined in accordance with GAAP, less all Intangibles.

"Consolidated Total Assets": shall mean, as to any Borrower, that Borrower's consolidated total assets, determined in accordance with GAAP.

"Contingent Liabilities": shall mean, (i) Indebtedness of any Person (other than either Borrower or any of their respective subsidiaries) guaranteed by either Borrower or any of their respective subsidiaries, (ii) any contingent liability of either Borrower or any of their respective Subsidiaries arising from any litigation that, pursuant to FASB Statement No. 5 (or any successor thereto), is required to be reported in the notes to the Borrowers' consolidated financial statements referred to in Section 6.1A(iii) hereof and (iii) Indebtedness of any partnership or joint venture in which either Borrower or any of their respective Subsidiaries is a venturer or a partner, for which the ratio of such partnership's or joint venture's Indebtedness to its Consolidated Tangible Net Worth is greater than 4 to 1.

"Controlled Group": shall mean a "controlled group of corporations" as defined in Section 1563(a) of the Code, as amended, determined without regard to Section 1563(a)(4) and 1563(e)(3)(C) of the Code, of which either Borrower is a part.

"Conversion": shall mean a conversion of a Loan into a Prime Loan, CD Loan or Eurodollar Loan, as the case may be, pursuant to Section 1.8 (including any such conversion made as a result of the operation of the last sentence of Section 1.7B) or Article II.

"Conversion Date": shall mean the date on which a conversion is, or is to be, consummated, as the text may indicate.

"Date": shall mean, with respect to any stock redemption, retirement or repurchase permitted under Section 7.8B, the last day of the calendar quarter immediately preceding the calendar quarter in which such redemption, retirement or repurchase is consummated, if the same is consummated on or before the day on which one-half of such calendar quarter has elapsed, and the last day of the calendar quarter in which such redemption, retirement or repurchase was consummated, if the same was consummated after the day on which one-half of such calendar quarter has elapsed.

"Dollars" and "$": shall mean lawful money of the, United States of America.

"Domestic Business Day": shall mean a day on which the Banks and the Parent are open, at their respective addresses specified herein or in connection herewith and in New York, New York, for the purpose of conducting business.

"Effective Date" shall mean December 31, 1996. The effective date of any amendment hereto shall be set forth in such amendment.

"ERISA": shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate": shall mean any corporation which is a member of the same controlled group of corporations as either Borrower within the meaning of section 414(b) of the Code, or any trade or business which is under common control with either Borrower within the meaning of section 414(c) of the Code.

"Eurodollar Business Day": shall mean a Domestic Business Day on which dealings are carried on in the London Interbank Eurodollar Market.

"Eurodollar Interest Period": shall mean, as to any Eurodollar Loan, the period beginning on the Borrowing Date, Conversion Date or Extension Date, as the case may be, for such Loan and ending one, two, three or six months (as the Borrowers shall request) after such Borrowing Date, Conversion Date or Extension Date; provided, however, that if a Eurodollar Interest Period would otherwise expire on a non-Eurodollar Business Day, such Eurodollar Interest Period shall expire on the next succeeding Eurodollar Business Day unless such day falls in another calendar month, in which case such Eurodollar Interest Period shall expire on the next preceding Eurodollar Business Day; and provided, further, that no Eurodollar Interest Period shall extend beyond the Final Maturity Date or shall be of such duration as to require, after giving effect to all Eurodollar Interest Periods and CD Interest Periods then in effect, the Borrowers to prepay any Eurodollar Loan or CD Loan in order to make the scheduled amortization payments under any Term Note.

"Eurodollar Loans" and "Eurodollar Loan": shall mean, respectively, (i) any Loans during any period in which such Loans bear interest at a rate based upon the Eurodollar Rate, and (ii) a single such Loan.

"Eurodollar Rate": shall mean, at the time any determination thereof is to be made and for any Eurodollar Interest Period, the rate per annum (rounded up to the nearest .05%) determined by the following definition of Libor Rate. "Libor Rate" is the rate per annum at which the Agent is offered deposits in Dollars by prime banks in the London Interbank Eurodollar Market as of 11:00 a.m., London time, on the day which is two Eurodollar Business Days prior to the beginning of such Eurodollar Interest Period, for delivery in immediately available funds on the first day of such Eurodollar Interest Period, in the amount of the Agent's share of proposed Loan and for a period equal to such Eurodollar Interest Period.

"Eurodollar Reserve Requirement": shall mean the then maximum effective rate per annum (expressed as a percentage) as determined by each Bank of the reserve requirement, if any, imposed (pursuant to Regulation D) by the Board of Governors of the Federal Reserve System on such Bank's "Eurocurrency Liabilities" (as used in Regulation D). Without limiting the effect of the foregoing, the Eurodollar Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the Eurodollar Rate is to be determined as provided in the definition of "Libor Rate" contained in the definition of "Eurodollar Rate" or (ii) any category of extensions of credit or other assets which include Eurodollar Loans.

"Event of Default": shall mean each of those events specified in

Section 8.1.

"Excluded Liabilities": shall mean indebtedness of any partnership or joint venture in which either Borrower or any of their respective subsidiaries is a venturer or partner.

"Existing Agreement": shall have the meaning assigned to it in paragraph C of the Preliminary Statements to this Agreement.

"Extension": shall mean an extension of a CD Loan or Eurodollar Loan, as the case may be, pursuant to Section 1.7B.

"Extension Date": shall mean the date on which an Extension is, or is to be, consummated, as the context may indicate.

"Final Maturity Date": shall mean the date on which the sixteenth and final installment of a Term Loan shall be due, as calculated pursuant to Section 1.6 hereof.

"Friendly Acquisition": shall mean an Acquisition which is not opposed by the management of the Person whose securities or assets are to be acquired.

"Funded Indebtedness": of any Person shall mean the Indebtedness evidenced by the Notes and all other Indebtedness which matures more than one year from the date of its creation or matures within one year from such date but is renewable or extendable, at the option of such Person, to a date more than one year from such date or arises under a revolving credit or similar agreement which obligates the lender or lenders to extend credit during a period of more than one year from such date, excluding, however, all leases not required under FASB 13 to be capitalized.

"GAAP": shall mean generally accepted accounting principles applied on a basis consistent with those followed in the preparation of the financial statements referred to in Section 6.1 unless otherwise indicated.

"Indebtedness": shall mean, as to any Borrower, all items of indebtedness which, in accordance with GAAP, would be included in determining liabilities as shown on the liability side of a balance sheet of such Borrower as of the date as of which indebtedness is to be determined and shall also include all indebtedness and liabilities of others (other than the Borrowers or any of their respective Subsidiaries) assumed or guaranteed by such Borrower or in respect of which such Borrower is secondarily or contingently liable (other than by endorsement of instruments in the course of collection) whether by reason of any agreement to acquire such indebtedness or to supply or advance sums or otherwise, excluding, however, Contingent Liabilities and Excluded Liabilities.

"Intangibles": shall mean any intellectual properties, goodwill (including any amounts, however designated, representing the cost of acquisition of business and investments in excess of underlying tangible assets), unamortized debt discount and expense, deferred research and development costs, any write-up of asset value after December 15, 1989 and other assets treated as intangible assets under GAAP.

"Interest Coverage Ratio": for any fiscal quarter shall mean, as to any Borrower, the sum of (i) such Borrower's Consolidated Net Income Before Taxes for the four immediately preceding fiscal quarters, and (ii) such Borrower's Consolidated Interest Expense for the four immediately preceding fiscal quarters, divided by such Borrower's Consolidated Interest Expense for the four immediately preceding fiscal quarters.

"Interest Rate": shall mean the rate or rates of interest determined as provided in Section 1.7.

"Loans": shall mean the Revolving Loans and the Term Loan as both terms are herein defined in Sections 1.1 and 1.5, respectively.

"London Interbank Eurodollar Market": shall mean the London interbank market of Dollars for deposit.

"Majority Banks": shall mean, at the time any determination thereof is to be made, (i) the holders of at least 65% of the aggregate unpaid principal balance of the Notes or, if no Loans are at the time outstanding, Banks whose Commitments aggregate at least 65% of the total Commitment, and (ii) the numeric majority of the Banks; provided, however, in the case of a determination made by the Banks, with respect to a Borrowing, pursuant to Section 2.1, the Majority Banks in such Borrowing shall mean Banks which would make 65% of the aggregate principal amount of the Loans in such Borrowing if such Borrowing were made as requested by the Borrowers in the Notice to the

Agent requesting such Borrowing.

"Margin Stock": shall have the meaning assigned to it in Regulation U of the Board of Governors of the Federal Reserve System.

"Matson": shall mean the Parent's Subsidiary, Matson Navigation Company, Inc., a Hawaii corporation.

"Maturity Date": shall mean, when used with reference to any outstanding or requested Borrowing, a date on or before the Final Maturity Date, as selected by the Borrowers pursuant to Section 1.10, on which a CD Interest Period or a Eurodollar Interest Period shall expire.

"Multiemployer Plan": shall mean any Plan which is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Nonordinary Dividends": shall mean dividends paid out of net income from transactions not in the ordinary course of business. Net income from sales of assets of the Parent's property management and development activities shall be deemed net income from transactions in the ordinary course of business.

"Normal Year": shall mean any fiscal year of the Parent in which its consolidated net income (excluding cumulative effects of accounting changes and excluding consolidated net income derived from transactions not in the ordinary course of business) is $20,000,000 or more and in which actual Consolidated Tangible Net Worth is equal to or greater than Consolidated Tangible Net Worth then permitted under Section 7.lA(i).

"Note" or "Notes": shall mean in the singular, a Revolving Credit Note or a Term Note, and in the plural, the Revolving Credit Notes and the Term Notes as both terms are herein defined in Sections 1.2 and 1.6, respectively.

"Notice": shall mean a notice given by telex, telegram or telecopier, or by telephone by an authorized representative of both Borrowers (confirmed in writing promptly thereafter), which notice if from the Borrowers, is given at a time (or on a day) prior to 9:30 a.m. San Francisco time, on the day such Notice is required or permitted.

"Obligations": shall mean and include all loans, advances, debits, liabilities, obligations, letters of credit or acceptance transactions, trust receipt transactions, or any other financial accommodations, howsoever arising, owing by the Borrowers to the Banks, of every kind and description (whether or not evidenced by any note or other instrument), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter in all cases arising pursuant to the terms of this Agreement and the Notes, including, without limitation, all interest, fees, charges, expenses, attorneys' fees and accountants' fees chargeable to the Borrowers pursuant to Section 6.5 hereof.

"Parent": shall mean Alexander & Baldwin, Inc., a Hawaii corporation.

"PBGC": shall mean the Pension Benefit Guaranty Corporation, or any successor or replacement entity thereto under ERISA.

"Person": shall mean any natural person, corporation, firm, association, government, governmental agency or any other entity and whether acting in an individual, fiduciary or other capacity.

"Plan": shall mean any employee pension benefit plan subject to Title IV of ERISA and maintained by either Borrower, any of their respective Subsidiaries, or any member of a Controlled Group, or any such plan, to which either Borrower, any of their respective Subsidiaries or any member of a Controlled Group is required to contribute on behalf of any of its employees.

"Prime Loans and "Prime Loan": shall mean respectively, (i) any Loans during any period in which such Loans bear interest at a rate based upon the Prime Rate, and (ii) a single such Loan.

"Prime Rate": shall mean the higher of (i) the federal funds rate for borrowings by national banks as determined by the Agent plus one-half of one percent (1/2%) or (ii) the lending rate of interest per annum announced publicly by First Hawaiian Bank from time to time as its "Prime Interest Rate", which rate shall not necessarily be the best or the lowest rate charged by First Hawaiian Bank from time to time. In the event that any time or times the prime interest rate is discontinued and replaced by First Hawaiian Bank by a comparable rate (hereinafter called the "Comparable Rate"), then for purposes hereof, the Comparable Rate shall be substituted in place of the discontinued rate; provided, however that if there is no replacement of the discontinued rate by a Comparable Rate, then the discontinued rate shall be replaced by the primary index rate from time to time established by First Hawaiian Bank for the guidance of its lending officers in pricing commercial loans.

"Proportional Share": shall mean, at the time any determination

thereof is to be made, and when used with reference to any Bank and any Borrowing, an amount equal to the product obtained by multiplying the amount of such Borrowing by the following fraction:

Such Bank's then unused Commitment

The then unused Total Commitment.

"Publicly Traded Securities": shall have the meaning assigned to it in Section 220.7(a) of Regulation T of the Board of Governors of the Federal Reserve System.

"Regulation D": shall mean Regulation D promulgated by the Board of Governors of the Federal Reserve System.

"Regulatory Change": shall mean, with respect to any Bank, any change an or after the date of this Agreement in United States federal, state or foreign laws or regulations (including Regulation D) or the adoption or making on or after such date of any interpretations, directives or requests applying to a class of banks including such Bank of or under any United States federal or state, or any foreign, laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Regulatory Requirement": shall mean any of the following: any change in, or enactment of, any applicable (i) law or governmental regulation, or (ii) governmental requirement, rule, guideline or order, or (iii) governmental or judicial interpretation of any of the foregoing.

"Reportable Condition": shall mean a material weakness in the design or operation of an internal control structure element which does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the audited financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

"Reportable Event": shall mean a reportable event as defined in Title IV of ERISA, except actions of general applicability by the Secretary of Labor under Section 110 of ERISA.

"Restricted Payments": shall have the meaning specified in Section 7.8A.

"Significant Subsidiary": shall mean any Subsidiary of either Borrower, other than McBryde Sugar Borrowers, Ltd., the net worth of which constitutes 5% or more of the Consolidated Tangible Net Worth of the Parent.

"Subsidiary": shall mean, as to either Borrower, any other corporation of which more than fifty percent (50%) of the outstanding stock having ordinary voting power (whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Borrower and/or one or more of its Subsidiaries.

"Taxes": shall mean taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any government or any political subdivision or taxing authority thereof, other than any such charges on or measured by the net income, net worth or shareholders, capital of a Bank pursuant to the income tax laws of the jurisdiction where such Bank's principal or lending office is located.

"Termination Date": shall mean November 30, 1998, or the Date to which such date is extended from time to time as provided in Section 1.1B hereof.

"Transferred Assets": shall have the meaning assigned to it in paragraph B of the Preliminary Statements to this Agreement.

"Unmatured Event of Default": shall mean an event, act or occurrence which with the giving of notice or the lapse of time, or with both thereof, would become an Event of Default, other than Events of Default described in Section 8.1D.

Section 9.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.5 hereof, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

ARTICLE X - PARTICIPATIONS; SETOFFS

Each Bank may sell participations in all or any part of any Loan or

Loans made by it to another bank or other entity without the consent of any other party hereto, in which event the participant shall not have the rights under this Agreement or such Bank's Note (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrowers under Articles I and II hereof shall be determined as if such Bank had not sold such participation. In addition, each Bank shall have the right at any time to sell, assign, transfer, or negotiate all or part of the Obligations of the Borrowers outstanding under this Agreement or its Notes evidencing such Obligations to such Bank, and the Borrowers hereby acknowledge and agree that any such disposition will give rise to a direct obligation of the Borrowers to the assignee and the assignee shall for all purposes, where relevant, hereof be considered to be a Bank; provided, however, that no assignment with respect to Loans maturing more than 180 days after the date of such assignment shall be effective without the prior written consent of the Borrowers, which consent shall not be unreasonably withheld; and provided further that, with respect to assignments of Loans maturing 180 days or less after the date of such assignment undertaken without the consent of the Borrowers, all amounts payable by the Borrowers under Articles I and II shall be determined as though such assignment had not occurred. The Borrowers hereby authorize each such assignee, each Bank and each participant in case of default by the Borrowers hereunder to proceed directly by right of setoff, banker's lien or otherwise against any assets of either Borrower which may at the time of such default be in the hands of such Bank or such participant to the full extent of its interest in the Obligations.

ARTICLE XI - RIGHTS AND DUTIES OF THE AGENT AND THE BANKS

Section 11.1 Obligations Several. The obligations of the Banks hereunder shall be several and the failure of one Bank to perform hereunder shall not relieve any other Bank from such other Bank's obligation to perform, nor shall such other Bank be required to increase its obligation hereunder.

Section 11.2 Appointment and Duties of Agent. The parties hereto agree that First Hawaiian Bank, a Hawaii corporation shall act, subject to the terms and conditions of this Article XI, as the Agent for the Banks, and to the extent set forth herein each of the Banks hereby irrevocably appoints, authorizes, empowers and directs the Agent to take such action on its behalf and to exercise such powers as are specifically delegated to the Agent herein in connection with the administration and enforcement of any rights or remedies with respect to this Agreement and the Notes. The general administration of the Loans hereunder shall be with the Agent. It is expressly understood and agreed that the obligations of the Agent hereunder are only those expressly set forth in this Agreement. The Agent shall use reasonable diligence to examine the face of each document received by it hereunder to determine whether such document, on its face, appears to be what it purports to be. However, the Agent shall not be under any duty to examine into or pass upon the validity or genuineness of any documents received by it hereunder and the Agent shall be entitled to assume that any of the same which appears regular on its face is genuine and valid and what it purports to be.

Section 11.3 Discretion and Liability of Agent. Subject to Sections 11.4 and 11.6 hereof, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights which may be vested in it under this Agreement or otherwise, or with respect to taking or refraining from taking any action or actions which it may be able to take under this Agreement. Neither the Agent nor any of its directors, officers, employees, agents or representatives shall be liable to any Bank for any action taken or omitted by them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Agent shall incur no liability under, or in respect of, this Agreement, by acting upon a notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the reasonable exercise of its judgment, or which may seem to it to be necessary or desirable in the premises.

Section 11.4 Event of Default. The Agent shall be entitled to assume that no Event of Default or Unmatured Event of Default, or both, has occurred and is continuing, unless the Agent has actual knowledge of such facts or has received notice from a Bank in writing that such Bank considers that an Event of Default or an Unmatured Event of Default has occurred and is continuing and which specifies the nature thereof.

In the event that the Agent shall acquire actual knowledge of any Event of Default or Unmatured Event of Default or both, the Agent shall promptly notify (either orally or in writing) the Banks of such Event of Default or Unmatured Event of Default and may, or if requested in writing by the Majority Banks shall, take such action and assert such rights as are contemplated under this Agreement. The Agent shall be indemnified pro rata by the Banks against any liability or expenses, including reasonable counsel fees, incurred in connection with taking such action.

Section 11.5 Consultation. The Agent in good faith may consult with legal counsel or an accountant selected by it and shall be entitled to rely fully upon any opinion of such counsel or accountant in connection with any action taken or suffered by Agent in accordance with such opinion.

Section 11.6 Communications to and from Agent. Whenever any notice,

approval, consent, waiver, or other communication or action is required or may be delivered by the Banks hereunder, action by the Agent shall be effective for all purposes hereunder; provided, that upon any occasion requiring or permitting an approval, consent, waiver, election or other action on the part of the Banks, unless action by the Agent alone is expressly permitted hereunder, action shall be taken by the Agent for and on behalf or for the benefit of all the Banks upon the direction of the Majority Banks or all of the Banks, as applicable. The Borrowers may rely on any communication from the Agent hereunder and need not inquire into the propriety of or authorization for such communication. Upon receipt by the Agent from the Borrowers or any Bank of any communication calling for an action on the part of the Banks, the Agent will, in turn, promptly inform the other Banks in writing of the nature of such communication.

Section 11.7 Limitations of Agency. Notwithstanding anything in this Agreement or any of the other related documents, expressed or implied, it is agreed by the parties hereto that the Agent will act hereunder and under the related documents as Agent solely for the Banks and only to the extent specifically set forth herein, and will, under no circumstances, be considered to be an agent or fiduciary of any nature whatsoever in respect of any other Person. The Agent may generally engage in any kind of banking or trust business with the Borrowers as if it were not the Agent and shall include its own pro rata share of the Total Commitment in all calculations hereunder, with respect to which pro rata share it may act or omit to act as if it were not the Agent.

Section 11.8 No Representation or Warranty. No Bank (including the Agent) makes to any other Bank any representation or any warranty, express or implied, or assumes any responsibility with respect to the Loans or the execution, construction or enforceability of this Agreement, the Notes or any instrument or agreement executed by the Borrowers or any other Person in connection herewith.

Section 11.9 Bank Credit Decision. Each Bank acknowledges that it has, independent of and without reliance upon any other Bank (including the Agent) or any information provided by any other Bank (including the Agent) and based on the financial statements of the Borrowers and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independent of and without reliance upon any other Bank (including the Agent) and based on such documents and information as it shall deem appropriate at that time, continue to make its own credit decisions in taking or not taking action under this Agreement and any other documents relating hereto.

Section 11.10 Indemnity. Notwithstanding any of the provisions hereof, the Banks (up to the amount of their respective Commitments) shall severally indemnify the Agent against loss, cost, liability, damage or expense, including attorneys' fees, arising from or in connection with its duties as Agent hereunder and not caused by its gross negligence or willful misconduct, to the extent the Agent does not recover such losses, costs, liabilities, damages or expenses from the Borrowers.

Section 11.11 Resignation. The Agent may resign as such at any time upon at least thirty (30) days' prior notice to the Borrowers and the Banks, provided that such resignation shall not take effect until a successor agent has been appointed. In the event of such resignation, the Majority Banks shall, as promptly as practicable, appoint a successor agent, and if they fail to do so within thirty (30) days after such notice the Agent may appoint a successor agent.

Section 11.12 Note Holders. The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Agent signed by such payee and in form satisfactory to the Agent.

Section 11.13 Co-Agent. The Bank identified on the facing page or signature pages of this Agreement as a "co-agent" shall not have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, the Bank so identified as a "co-agent" shall not have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on the Bank so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE XII - MISCELLANEOUS

Section 12.1 Entire Agreement. This Agreement with Exhibits embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 12.2 No Waiver. No failure to exercise, and no delay in exercising, any right, power or remedy hereunder or under any document delivered pursuant hereto shall impair any right, power or remedy which the Banks or the Borrowers may have, nor shall any such delay be construed to be a waiver of any of such rights, powers or remedies, or an acquiescence in any breach or default under this Agreement of any document delivered pursuant hereto, nor shall any waiver by the Banks or the Borrowers, respectively, of

any breach or default of the Borrowers or the Banks, respectively, hereunder be deemed a waiver of any default or breach subsequently occurring. The rights and remedies herein specified are cumulative and not exclusive of any rights or remedies which the Banks or the Borrowers would otherwise have.

Section 12.3 Survival. All representations, warranties and agreements herein contained on the part of the Borrowers and the Banks shall survive the making of the Loans hereunder and all such representations, warranties and agreements shall be effective as long as any Obligation arising pursuant to the terms of this Agreement remains unpaid.

Section 12.4 Notices. All Notices, requests, consents and demands hereunder shall be effective when duly deposited in the mails, postage prepaid, or delivered to the telegraph Borrowers or transmitted by telex or telecopier, addressed to the respective party at the address set forth below, except that Notices to the Agent pursuant to Article I shall not be effective until received.

Borrowers: Alexander & Baldwin, Inc.
A & B-Hawaii, Inc.
822 Bishop Street
Honolulu, HI 96813
Attn: Chief Financial Officer

Agent: First Hawaiian Bank,
a Hawaii corporation
Corporate Banking Division
999 Bishop Street, 11th Floor
Honolulu, Hawaii 96813

Attention: Mr. Adolph F. Chang
Vice President

The Banks: At the addresses indicated on the signature
pages below

Any of the above may change such address by Notice in writing given to the other parties to this Agreement.

Section 12.5 Termination. This Agreement shall terminate when all Obligations of the Borrowers incurred hereunder shall have been discharged in full.

Section 12.6 Separability of Provisions. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

Section 12.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Banks and their respective successors and assigns; provided, that neither of the Borrowers may transfer its rights to borrow under this Agreement without prior written consent of the Banks.

Section 12.8 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any party hereto may execute this Agreement by signing any such counterpart.

Section 12.9 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 12.10 Amendment and Waiver. No provision, of this Agreement or the Notes may be amended, modified, supplement, changed, waived, discharged or terminated, unless the Majority Banks and the Borrowers consent thereto in writing; provided, however, that no such amendment, modification, supplement or change shall modify any of the provisions of this Agreement or the Notes with respect to an Event of Default or the amount of or time for the payment of the principal of and interest on the Notes, or reduce the percentage of Banks required to comprise the "Majority Banks," without the consent of the holders of all the Notes then outstanding, or, if no Notes are at the time outstanding, all of the Banks.

Section 12.11 Indemnification by the Borrowers. The Borrowers agree, whether or not any Acquisition is consummated, to indemnity, pay and hold the Agent, each Bank, and the officers, directors, employees and agents of the Agent and the Banks, harmless from and against any and all claims, liabilities, losses, damages, costs and expenses, including, without limitation, reasonable attorneys' fees, arising out of or connected in any way with any Acquisition or proposed Acquisition, including, without limitation, any liabilities arising out of or connected in any way with violations, alleged or actual, of any state or federal securities laws applicable to any Acquisition

or proposed Acquisition (collectively, the "Indemnified Liabilities"), provided that the Borrowers shall have no obligation hereunder with respect to Indemnified Liabilities to the extent the same arise from the gross negligence or willful misconduct of any such indemnified Persons.

If any claim is made, or any action, suit or proceeding is brought, against any Person indemnified pursuant to this Section 12.11, the indemnified Person shall notify the Borrowers of such claim or of the commencement of such action, suit or proceeding, and the Borrowers will, if so requested by the indemnified Person, assume the defense of such action, suit or proceeding, employ counsel reasonably satisfactory to the indemnified Person and pay the fees and expenses of such counsel.

The Obligations of the Borrowers under this Section 12.11 shall survive the payment of the Loans and the cancellation of the Notes.

Section 12.12 Joint and Several Obligations. All obligations of the Borrowers or either of them hereunder or under the Notes are joint and several obligations of the Parent and A & B-Hawaii. All notices to be given by the Borrowers hereunder shall not be effective unless executed on behalf of both of the Borrowers, although the Agent and the Banks may, in their sole discretion, honor a notice from one Borrower and the Borrowers both agree to be bound thereby. The Borrowers acknowledge and confirm for the benefit of the Banks and the Agent that both Borrowers derive and will continue to derive substantial economic benefit from the Banks extending credit hereunder for the use of the Borrowers separately and/or jointly. Although all parties hereto intend that the Borrowers be joint and several primary obligors hereunder, to the extent, if any, that either Borrower is deemed to be a guarantor of the obligations of the other Borrower hereunder, each Borrower hereby (i) waives any right to require the Agent or the Banks to proceed against the other Borrower, proceed against or exhaust any security held from the other Borrower, or pursue any other remedy in its or their power whatsoever, (ii) waives any defense because of any disability or any other defense or cessation of liability of the other Borrower or any other Person, (iii) until payment in full of the Obligations, waives any right to proceed against the other Borrower or any other Person or to participate in any security for the Obligations, (iv) agrees that the Banks and the Agent may, at their election and in their sole discretion, exercise any right or remedy it may have against the other Borrower or any security held from the other Borrower without affecting or impairing in any way the Obligations of such Borrower except to the extent the Obligations have been paid, and (v) waives any defense arising out of the absence, impairment, or loss of any right of reimbursement or subrogation or other right or remedy of such Borrower against the other Borrower or any such security, whether resulting from such election by the Agent and the Banks or otherwise.

[Remainder of page intentionally left blank]

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

ALEXANDER & BALDWIN, INC.

By ____
Its

By ____
Its

A & B-HAWAII, INC.

By ____
Its

By ____
Its

FIRST HAWAIIAN BANK,
individually and as Agent
Corporate Banking Division
999 Bishop Street, 11th Floor
Honolulu, Hawaii 96813
Attn: Adolph Chang
Vice President

By ____
Its

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
individually and as co-agent
Corporate Banking Division, #3838
555 California Street
San Francisco, California 94104
Attn: Maria Vickroy-Peralta
Vice President

By

Its

CREDIT LYONNAIS
LOS ANGELES BRANCH
515 South Flower Street
Los Angeles, California 90071

Attn: Steven Yoon
Assistant Vice President

By

Its

BANK OF HAWAII
111 South King Street
Honolulu, Hawaii 96813
Attn: Ed Wohlleb
Vice President

By

Its

THE UNION BANK OF CALIFORNIA, N.A.
400 California Street
San Francisco, California 94104
Attn: Wanda Headrick
Vice President

By

Its

SCHEDULE I

	Commitment
First Hawaiian Bank	$ 45,000,000
Bank of America National Trust & Savings Association	45,000,000
Bank of Hawaii	30,000,000
Credit Lyonnais Los Angeles Branch	25,000,000
The Union Bank of California, N.A.	10,000,000
	$155,000,000

EXHIBIT A

REVOLVING CREDIT NOTE

$ ___________________ San Francisco, California

_______________, 19__

ALEXANDER & BALDWIN, INC., a Hawaii corporation and A & B-HAWAII, INC., a Hawaii corporation (hereafter referred to jointly and severally as the "Borrowers"), FOR VALUE RECEIVED, hereby jointly and severally promise to pay to the order of _______________ (the "Payee") at the offices of First Hawaiian Bank, a Hawaii Corporation located at 999 Bishop Street, Honolulu, Hawaii, the principal sum of ______________ ($____________), on the Termination Date (as defined in the Agreement referred to below) in lawful money of the United States of America and in immediately available funds.

The Borrowers jointly and severally promise also to pay interest on the unpaid principal amount thereof in like money and funds at said office from the date hereof until paid at the rates per annum which will be determined in accordance with the provisions of Article I and Article II of the Second Amended and Restated Revolving Credit and Term Loan Agreement (the "Agreement") effective as of December 31, 1996, among the Borrowers, the Payee and the other banks party thereto, said interest to be payable at the times provided for in the Agreement.

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

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

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

ALEXANDER & BALDWIN, INC.

By ____
Its

By ____
Its

A & B-HAWAII, INC.

By ____
Its

By ____
Its

LOAN AND REPAYMENT SCHEDULE
REVOLVING CREDIT NOTE

Eurodollar Loans

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

Date	Amount of Loan or Conversion	Amount of Principal Repayment (including amounts converted)	Unpaid Principal Balance	Notation Made By

(Use this section when evidencing Prime Rate Loan]

[Use this section when evidencing a Eurodollar Loan)

[Use this section when evidencing CD Rate Loan]

CD Rate Loans

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

Prime Rate Loans

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

EXHIBIT B

TERM NOTE

$ ___________________ San Francisco, California

_______________, 1997

ALEXANDER & BALDWIN, INC., a Hawaii corporation, and A & B-HAWAII, INC., a Hawaii corporation (hereafter referred to jointly and severally as the "Borrowers"), for value received, hereby jointly and severally promise to pay tothe order of _______________ (the "Payee") at the offices of FIRST HAWAIIAN BANK, a Hawaii corporation, located at 999 Bishop Street, Honolulu, Hawaii, the principal sum of _______________ Dollars ($_________), in lawful money of the United States of America and in immediately available funds, in twenty consecutive substantially equal quarterly installments of $_______________, which installments shall be payable on the last Business Day of September, December, March and June of each year, commencing _______________, 19___; provided, however, that the last such installment shall be in an amount sufficient to repay in full the unpaid principal amount; and to pay interest from the date hereof on said principal sum, or the unpaid balance thereof, in like money and funds, at said office, at the rates per annum which shall be determined in accordance with the provisions of Articles I and II of the Agreement referred to below, said interest to be payable at the times provided for in the Agreement.

This Note is one of the Term Notes referred to in the Amended and Restated Revolving Credit and Term Loan Agreement (the "Agreement") effective as of December 31, 1996, among the Borrowers, the Payee, and the other banks party thereto, and is entitled to all the benefits provided therein. Reference is made to said Agreement for the rights and obligations of

EXHIBIT D

CERTIFICATE OF FIRST HAWAIIAN BANK

AS AGENT

This certificate is delivered pursuant to the provisions of Section 3.3 of the Second Amended and Restated Revolving Credit and Term Loan Agreement effective as of December 31, 1996, between Alexander & Baldwin, Inc. and A & B-Hawaii, Inc. (jointly and severally, the "Borrowers"), First Hawaii Bank, Bank of America National Trust and Savings Association, Bank of Hawaii, The Union Bank of California, N.A. and Credit Lyonnais Los Angeles Branch (the "Banks"), and First Hawaiian Bank, as agent for the Banks ("Agent"). On behalf of the Banks, the Agent hereby certifies to the Borrowers that (i) the conditions specified in Section 3.2 of the Agreement have been satisfied, (ii) the Agreement is therefore effective as of December 31, 1996, and (iii) the Borrowers need take no further action to satisfy any of the conditions specified in Section 3.2 as a condition to any Borrowing, except that on or before delivery by the Company to the Agent of each Notice of Borrower pursuant to Section 1.10 of the Agreement there shall be delivered to the Agent a duly certified copy of a resolution of the respective Boards of the Borrowers approving such Borrowing, provided that no such certificate shall be required as to a Borrowing which is a refinancing of a Eurodollar Loan or CD Rate Loan.

Dated: January __, 1997.

FIRST HAWAIIAN BANK,
as Agent

By

Its Vice President

EXHIBIT E

SUBSIDIARIES OF A&B-HAWAII, INC.

Name	Jurisdiction of Organization	Principal Business	No. of Shares Owned By A&B	% of Total Owned By A&B
A&B Development Company (California)	California	Owns and manages real property in California	100	100
A&B Properties, Inc.	Hawaii	Owns, manages, develops and sells real property on the islands of Maui and Kauai and the U.S. mainland	4,517	100
East Maui Irrigation Company, Limited	Hawaii	Collection and distribution of irrigation water	14,279	100
Kahuului Trucking & Storage, Inc.	Hawaii	Motor carriage of goods on islands of Maui and Kauai, stevedoring on Maui	1,000	100
McBryde Sugar Company Limited	Hawaii	Sugar cane plantation	439,000	100
McBryde Farms, Inc.	Hawaii	Grow, process and sell coffee		
Ohanui Corporation	Hawaii	Collection and distribution of domestic water on island of Maui	10	100
Princess Orchards, Inc.	Hawaii	Inactive	90	100
WDCI, Inc.	Hawaii	Resort and residential property development	100	100

SUBSIDIARIES OF MATSON NAVIGATION COMPANY, INC.

Name	Jurisdiction of Organization	Principal Business	No. of Shares Owned By A&B	% of Total Owned By A&B
Matson Freight Agencies, Inc.	Hawaii	Inactive		100
Matson Agencies, Inc.	Hawaii	Inactive		100
Matson Freight Agencies (Eastern), Inc.	New York	Inactive		
Matson Intermodal System, Inc.	Hawaii	Broker, shippers agent and freight forwarder for overland cargo services of ocean carriers		
Matson Services Company, Inc.	Hawaii	Tugboats	1,000	100
Matson Terminals, Inc.	Hawaii	Stevedoring and terminal services	1,000	100
Matson Leasing Company, Inc.	Hawaii	Inactive		100
The Matson Company	California	Inactive		100
The Oceanic Steamship Company	California	Inactive		100

THIRD AMENDMENT TO GRID NOTE

THIS AMENDMENT TO GRID NOTE executed this 30th day of November, 1995, and effective as of the first day of December 1995, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation, and A&B-HAWAII, INC., a Hawaii corporation, hereinafter collectively called the "Maker", and FIRST HAWAIIAN BANK, a Hawaii corporation, hereinafter called the "Bank";

W I T N E S S E T H T H A T,

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

WHEREAS, the Maker and the Bank subsequently entered into that certain Amendment to Grid Note dated August 31, 1994, whereby the Note was increased to SIXTY FIVE MILLION AND NO/100 DOLLARS ($65,000,000.00), and was extended to November 30, 1995; and

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

WHEREAS, the Maker and the Bank desire to further amend the Note as hereinafter provided.

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

THE NOTE, AS AMENDED, SHALL BE AND HEREBY IS FURTHER AMENDED TO PROVIDE THAT ALL UNPAID PRINCIPAL AND ACCRUED BUT UNPAID INTEREST SHALL BE DUE AND PAYABLE ON NOVEMBER 30,1996, UNLESS SOONER DUE AS OTHERWISE PROVIDED IN THE NOTE, AS AMENDED.

In all other respects, the Note, as amended, shall remain unmodified and in full force and effect, and the Maker hereby reaffirms all of its obligations under the Note, as previously amended, and as amended hereby. Without limiting the generality of the foregoing, the Maker hereby expressly acknowledges and agrees that, as of the date of this THIRD AMENDMENT TO GRID NOTE, the Maker has no offsets, claims or defenses whatsoever against the Bank or against any of the Maker's obligations under the Note, as previously amended, and as amended hereby.

IN WITNESS WHEREOF, this Third Amendment to Grid Note is executed by the undersigned parties as of this 30th day of November, 1995.

ALEXANDER & BALDWIN, INC., a Hawaii Corporation	FIRST HAWAIIAN BANK, a Hawaii Corporation
By /s/G. S. Holaday Its Vice President	By /s/Adolph F. Chang Its Vice President

A&B-HAWAII, INC.,
a Hawaii Corporation

By /s/G. S. Holaday
Its Sr. Vice President

FOURTH AMENDMENT TO GRID NOTE

THIS AMENDMENT TO GRID NOTE executed this 25th day of November, 1996, and effective as of the first day of December 1996, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation, and A&B-HAWAII, INC., a Hawaii corporation, hereinafter collectively called the "Maker", and FIRST HAWAIIAN BANK, a Hawaii corporation, hereinafter called the "Bank";

W I T N E S S E T H T H A T,

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

WHEREAS, the Maker and the Bank subsequently entered into that certain Amendment to Grid Note dated August 31, 1994, whereby the Note was increased to SIXTY FIVE MILLION AND NO/100 DOLLARS ($65,000,000.00), and was extended to November 30, 1995; and

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

WHEREAS, the Maker and the Bank subsequently entered into that Third Amendment to Grid Note dated November 17, 1995, whereby the Note was extended to November 30, 1996; and

WHEREAS, the Maker and the Bank desire to further amend the Note as hereinafter provided.

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

THE NOTE, AS AMENDED, SHALL BE AND HEREBY IS FURTHER AMENDED TO PROVIDE THAT ALL UNPAID PRINCIPAL AND ACCRUED BUT UNPAID INTEREST SHALL BE DUE AND PAYABLE ON NOVEMBER 30, 1997, UNLESS SOONER DUE AS OTHERWISE PROVIDED IN THE NOTE, AS AMENDED.

In all other respects, the Note, as amended, shall remain unmodified and in full force and effect, and the Maker hereby reaffirms all of its obligations under the Note, as previously amended, and as amended hereby. Without limiting the generality of the foregoing, the Maker hereby expressly acknowledges and agrees that, as of the date of this FOURTH AMENDMENT TO GRID NOTE, the Maker has no offsets, claims or defenses whatsoever against the Bank or against any of the Maker's obligations under the Note, as previously amended, and as amended hereby.

IN WITNESS WHEREOF, this Fourth Amendment to Grid Note is executed by the undersigned parties as of this 25th day of November, 1996.

ALEXANDER & BALDWIN, INC., a Hawaii Corporation	FIRST HAWAIIAN BANK, a Hawaii Corporation
By /s/Thomas A. Wellman --------------------------------- Its Controller & Asst. Treas.	By /s/Adolph F. Chang -------------------------- Its Vice President

A&B-HAWAII, INC.,
a Hawaii Corporation

By /s/Thomas A. Wellman

Its VP, Controller & Asst. Treas.

EXHIBIT 11

ALEXANDER & BALDWIN, INC.
COMPUTATION OF EARNINGS PER SHARE
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(In thousands, except per share amounts)

	1996	1995	1994
Primary Earnings Per Share (a)			
Income from continuing operations	$ 65,285	$ 32,419	$ 63,979
Income from discontinued operations	-	23,336	10,629
Net income	$ 65,285	$ 55,755	$ 74,608
Average number of shares outstanding	45,303	45,492	46,059
Primary earnings per share from continuing operations	$ 1.44	$ 0.72	$ 1.39
Primary earnings per share from discontinued operations	-	0.51	0.23
Primary earnings per share	$ 1.44	$ 1.23	$ 1.62
Fully Diluted Earnings Per Share			
Income from continuing operations	$ 65,285	$ 32,419	$ 63,979
Income from discontinued operations	-	23,336	10,629
Net income	$ 65,285	$ 55,755	$ 74,608
Average number of shares outstanding	45,303	45,492	46,059
Effect of assumed exercise of outstanding stock options	105	23	51
Average number of shares outstanding after assumed exercise of outstanding stock options	45,408	45,515	46,110
Fully diluted earnings per share from continuing operations	$ 1.44	$ 0.72	$ 1.39
Fully diluted earnings per share from discontinued operations	-	0.51	0.23
Fully diluted earnings per share	$ 1.44	$ 1.23	$ 1.62

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

EXHIBIT 13

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Inside Back Cover
Investor Information

Inside Front Cover (On the cover): Stand-out employees are featured throughout the 1996 annual report. They represent, by example, all of their compatriots--the loyal and hardworking members of the A&B family of companies.

(Clockwise, from upper right) Captain Norman A. Piianaia of Matson; Utility Truck Driver-Semi, Lei G. Jarnesky of HC&S; Norbert M. Buelsing, Senior Vice President, Property Management (left), and Lishan Z. Chong, Senior Financial Analyst (right), of A&B Properties; and (left to right) S. Guy Isobe, Manager, Customer Service Susan Hayman, Manager, Customer Service, Carey L. DeMers and Raymond J. Parker, Supervisors, Telemarketing & Data Administration, of Matson.

FINANCIAL HIGHLIGHTS

	1996	1995	Change
Revenue	$ 1,232,568,000	$ 1,020,455,000	21%
Net Income	$ 65,285,000	$ 55,755,000	17%
Per Share	$ 1.44	$ 1.23	17%
Cash Dividends	$ 39,860,000	$ 40,035,000	-0.4%
Per Share	$ 0.88	$ 0.88	-
Average Shares Outstanding	45,303,000	45,492,000	-0.4%
Total Assets	$ 1,800,622,000	$ 1,801,237,000	-
Shareholders' Equity	$ 684,328,000	$ 649,678,000	5%
Per Share	$15.09	$14.35	5%
Return on Beginning Shareholders' Equity	10.0%	8.8%	-
Current Ratio	1.4 to 1	1.4 to 1	-
Ratio: Debt and Capital Leases to Total Capital	0.40 to 1	0.45 to 1	-
Employees	2,960	3,076	-4%

REVIEW OF OPERATIONS

[Graph showing the Company's operating profit by source 1986-1996.]

Alexander & Baldwin, Inc. is a diversified corporation with the majority of its operations centered in Hawaii. Its principal business segments are:

Ocean Transportation
Property Development and Management
Food Products

Alexander & Baldwin, Inc. was founded in 1870 and incorporated in 1900. A&B's common stock is traded on the NASDAQ Stock MarketSM under the symbol ALEX.

Headquartered at:
822 Bishop Street
Honolulu, Hawaii

The Company's mailing address is:
P. O. Box 3440
Honolulu, HI 96801-3440

Telephone: (808) 525-6611
Fax: (808) 525-6652

[Photo caption: Portraying A&B's three business segments and illustrating key 1996 business events (from top to bottom): the dramatic financial turnaround by C&H sugar is represented by familiar products coming together, as C&H liquid sugar is delivered to a Gatorade processing facility in the San Francisco Bay area; Matson's new Guam service, inaugurated in February, is illustrated by the S.S. Chief Gadao, departing from Apra Harbor in Guam for destinations in Korea and Japan; and, last, exemplifying property value in the portfolio, the highly successful Kmart in Kahului, Maui, which was built on a seven-acre parcel that was first ground leased by A&B in 1993 and sold during 1996.]

[Photo caption: John C. Couch, Chairman of the Board, President and Chief Executive Officer, Alexander & Baldwin, Inc.]

[Photo caption: A Matson container arrives on the job site of the new Hawaii Convention Center scheduled to open in 1998. With the present lackluster economy limiting the amount of construction activity, Matson has actively pursued prime contractors and subcontractors for the major projects underway and in the works, successfully being named project transportation company for the Center and for the striking new 30-story First Hawaiian Center in downtown Honolulu.]

Fellow Shareholders

Key decisions made in the past few years were the basis for the success we enjoyed in 1996. Our achievements during the year were satisfying because much of what we set out to do was accomplished in spite of some unusual challenges. Measurable progress was made in several areas as we sought to reduce costs, strengthen our competitive positions and open up new market opportunities. Earnings improved significantly and we continued to build a foundation that will help ensure future growth.

Economic events in 1996 unfolded about as we had expected--Hawaii's economy improved little. A moderate upturn in the visitor industry was very nearly offset by continued weakness in construction. Initiatives intended to improve our earnings--independent of the near-term performance of the Hawaii economy--led to record revenue for the Company and a more diversified earnings mix. Unfortunately, unanticipated and largely uncontrollable cost increases in ocean transportation had an adverse impact on margins in that business. In the face of a weak economy in Hawaii, earnings growth for the Company resulted largely from improvements in our food products business, but these were augmented by solid results from our property development and management operations and by the contribution from Matson Navigation Company, Inc.'s (Matson's) new Guam service.

Noteworthy in 1996 were four accomplishments. Foremost was the impressive turnaround at California and Hawaiian Sugar Company, Inc. (C&H)--our sugar refining and marketing unit. C&H achieved a substantial improvement in its operating results. The improvement resulted primarily from higher sales revenue, due to increases both in sales volume and net selling prices, and from significant cost savings resulting from the major restructuring of the business early in the year.

Second was the favorable level of 1996 property sales. Given the prevailing economic climate, it was a considerable achievement to realize $32 million in sales--while retaining satisfactory margins. An encouraging component of that success was our new Maui Business Park, where the Company enjoyed a strong start to its long-range plans to develop a total of 240 acres near Kahului Airport for commercial and light industrial uses.

Third was the startup of Matson's new Guam service. The largest single investment in the Company's history--$178 million for ships, hardware and software--is generating an additional $70 million of revenue in a business we already know well--ocean transportation. Because these revenues are derived from markets outside Hawaii, they help diversify the Company's sources of earnings. The potential for significant operating synergies with Matson's Hawaii service also has begun to be realized.

Implementing the Guam service, however, has proven to be a greater challenge than we anticipated due, in part, to the complexity of integrating it into our already busy marine terminals on the West Coast and in Hawaii. Adding enormously to that start-up challenge, but unrelated to it, has been resistance by some West Coast longshore workers to a new master contract. Although ratified in the fall by a majority of the union membership, certain local units continue their strong opposition to some of the contract's provisions. The result has been continuing disruptions by dissident groups at various West Coast ports, which have affected operations and significantly increased operating costs for all steamship companies calling at those ports during the second half of 1996. While industry-wide efforts are focused on resolving the problems as early as possible, at this writing, the disturbances continue to impact Matson's operations adversely.

The fourth important accomplishment was the orderly phase-out of sugar operations at our nearly century-old sugar plantation, McBryde Sugar Company, Limited, on the island of Kauai. Because of chronically poor yields, the sugar operations at that plantation had been a drain on profits for several years. The last harvest was completed on schedule in September and produced 21,000 tons of sugar from 4,025 acres. At its peak in 1987, the plantation encompassed 12,500 acres and produced 58,300 tons of sugar. Years of planning and close cooperation with, as well as support from, the employees, their union and the community greatly eased the burden of the difficult task of dis-continuing this historic operation. While coffee, seed corn and other crops already are being cultivated on some of the land, this watershed event marked the end of an era for A&B on Kauai.

[Photo caption: A welcome for the first voyage. A traditional welcome for the first Matson arrival in Guam on February 22, 1996. Guam Governor Carl Gutierrez and Matson CEO C. Bradley Mulholland led the dignitaries on hand to welcome the first arrival and to note the importance of ocean transport to Guam's island community.]

[Photo caption: With the slopes of Haleakala seen in the background, Maui Marketplace rapidly rises to meet Maui's consumer and visitor shopping needs. Built on land leased or purchased from A&B, the 295,000 square-foot retail center will open in May 1997. Activity at Maui Marketplace will

enhance the value of the balance of lots at Maui Business Park, 240-acre development.]

Improved Financial Results

In 1996, A&B's net income was $65.3 million, a 17-percent increase from 1995's net income of $55.8 million. Earnings per share were $1.44, versus $1.23 in 1995.

Incorporated in the 1995 figures were a $5.1 million after-tax charge for the closure of the Kauai sugar operations, a $2.4 million charge to write-down certain C&H assets, an $18.0 million gain on the sale of Matson Leasing Company, Inc., and $5.3 million of income earned by Matson Leasing prior to its sale in June 1995. In 1996, a portion ($2.9 million) of the charge for the sugar plantation closure was reversed because actual costs were less than expected. Excluding the Matson Leasing impacts, net income from continuing operations more than doubled, to $65.3 million in 1996 from $32.4 million in 1995.

The annual dividend rate remained at $0.88 per share throughout 1996. The nearly $40 million paid to shareholders in dividends during the year represented about 61 percent of reported 1996 earnings.

Free cash flow (i.e., cash from operations, less cash used for investing) was $91.4 million. Besides the dividend payments, this cash flow provided funds to reduce debt by $59.9 million. The Company's debt to total capital ratio was 40 percent at year-end 1996, compared with 45 percent a year earlier.

[Photo caption: Hawaii-grown sugar is unloaded at C&H's refinery in Crockett, Calif. from the 37,000 ton Moku Pahu. The vessel is owned by HS&TC, a growers' cooperative, and operated, under contract, by Matson.]

Matson Implements New Services

Recognizing that the prospects for an extended period of slow growth for Hawaii were increasingly likely, Matson's strategic plans have two principal goals. First is to find and pursue new business activities that will increase the utilization of its valuable capital assets--its ships, container equipment and marine terminals. Second is to reduce costs.

During 1996, the focus was on improved asset utilization. In February, Matson and APL Limited (APL) inaugurated a joint service. In this service, five vessels, in sequence, call weekly at Hawaii and Guam, carrying Matson cargo, and then proceed to five ports in the Far East, loading cargo for APL before returning to the West Coast.

Because Guam's economy has been relatively strong and customers have responded well to Matson's entry into the market, Matson enjoyed good cargo volume in the trade. APL also books westbound cargo destined for the Far East on the ships, if space is available. With a strong export trade, especially in the early part of 1996, this volume also was higher than Matson had anticipated. Overall, revenue in the new Guam service has surpassed our initial expectations.

In addition, Matson has been operating a vessel in a pioneering Pacific Coast "shuttle" service (PCS) since mid-1994. Competing directly with established rail and truck carriers, the volume in this north/south coastwise trade has grown steadily but slowly. A significant step in the continued development of this business occurred this past summer. In July, the Columbus Line/Blue Star Line consortium, which serves New Zealand, Australia and the U.S. West Coast, announced that it would cease multiple port calls by its own vessels on the U.S. West Coast and, instead, would utilize Matson's PCS.

Insofar as Matson's Hawaii service is concerned, the results were disappointing. The State's lackluster economic growth, the depressed construction industry, reduced automobile shipments and strong competition led to cargo declines. Also, Matson faced unanticipated and temporary cost increases. In addition to the increased cargo handling costs resulting from the labor disturbances already noted, the cost of fuel oil increased 32 percent between the fall of 1995 and 1996, necessitating two rate actions to help offset the higher fuel costs.

Solid Property Sales Activity--Commercial and Residential--in 1996

The lackluster Hawaii economy also continued to present a special challenge to our property development and management business. With a large number and variety of projects and properties available, A&B was able to take advantage of several unusual sales opportunities in 1996 in spite of the general market weakness.

Maui Business Park is the largest and most promising of our near-term commercial developments. On a 20-acre parcel largely leased but, in part, purchased from A&B in 1995, construction of a 295,000 square-foot retail center is nearly complete. The new center features Eagle Hardware, Borders Books and Music, Office Max and Sports Authority, among others. To date, 68 percent of the 42-acre first phase of the project has been leased or sold. Revenue on the four lots sold in 1996 averaged $30 per square foot, or $1.3 million per acre. Interest in the project is expected to increase when the major stores in the complex open later this year.

Among the Company's several residential projects, the most notable is Ku'au Bayview, a 92-home project on Maui's North Shore near the famous Hookipa Park windsurfing beach. A&B has been constructing homes on the developed lots there only when firm purchase commitments are in hand. First available for sale in April 1996, to date, 32 homes have been sold in the project and an additional 19 homes are in escrow.

A&B's diversified portfolio of commercial properties generates about $24 million per year in operating profit, split nearly evenly between Mainland and

Hawaii locations. The 2,170,000 square feet of Mainland property, located in a number of Western states, is 97-percent occupied, reflecting predominantly healthy economies in those markets. The Hawaii portion of the portfolio (670,000 square feet) is about 86-percent occupied, indicative of a weaker economy in Hawaii and the impact of large, new discount retailers.

[Photo caption: C&H is the leading brand of sugar in the West. Its distinctive packaging is traditional in appearance, symbolizing for many Western households the generations that have depended upon the quality of C&H products.]

C&H Leads Food Products Improvement

Among all of A&B's operations, the Food Products segment made the most dramatic improvement in 1996. The improvement in sugar refining and marketing, by C&H, was especially gratifying.

Demand for C&H's refined cane sugar increased significantly during the year, reflecting a smaller domestic beet sugar crop. At the same time, C&H's financial results benefited from lower refining costs made possible by the restructuring of C&H's refining operations last year, and by the start-up of a new cogeneration plant that provides lower-cost process steam and electric power to the refinery.

While the cost of raw cane sugar, C&H's primary raw material, remained relatively high, improved productivity, reduced costs, higher sales volumes and higher net selling prices all contributed to the turnaround in C&H's performance. During the year, C&H refined and sold more sugar than it had in any of the previous ten years and it supplied about seven percent of total U.S. sugar consumption.

In response to reduced supplies of raw sugar on the island of Oahu and increased competition from high fructose corn sweeteners in the Hawaii market, C&H concluded that the long-term outlook for sugar refining in Hawaii was no longer attractive. Accordingly, C&H closed its small refinery on Oahu at the end of the year and centralized all sugar refining operations at its refinery in Crockett, Calif.

During the first quarter of 1996, the Federal Agriculture Improvement and Reform Act was passed and signed into law. Although this new agricultural legislation, which governs all commodity programs, contains sugar program provisions that still present problems for cane sugar refiners like C&H, its enactment added some welcome stability to sweetener markets. The Company remains active in communicating the industry's continuing concerns to Congress and to the U.S. Department of Agriculture, the agency responsible for administering the law.

Although the Company's sugar operations on Kauai were phased-out, sugar production is increasing on Maui at A&B's 36,000-acre Hawaiian Commercial & Sugar Company (HC&S). Total production at HC&S was 201,000 tons in 1996. Sugar yields and overall production increased more than four percent, reflecting changes in agronomic practices. The benefits of these changes are expected to increase in subsequent years. Similarly, improvements at Island Coffee Company, Inc. on Kauai resulted in a harvest of 2.4 million pounds of green coffee, an increase of 37 percent compared with 1995 production. The primary challenge facing this developmental coffee business is in marketing, as we seek to develop new markets and channels of distribution for our estate-grown specialty coffee.

Outlook for 1997, Beyond

The consensus of several recent economic forecasts is that the growth rate for Hawaii's real gross state product will be about two percent in 1997. These modest projections assume no significant detrimental effect of a weaker Japanese yen on the number of visitors traveling to Hawaii from Japan. Japanese visitors have fueled Hawaii's modest growth in tourism for the past several years. About two million of the State's nearly seven million annual visitors are from Japan. Another important factor in today's lackluster Hawaii economy is the depressed construction industry. None of the forecasts anticipates a construction industry recovery in 1997. Overall job creation in the State, if any, is expected to be small.

Under this scenario, A&B's principal near-term focus is to realize the full benefits of its earlier strategic initiatives, especially the integration of the Guam service with Matson's other operations. With cargo volume and revenue in this service meeting the established goals, Matson's primary focus will be to improve productivity and lower costs. Also, satisfactory and timely resolution of the current labor difficulties on the West Coast is critical if Matson is to improve its overall performance in the near term.

While the Food Products segment remains exposed to normal commodity risks and to occasional market distortions caused by flaws in the U.S. sugar program, the improvements achieved by C&H give us optimism that the level of financial results reached by this segment in 1996 can be sustained. Priorities will be on new marketing initiatives and on continuing to improve the cost competitiveness of sugar refining and production. We also will continue to examine long-term strategic options for these operations, recognizing that the sweetener industry is consolidating and becoming more integrated worldwide.

In Properties, sales and leasing activity should grow slowly, but steadily. Sales again will be challenged by adverse economic conditions, but it is reasonable to anticipate some potential upside, based upon unplanned sales opportunities that may present themselves, just as several did during 1996.

[Photo caption: For sale. Cozy. North Shore, Maui, Heaven. Sales began at Ku'au Bayview, a 92-homesite project, in April 1996. A&B's first house/lot project in this area of Maui in many years, sales of the first two phases have been active, in spite of economic concerns in the State.]

Other Matters

With a modest 1997 capital budget, the prospects appear good for continuing A&B's strong free cash flow. Although dividend increases are considered by the Board from time to time, additional earnings momentum remains a prerequisite for dividend increases.

In December 1996, the Board extended and expanded a previous authority to repurchase shares. The new authorization permits the purchase of an additional three million shares, representing about seven percent of the stock currently outstanding. Under the previous repurchase authorization, A&B acquired nearly 1.3 million of its shares. Share repurchase provides an additional way to benefit shareholders, while retaining the flexibility to meet other corporate capital needs.

This year, Mr. Robert G. Reed III, who has served as a Director of A&B and its subsidiaries for eleven years, will not stand for re-election. He has been a highly capable and effective contributor to the Board's deliberations. His advice and counsel have been greatly appreciated, and we wish him all the best in his future endeavors.

The past few years have caused many changes in the Company. Often, these changes involved difficult decisions, but they have been borne in good spirit and with a "can do" attitude by the employees of A&B. Difficult times can bring out the best in people. They also can mask or detract from strong personal contributions to our businesses. This annual report features a few employees from different units of the Company who have made significant contributions to our performance in 1996. Of course, many others also deserve recognition. All have helped us deal with the extraordinary challenges we have faced, and their daily efforts continue to contribute to our progress. This annual report is intended to honor them all and, on behalf of the shareholders, I want to thank them all for their dedication and commitment.

I also would like to acknowledge the continued support and encouragement of the shareholders and the Board of Directors.

John C. Couch
Chairman of the Board,
President and Chief Executive Officer

February 21, 1997

[Photo caption: C. Bradley Mulholland, President and Chief Executive Officer, Matson Navigation Company, Inc.]

MATSON

Operations of the ocean transportation segment of A&B are conducted by Matson Navigation Company, Inc. (Matson), a wholly owned subsidiary headquartered in San Francisco. Matson is the principal carrier of containerized cargo and automobiles between the U.S. Pacific Coast and Hawaii, utilizing container ships and combination container/trailer ships in regularly scheduled service between Hawaii and Los Angeles, Oakland and the U.S. Pacific Northwest. This core Hawaii service includes the transshipment of cargo by barges operating between Honolulu, on Oahu, and the islands of Hawaii, Maui and Kauai. In February 1996, Matson began a new service to Guam as part of an alliance with APL Limited (APL). The Guam service offers sailings from Oakland to Honolulu and Guam, then on to ports in Korea and Japan, returning to Los Angeles. Matson also operates a containership service that operates along the West Coast, as well as a container-barge service between Honolulu and several mid-Pacific islands. Matson subsidiaries offer stevedoring and terminal services, intermodal transportation services and harbor tugboat services.

Matson's goal is to be customers' preferred provider of cargo transportation services by offering high-value services characterized by reliability, frequency, efficiency and ease-of-use.

OPERATING RESULTS

In 1996, ocean transportation operations provided 54 percent of both A&B's revenue and its operating profit. For explanations of year-to-year changes in results, please refer to Management's Discussion and Analysis on page 27.

	1996	1995	1994
		(in thousands)	
Revenue	$ 661,586	$ 593,807	$ 604,754
Operating Profit*	$ 81,618	$ 87,769	$ 97,319

*Before interest expense, corporate expense and income taxes

HAWAII SERVICE CARGO

In contrast to its history of rapid, reliable economic growth since Statehood in 1959, the Hawaii economy, since 1991, has had very modest, or no, growth. This, and competitive factors, fundamentally have limited the potential growth of Hawaii service volume. Although Hawaii's visitor industry experienced moderate growth during 1996, the statewide job count, especially in the construction industry, continued a cyclical decline. These factors nearly offset the benefit of the greater number of visitors. To help counteract these factors and to capitalize on its strengths in customer service, Matson has focused its marketing efforts on serving as the designated project carrier for large construction and other projects, and by tailoring its service package to meet shippers' specific needs.

	1996	1995	1994
Freight (Units)	152,100	157,200	173,300
Automobiles	83,100	107,100	116,800

In 1996, total Hawaii service containerized freight volume was about three percent less than the 1995 level. Cargo volume in 1994 benefited from a 24-day strie that shut down a principal competitor.

Total automobile shipments in 1996 were about 22-percent lower than in 1995, due to several factors. The number of cars shipped to and from Hawaii for use in rental-car fleets was lower due to fewer purchase incentives offered to rental car companies by the auto manufacturers. Shipments of privately owned cars also declined, as a result of reduced transfers of military personnel and competitive losses resulting from a competitor's eastbound service, begun in mid-1995.

1996 PROGRESS

With its inaugural sailing on February 9, 1996, Matson's new Guam service represented a significant new step for the Company. The new service complements Matson's core Hawaii service while, concurrently, providing access to new markets, new sources of cargo and revenue growth, and better overall utilization of capital assets.

Guam experienced continued high levels of visitor demand and an active level of construction during 1996. More importantly, Guam shippers gave strong support to Matson's new service. As a result, the volume of cargo carried exceeded the start-up projections for the service. In addition, Matson was able to increase revenue by selling available westbound capacity on its vessels to APL and other carriers for their cargo moving to the Far East.

The new service permits Matson to maintain its frequency of four arrivals per week and to increase its capacity on the competitive westbound service to Hawaii. Concurrently, it reduces, by one fourth, the number and associated costs of eastbound voyages from Hawaii to the U.S. mainland, a trade where cargo demand is lower.

Considerable progress also was made during 1996 in Matson's Pacific Coast service (PCS). Following the absence of coastwise shipping from the West Coast

for many years, Matson began this innovative service in July 1994. It competes directly with traditional north/south rail and truck service. The PCS has achieved a consistent record of on-time service, a factor that is vital in attracting and retaining customers. The number of containers carried in the "shuttle" service in 1996 rose by 46 percent from the 1995 level. The PCS received a big boost from the mid-1996 announcement that the Columbus Line/Blue Star Line consortium would halt its direct service to Seattle and Oakland from Australia and New Zealand and, instead, use Matson's shuttle service from Los Angeles. This step is a strong vote of confidence in the reliability of Matson's service.

Matson continued to expand and improve the capabilities of its centralized customer service center in Phoenix, Ariz., last year. The center handles communications for all of Matson's services which, in 1996, amounted to over 1.1 million calls, an increase of 12 percent over 1995. The average speed of answering calls was 5.4 seconds for all freight and 2.9 seconds for key accounts. Further services are being added to the center to enhance Matson's ability to serve its customers efficiently.

In 1996, Matson received a National Transportation Quality Award from Logistics Management magazine for the fourth consecutive year. Matson also received a 1996 Quest for Quality award from Distribution magazine, this for the third consecutive year. This type of recognition is especially gratifying because both awards are based on customer-survey responses.

Two important Matson subsidiaries continued to contribute to operations and financial results during 1996. Matson's contract stevedoring subsidiary, Matson Terminals, Inc., manages all of Matson's stevedoring operations and also serves two international carriers, helping to spread the fixed costs of terminals over greater volume. Matson Intermodal System, Inc. (MIS) arranges economical intermodal transportation throughout the U.S. for Matson and many other carriers. In 1997, MIS will celebrate its tenth anniversary. MIS also manages inland equipment for Matson and door-to-pier transportation services for many customers.

[Photo caption: Hawaii service freight units and auto carriage reflect Hawaii's flat economic performance, cutbacks in purchase incentives for rental car companies by auto manufacturers and competitive activity in the trade.]

FUEL COSTS, SHIPPING RATES

Matson annually consumes about 2.2 million barrels of fuel in its various shipping services. By the fall of 1996, the average cost of a barrel of fuel had risen 32-percent above the year-earlier cost. As a result of this fuel cost escalation, Matson filed with the Surface Transportation Board a 1.1-percent fuel-related surcharge in its Hawaii service, effective June 16, 1996. On December 8, 1996, Matson increased that surcharge to 1.75-percent. At the same time, Matson instituted a 1.75-percent fuel surcharge in its rates to Guam.

On December 12, 1996, Matson filed with the Surface Transportation Board a 3.5-percent general rate increase that became effective on February 2, 1997, as scheduled. The increase was intended to help offset higher operating costs and to support ongoing investments in ships, container equipment, terminals and shoreside operations. Barring unforeseen circumstances, Matson has no plans to seek additional across-the-board increases during 1997. In the ten-year period ending in 1996, Honolulu's consumer price index rose 50 percent and the U.S. consumer price index rose 38 percent, while Matson's rates increased 32 percent.

[Photo caption: Aboard ship, the first officer stands watches at sea and also is responsible for the cargo. Chief mate of the S.S. Chief Gadao, Katherine A. Sweeney, uses hand-held radio equipment to convey cargo information to terminal managers and cargo superintendents at the Sand Island terminal in Honolulu.]

[Photo caption: Surrounded by straddle carriers, Gary J. Moniz, Manager, Facilities & Maintenance (right), and Leonard E. Picanco, Senior Supervisor, Facilities & Maintenance (left), examine a new suspension tube dust shield. The new suspension system is made of stacked rubber doughnuts, which is replacing a high-maintenance hydraulic system. Straddle carriers are highly productive and maneuverable machines that lift and transport ocean containers within the confines of marine terminals.]

1996 LONGSHORE CONTRACT

Following lengthy negotiations and a contentious ratification process, a new contract with the International Longshoremen's and Warehousemen's Union (ILWU) bargaining units on the West Coast was approved on October 3, 1996. In addition, contracts with ILWU units in Hawaii were negotiated and implemented in the fall of 1996.

Unfortunately, the West Coast contract has proven to be difficult to implement in several ports. During contract negotiations in the third quarter of 1996 and continuing in the fourth quarter of 1996 and the first quarter of 1997, after ratification, various forms of resistance to the terms of the contract caused costly disruptions to the operations of virtually all marine container terminals on the West Coast. Members of the employers' bargaining group, the Pacific Maritime Association and the ILWU continue discussions and other efforts to resolve the differences as this report goes to press.

ISSUES, PLANS TO ADDRESS THEM

Operating Costs, Uncertain Volume Growth: The Hawaii trade is highly competitive and, since 1991, fundamental economic factors have limited the growth in cargo demand. With competitive considerations prohibiting a reduction in westbound voyages and sailing frequency, the most promising way to increase operating margins is to reduce cargo handling and terminal costs. The challenge is to accomplish these cost reductions without affecting customer

service. Controlling costs and improving margins will be Matson's primary goal, and a significant challenge, in 1997.

Special Interest Groups and the Jones Act: In 1920, Congress passed the latest version of legislation, commonly known as the Jones Act, that governs how Matson, and other companies, serve the U.S. domestic shipping trades. The present law is one of many similar laws that, since 1789, have reserved for American citizens the exclusive right to offer shipping services between two ports within the U.S. Similar laws reserve airline service, telecommunications and public utility businesses for U.S. citizens.

During the 104th Congress, opponents of the Jones Act were unsuccessful in having hearings held to consider bills to change its provisions. Matson has been a major proponent of the broad-based Maritime Cabotage Task Force, a consortium of more than 400 entities opposed to changing the present law. Among other means, the Task Force uses its "web" page ("http://www.mctf.com") to continue to educate the public on the economic, national security, environmental and safety benefits of the Jones Act.

[Photo caption: The service may be highly automated, but we do sales the old fashioned way, by listening to our customers first hand. Manager, Sales, Pacific Northwest and 24-year Matson veteran, Ronald P. Barrett, discusses the timely movement of lumber products to Hawaii with Mike McEvoy, Hawaii Sales Agent, Matheus Lumber. Many construction materials are loaded to open, sturdy containers called flat racks. These units allow for ease of loading and discharge, and accommodate oversized cargo.]

OPERATING PROFIT OUTLOOK

In 1997, primarily due to continued low economic growth projected for the state of Hawaii, Matson expects Hawaii service freight volume to be approximately the same as that in 1996. The number of autos carried in that trade likely will be slightly lower than in 1996. Cargo volume and revenue in the Guam service likely will rise in 1997, both due to a full year of operation, versus eleven months in 1996, and to sustained economic growth on the island. Volume and revenue also are expected to continue to rise in the Pacific Coast service. The key to reasonable growth in Matson's operating profit and margins, however, is the amount of time needed to resolve successfully the present West Coast labor problems and, by so doing, to realize all of the synergies of the combined Matson services.

[Photo caption: W. Allen Doane, President and Chief Operating Officer, A&B-Hawaii, Inc. Mr. Doane was named Chief Executive Officer of ABHI, effective January 1, 1997.]

ABHI

Operations of the property development and management, and the food products segments of Alexander & Baldwin, Inc. (A&B) are conducted by A&B-Hawaii, Inc. (ABHI), a wholly owned subsidiary headquartered in Honolulu. ABHI's varied operations extend from the cultivation of sugar cane in the fertile Central Valley of Maui to the refining and distribution of refined sugar products throughout the western United States, and from the development of master-planned residential communities and industrial-commercial properties in Hawaii to the investment in and management of prime commercial, light-industrial and retail properties on the U.S. mainland.

ABHI is responsible for the stewardship of some of A&B's most valuable assets, its extensive land holdings in Hawaii. In all of its property-related activities, both in Hawaii and elsewhere, A&B strives to be a responsible steward of the land, employing its land holdings at their highest and best use, consistent with community needs.

The extent and nature of the Company's land holdings dictate that, for the foreseeable future, the highest and best use of the vast majority of its land is for agriculture and conservation. At the present time, ABHI cultivates sugar cane and coffee on about 40,000 acres of land. Because sugar cane currently is the best crop for a large percentage of the cultivatable land, A&B is committed to improving the efficiency and profitability of its sugar operations.

ABHI's subsidiary, California and Hawaiian Sugar Company, Inc. (C&H), is the largest producer of branded sugar in the U.S. C&H refines raw cane sugar in the San Francisco Bay Area, and distributes refined industrial and grocery sugar products throughout the western United States.

At year-end 1996, A&B owned approximately 93,160 acres of land, including 69,180 acres on Maui, 21,940 acres on Kauai, and 2,040 acres elsewhere. An additional 3,200 acres on Maui and Kauai were leased from others. Approximately 91,800 acres of land owned by A&B are planted in sugar cane and coffee or are employed in other agricultural, conservation or related uses. Currently, about 1,360 acres are fully zoned for urban use. Of the land now zoned for agriculture or non-urban use, about 2,800 acres are partially entitled and an estimated 9,700 acres have foreseeable urban-use potential.

	Hawaii				
(In acres)	Maui	Kauai	Total	Mainland	Total
Fully Entitled Urban	380	840	1,220	140	1,360
Agric./Pasture/Misc	52,900	8,100	61,000	1,900	62,900
Conservation	15,900	13,000	28,900	-	28,900
Total	69,180	21,940	91,120	2,040	93,160
Designated Urban	700	300	1,000	1,800	2,800

Urban Potential	6,200	3,500	9,700	-	9,700

PROPERTY DEVELOPMENT AND MANAGEMENT

SEGMENT DESCRIPTION

The property development and management activities of A&B are conducted by ABHI and its subsidiary, A&B Properties, Inc. The large amount of land that the Company owns and the location of that land provide A&B many opportunities to serve residential, commercial and industrial markets, especially on the islands of Maui and Kauai. Information of interest to shareholders about A&B's property developments may be seen on A&B Properties' Internet home page ("http://www.abprop.com").

The following directional statements guide the activities of A&B Properties:

- Initiate entitlements and related development activity on a market-paced basis;
- Sustain a consistent flow of subdivision sales by pursuing a wide spectrum of salable projects simultaneously;
- Provide new sources of recurring income and cash flow through leasing;
- Develop and maintain a geographically diversified portfolio of commercial, industrial and residential properties; and
- Redevelop existing properties in the Company's portfolio, when appropriate, to ensure they are maintained at their highest and best use.

OPERATING RESULTS

In 1996, property development and management operations provided six percent of A&B's revenue and 26 percent of its operating profit. For explanations of year-to-year changes in results, please refer to Management's Discussion and Analysis on page 27.

	1996	1995	1994
		(in thousands)	
Revenue:			
Leasing	$ 35,916	$ 34,073	$ 33,387
Sales	31,909	25,835	60,767
Total	$ 67,825	$ 59,908	$ 94,154
Operating Profit: *			
Leasing	$ 23,875	$ 23,063	$ 23,163
Sales	15,307	14,497	18,522
Total	$ 39,182	$ 37,560	$ 41,685

*Before interest expense, corporate expense and income taxes

1996 PROGRESS

Entitlements

Work to obtain entitlements for urban use in 1996 focused on: continued participation in the update of the County of Maui's community plans; approval of additional agricultural subdivisions on Maui, the 1,000-acre Kukui'ula residential development on Kauai and the proposed master-planned 1,800-acre residential community at Pilot Hill Ranch in California.

The Company continues to pursue a number of projects as part of the ten-year update of Maui's community plans. Community plans in Hawaii generally are the first step in the lengthy governmental land-approval process, creating a "blueprint" for planned development activity over the next decade. A&B is seeking various urban designations for portions of its undeveloped land within four community plan regions on Maui where most of the Company's land holdings are located. During 1996, the Makawao-Pukalani-Kula community plan was approved. Two additional plans, for Kihei-Makena and Wailuku-Kahului, may be approved in 1997.

During the year, approvals on Maui also were sought for three agricultural lot subdivisions. Construction plans have been submitted for Haiku Makai, a 28-lot project, and for Maunaolu, a 38-lot project.

On the island of Kauai, renewal of construction at the Company's Kukui'ula residential development continues to await improvement in the local real estate market. During the year, the Special Management Area permit for the project was confirmed and preliminary subdivision plans for the first phase were updated. A review of the development options was conducted and marketing initiatives were taken to attract potential partners for future development of the project.

Included in the County's new general plan was designation of "planned community" for Pilot Hill Ranch, a large parcel owned by A&B and located in El Dorado County, Calif., about 40 miles northeast of Sacramento. Subsequently, A&B submitted to the County a Specific Plan for the project, the equivalent of a zoning application. The general plan anticipates development of approximately 980 homes at Pilot Hill.

Development

The largest and most prominent development activity in 1996 was the completion of construction of both the on- and off-site improvements for phase 1A (42 acres) of Maui Business Park, a light industrial-commercial project located near Maui's primary airport and commercial harbor. Construction proceeded during 1996 on Maui Marketplace, the 295,000 square-foot retail center that anchors the project. The developer's plans call for Eagle Hardware to open in March 1997 and for the center's grand opening to be in May. Borders Books and Music, Office Max and Sports Authority are additional well-known tenants. Other purchasers and lessees of parcels at Maui Business Park also started construction of new facilities during the year.

Residential construction in 1996 included model and finished homes at Ku'au Bayview, a 21-acre, 92-lot residential project located at Pa'ia on Maui's rural North Shore. Site work also was substantially completed at Kauhikoa East, a 24-acre, nine-lot agricultural subdivision adjacent to a similar, but larger, project nearby called Haiku Mauka, which sold out in early January 1997.

[Photo caption: Working with the buyers sells homes. Christine H. Camp, a Project Manager with A&B Properties, can be analyzing real estate investment plans one day, inspecting the job site the next, and greeting buyers the next. A&B project managers are responsible for the ultimate success of assigned projects, no matter what task needs doing.]

Sales Activity

Sales of Improved Industrial-Commercial Lots

At Maui Business Park, four lots were sold and three leased during 1996. The purchases included sites for the first combination McDonald's/Chevron facility in the State, a mortuary and a parcel delivery facility. Selling prices averaged $30 per square foot, or $1.3 million per acre. The leases were for a public storage facility. Through year-end 1996, a total of 13 lots have been sold or leased in the project, including two additional lots for Maui Marketplace. This represents 68 percent of its salable acreage. The opening of Maui Marketplace in May is expected to stimulate increased interest in the remainder of phase 1A and in subsequent phases of the project as well. In all, Maui Business Park ultimately is planned to comprise about 240 acres.

Project	Total Units	Available In 1996	Sold/Leased In 1996	Available In 1997
Maui Business Park (Phase IA)	32	28	4/3	21

In 1996, A&B sold to Hawaii-based buyers two developed Maui sites with long-term ground leases. The larger transaction was about seven acres, with a highly successful Kmart store, for about $9.5 million. The other sale was a 1.5-acre commercial site for about $2.8 million. In both cases, the proceeds have been, or are planned to be, reinvested in other income-producing properties.

The Stangenwald Building, a six-story historic office building located in downtown Honolulu, close to A&B's headquarters, was acquired as a replacement property. The 28,000 square-foot property was purchased for about $2.8 million. The Kmart sale proceeds will be used to acquire other replacement properties in Hawaii and on the U.S. mainland.

[Photo caption: Part of A&B's leased property portfolio, the 28,000 square-foot Apex Building in Kahului, Maui, added new tenants during 1996. With its year-end 1996 occupancy level at 75 percent, the Apex Building continues to attract tenants with connections to the visitor industry and active outdoor sports, a growing niche market.]

[Photo caption: The new, 295,000 square-foot Maui Marketplace brings new retailers to the island and anchors A&B's Maui Business Park. It also illustrates the responsibilities that A&B entrusts to employees. Paul W. Hallin, a Project Manager with A&B Properties (left), confers with Kirsten Petersen of Kiewit Pacific Co., A&B Properties colleague, Talbot K. Shibley, Construction Project Manager, and Mike Ishikawa of Sato & Associates, regarding construction progress.]

Residential Sales

In April 1996, sales began with the opening of two model homes at Ku'au Bayview. Strong response to the first, 35-home phase has led to release for sales of the second phase. Prices for the 30 units sold during 1996 averaged $229,000 for the 1,008 to 1,639 square-foot homes.

Project	Total Salable Units	Available In 1996	Sold In 1996	Available In 1997
Ku'au Bayview	92	92	30	62
Kahului Ikena	102	81	31	50
Haiku Mauka	39	10	9	1
Eleele Nani II	146	6	2	4

Marketing and sales of other residential projects continued in 1996. On Maui, there were 31 sales at Kahului Ikena, a 102-unit condominium development in central Kahului. In response to the sluggish real estate market, various buyer-incentive programs were initiated, including a successful lease-to-own package. Sales during 1996 averaged $134,000 per unit. Agricultural lot sales continued at Haiku Mauka, a 39-lot development. Sales in 1996 averaged $155,000 for each of the roughly two-acre lots. The last lot closed in January 1997. Nearby, site construction is nearly complete on a nine-lot, similar development called Kauhikoa East.

[Photo caption: Hands-on, literally. When the task involves every inch of the

"territory," there is no better way to be in charge than to see things first-hand. Leigh K. Fukutomi, Superintendent, Irrigation - Pa'ia, for HC&S, is responsible for water flow to a large portion of HC&S' 36,000-acre thirsty sugar crop.]

Leased Property Portfolio

Hawaii Portfolio

The Hawaii leased-property portfolio consists of about 670,000 square feet of improved leasable space, and ground leases for about 270 acres for commercial use and about 5,000 acres for agricultural uses. Hawaii's economic circumstances and changes in retailing due to the entry of large discounters made rates very competitive in 1996. Occupancy of the Company's improved properties in Hawaii averaged 86 percent over the course of the year.

The newest building in this portfolio, 28,000 square-foot Apex Building in Kahului, has become identified successfully with high-quality recreational retailing, its target market niche. About 75-percent occupied at year-end 1996, its tenants include windsurfing, cycling and sailing shops, as well as a tour operator serving overseas visitors. Several sites nearby, on a total of about seven acres, are available in 1997 for ground leases or build-to-suit development.

On Kauai, A&B Properties took on management of 1,200 acres formerly used for sugar cultivation. Of these, a total of 700 acres were leased to others for seed corn, papaya and other diversified crops. Another 227 acres have been developed as an agricultural park. Most of the remaining land will be utilized for pasture.

Mainland Portfolio

With relatively strong economic activity in many Western states, A&B's 2.17 million square-foot Mainland leased-property portfolio enjoyed high and very stable occupancy levels, averaging 97 percent over the year.

During 1996, new leases were negotiated for the 246,000 square-foot office-manufacturing site in Cupertino, Calif. formerly known as the DEC Building. During 1996, Hewlett-Packard Co. occupied two of the site's three buildings under a sublease and has agreed to a new three-year lease starting in August of this year. A third building will continue to be leased by Digital Equipment Corp.

ISSUES, PLANS TO ADDRESS THEM

- Hawaii Real Estate Demand: Although forecasts call for the State's economy to strengthen modestly, real estate markets in the State remain depressed. Downward pressure continues on lease rates. The introduction of value retailing benefits A&B through sales and new lease income, but the new competitors also jeopardize the future of many existing retailers who also, in many cases, are A&B tenants. The Company's substantial land inventory provides some flexibility to be responsive as opportunities develop, but the present market circumstances call for great care and selectivity.

- Kauai Economy, Kukui'ula Development: With a small population, estimated at about 50,000, and a historic dependence on agriculture and tourism, Kauai still is struggling to restore growth to its economy following the 1992 hurricane. A&B will continue to defer further investment in its Kukui'ula project until prospects for housing and commercial demand improve. During 1997, the County may begin to update the Kauai general plan. This process could be sensitive, due to the present economic concerns.

OPERATING PROFIT OUTLOOK

Property leasing revenue and operating profit are expected to be slightly higher in 1997 than in 1996. The leased property portfolio is expected to improve its results, due to full-year higher occupancy rates for existing properties and selectively higher rents.

Property sales are difficult to forecast, in part because they often are opportunistic. For properties where the Company has formulated 1997 marketing and sales plans, the projected revenue and operating profit likely will be somewhat lower than that realized in 1996. Opportunistic sales, although not included in this outlook, will be pursued.

The value added to the property portfolio by entitlements is not measured in the financial statements. The lengthy and complex process of gaining entitlements will continue in 1997 through participation in community plans and via site-specific applications in Hawaii and on the Mainland.

[Photo caption: Thanks to the richness and quantity of its land, A&B is committed to sugar growing in Hawaii. In fact, the HC&S plantation has added 740 acres of new sugar plantings in the past 3 years. Evangeline E. Casem helps survey a former pineapple field, now leased by A&B for sugar cultivation, layout of drip irrigation hardware and cane plantings.]

[Photo caption: One of the "unsung" jobs in sugar is also one of the most important. Harvesting and cutting of "seed cane" provides the planting stock for about 18,000 acres planted each year. With the proper care and scheduling, seed cane production is balanced with planting needs. Here, Glenn M. Wilbourn, General Superintendent, Land Preparation and Seed Operations (center), reviews a seed cutter machine's maintenance record with Wilfred M. Vasquez, Mechanic Journey Worker, and Danidean K. Poouahi, Maintenance Mechanic-Learner.]

FOOD PRODUCTS

SEGMENT DESCRIPTION

ABHI's food products segment includes the sugar production operations of Hawaiian Commercial & Sugar Company (HC&S) on Maui, the coffee production and marketing activities of Island Coffee Company, Inc. (Island Coffee) on Kauai, as well as the sugar refining and marketing operations of California and Hawaiian Sugar Company, Inc. (C&H). ABHI is the largest sugar producer in Hawaii, growing about 51 percent of the State's total crop in 1996. HC&S produces raw sugar, molasses and salable electric power. Salable hydro power also is produced by an ABHI subsidiary on Kauai. Island Coffee produces and markets green coffee for sale in the U.S. and internationally, and roasted and packaged Kauai Coffee for sale in Hawaii. Island Coffee is the largest coffee grower in the U.S. C&H is the only sugarcane refiner in the western United States, supplying to consumer and industrial markets about seven percent of the refined sugar produced in the country.

On September 13, 1996, sugar production operations ended, in accordance with the previously announced schedule, at McBryde Sugar Company, Limited on Kauai. In spite of major efforts over the years, the plantation consistently was unprofitable, primarily due to its small size and low sugar yields.

A&B remains committed, however, to healthy and efficient agricultural operations in Hawaii as the best way of utilizing large tracts of the Company's lands. The Company's three-part strategy regarding food products operations is:

- While taking initiatives to reduce operating costs and increase efficiency, provide for long-term operating success at C&H through investments in the refinery and the C&H brand, pursue mutually-beneficial opportunities to form alliances with other companies in the food products industry and support a balanced federal farm program as it pertains to sugar;

- Increase production, increase yields and lower costs at HC&S; and

- Produce and market a Kauai coffee at Island Coffee.

OPERATING RESULTS

In 1996, food products operations provided 41 percent of A&B's revenue and 18 percent of its operating profit. For explanations of year-to-year changes in results, please refer to Management's Discussion and Analysis on page 27.

	1996	1995	1994
		(in thousands)	
Revenue	$ 499,667	$ 363,944	$ 441,209
Operating Profit/(Loss):*			
Before plantation closure	$ 22,239	$ (19,697)	$ (418)
Plantation closure	4,624	(8,100)	-
Total	$ 26,863	$ (27,797)	$ (418)

*Before interest expense, corporate expense and income taxes

[Photo caption: David G. Koncelik, President and Chief Executive Officer, California and Hawaiian Sugar Company, Inc.]

1996 PROGRESS

C&H

The fundamentals of C&H's sugar refining business changed dramatically between 1995 and 1996. The new legislation governing agriculture -- the Federal Agriculture Improvement and Reform Act -- did not correct the problems the old legislation created for the cane sugar industry. The new legislation did, however, reduce the uncertainty and price volatility that had made the previous year so difficult for all U.S. cane sugar refiners.

On the demand side, U.S. consumers continue to use more sweeteners. Although the growth rate is low, normally between one and three percent annually, the absolute amount of the increase is quite large, from 100,000 to 300,000 tons. In 1996, increased consumption and a reduced supply of beet sugar increased market opportunities for cane sugar refiners. Increased demand for refined cane sugar products led, in turn, to significantly higher sales volume and moderate strengthening of both industrial and retail prices.

The magnitude of C&H's year-to-year increase in total sales volume, some 37 percent, was even greater than for the industry as a whole, because C&H's 1995 sales had been reduced significantly by a six-week strike. Demand was greater for both industrial and commercial sugar products. Normally, industrial and commercial sugar product sales each make up about half of C&H's sales volume.

C&H's raw (unrefined) sugar costs, which are based predominantly on the No. 14 (New York spot) price for domestic sugar, remained relatively high during 1996. These prices are affected by the new federal legislation, and fluctuate continually in response to the way that the U.S. Department of Agriculture administers the raw sugar import quota.

With relatively high fixed costs, higher sales and higher production are very important to C&H. Total refinery output during 1996 was the highest it had been since 1985.

C&H's profitability also benefited from a restructuring of the refinery at year-end 1995. At that time, the refinery work force, bargaining and non-bargaining employees alike, was reduced to three-quarters of its previous size.

Refinery operating costs also benefited from the May 1996 start up of

operations of a 240-megawatt cogeneration plant, built by a third party, adjacent to C&H's Crockett, Calif. refinery. Using natural gas to produce steam and electricity, the plant supplies process steam and electric power to the C&H refinery, substantially reducing its energy costs. In addition, because of this new energy supply, C&H was able to close down its own, far older, power plant and avoid significant capital investments needed to fulfill current required emissions and other standards.

At the end of 1996, a small, special-purpose refinery, located on leased land in Aiea on Oahu, Hawaii, was shut down. A pretax charge of $2.3 million was provided against 1996 earnings. Built to supply liquid sugar to beverage and food producers in Hawaii, closure of Oahu sugar plantations made continued operation of this plant impractical. Much of the operating equipment will be moved to Crockett, where it will continue to be utilized to make liquid sugar products.

[Photo caption: At C&H, Jon A. Wolthuis, Vice President - Refinery Operations, does a big job. Along with Nazeer E. Doomun, Operations Manager, he looks over the facilities of the Crockett sugar refinery, with a capacity exceeding 700,000 tons per year. With responsibility for attaining that production level -- on time and within budget -- and managing the skills of more than nearly 500 employees, every moment is active.]

Agribusiness

Sugar - With the cessation of sugar cultivation on Kauai, HC&S, on Maui, is the focus of A&B's sugar cultivation. The largest sugar producer in Hawaii, HC&S made progress during 1996 in implementing steps to improve its sugar yields and add to the amount of acreage under cultivation. These steps will continue in 1997 and beyond. Greater production benefits HC&S, due to the high fixed cost component of plantation operations. C&H also benefits from greater HC&S production, due to the high quality and lower delivered cost of Hawaii-produced sugar, versus other sources of supply.

Labor negotiations are under way at HC&S with the sugar production and clerical units of the International Longshoremen's and Warehousemen's Union. In recent years, these contracts have been renewed for short periods due to the uncertainty over farm legislation. The Company expects that new contracts will be negotiated in the normal course of business.

Coffee - Total green coffee produced during the 1996 harvest by Island Coffee, approximately 2.4 million pounds, was about 37-percent higher than that of 1995. Sales and marketing efforts were increased in 1996. Along with the task of selling the product, these efforts are aimed at strengthening awareness in the marketplace of estate-grown Hawaii coffee as a specialty product, meriting premium pricing. In 1997, quality of production and international marketing initiatives also will be emphasized.

Power - Total power sales to the local electric utilities on Maui and Kauai, respectively, were 108,000 megawatt hours, versus 118,000 in 1995. Unusually low rainfall on Maui during the year necessitated greater use of power for irrigation pumping and lessened the amount of power available for sale on that island.

Agribusiness operating statistics for the past three years were:

	1996	1995	1994
Raw sugar produced (tons)	221,000	222,000	223,000
Molasses produced (tons)	74,000	73,000	67,000
Electricity sold (megawatt hours)	108,000	118,000	122,000
Green coffee produced (pounds)	2,430,000	1,770,000	1,365,000
Cultivated acreage			
Sugar	40,400	40,400	43,000
Coffee	4,000	4,000	4,000

[Photo caption: C&H-brand sugar products are known and familiar to U.S. consumers, especially those in California and many areas west of Chicago. The grocery shelf is the place most people see these products in this packaging, but C&H sugar is a prominent ingredient in hundreds of other food products sold in those stores as well. To meet the stringent needs of industrial sugar buyers, C&H sells more than 50 different kinds of sugar.]

ISSUES, PLANS TO ADDRESS THEM

. National Sugar Policy, Practices - A primary goal of U.S. sugar policy is to insulate U.S. consumers and producers from the price volatility of the world market. Other goals include: to establish and maintain market prices that allow efficient domestic producers to survive and to ensure ample supplies of reasonably priced sugar products to U.S. consumers, all at no cost to the taxpayer. About half of the sugar consumed in the U.S. is domestically grown beet sugar. The other half is cane sugar, some of which is domestically grown and the rest imported. The principal means of influencing sugar prices is by varying the amount of raw cane sugar imported into the U.S. This mechanism, however, has lost most of its influence on final product pricing because the production of domestic beet sugar in the U.S. has risen, and varied dramatically, in recent years. Restricted quotas and, therefore, tight supplies of raw cane sugar raise the cost of production for cane refiners, even when sugar beets and refined beet sugar products are in oversupply. As a result, sugarcane refiners across the country have been unprofitable in some periods, with 1995 a prominent near-term example.

In 1996, raw sugar prices remained artificially high but were considerably more stable than in 1995. Cane refiners continue to face the risk that the availability and price of a large part of the supply of their primary raw material, raw cane sugar, is subject to government control. C&H, along with

the other members of the U.S. Cane Refiners Association and members of the Sweetener Users Association, is continuing to make the U.S. Department of Agriculture aware of the industry's need for a reliable supply of imported raw cane sugar at reasonable prices and the need for further program reforms.

- HC&S Production, Costs - In a commodity business, like raw sugar production, it is of paramount importance to achieve and maintain a competitive cost structure. HC&S has established ambitious, but achievable, goals with regard to lowering its costs. For the most part, these goals can be met if production increases and costs are tightly controlled. Initiatives include adoption of new cane varieties, careful monitoring and use of soil nutrients, optimization of water application and selective expansion of acreage.

- Successful Coffee Marketing of Kauai - The best way to overcome the relatively high cost of producing coffee in Hawaii is to attain and maintain high quality production that supports premium pricing, compared with commodity grade coffees. The objective is to gain market acceptance for Kauai coffee as a high-value, premium product. As a new speciality coffee in a growing, but highly competitive market, this task presents some formidable challenges, and may take some time to achieve.

OPERATING PROFIT OUTLOOK

The financial results of the food products segment enjoyed a dramatic recovery between 1995 and 1996. Although considerable uncertainty remains over sugar prices and the supply of competitive sweeteners, the prospects appear good for a modest increase in segment revenue and for operating profit that maintains the level attained in 1996. This segment does, however, generally have a higher level of earnings variability than do A&B's other units.

GENERAL INFORMATION

BOARD OF DIRECTORS

Members of the current Board of Directors, including one advisory director, beneficially own approximately seven percent of A&B shares.

At the Annual Meeting of Shareholders on April 25, 1996, shareholders elected a total of 10 directors, all of whom were nominated by the Board. Re-elected were Michael J. Chun, John C. Couch, Leo E. Denlea, Jr., Walter A. Dods, Jr., Charles G. King, Carson R. McKissick, C. Bradley Mulholland, Robert G. Reed III, Maryanna G. Shaw and Charles M. Stockholm. Alexander C. Waterhouse serves as an advisory director at the pleasure of the Board. R. J. Pfeiffer, Chairman of the Board from 1980 to 1995 and a director from 1978 to 1995, continues to hold the honorary position of Chairman Emeritus.

MANAGEMENT, ORGANIZATION

W. Allen Doane, president and chief operating officer of ABHI, was appointed chief executive officer of ABHI, effective January 1, 1997.

Glenn R. Rogers, vice president, chief financial officer and treasurer of A&B, was appointed a senior vice president, chief financial officer and treasurer of ABHI, effective January 25, 1996.

Judith A. Williams, vice president of ABHI, was appointed a vice president of A&B, effective August 22, 1996.

Thomas A. Wellman, controller of ABHI, was appointed a vice president of ABHI and controller of A&B, effective January 25, 1996.

John F. Gasher, director, human resources development for A&B, was appointed a vice president of ABHI, effective January 1, 1997.

Richard F. Cameron, senior vice president of ABHI, retired, effective December 31, 1996.

COMMON STOCK

A&B common shares trade under the symbol ALEX on The NASDAQ Stock MarketSM. A summary of daily stock transactions is listed in the NASDAQ National Market Issues section of major newspapers. Trading volume averaged 67,425 shares a day in 1996, compared with 86,022 shares a day in 1995 and 85,594 in 1994. Currently, 14 firms make a market in ALEX.

High and low sales prices per share, by quarter, for 1996 and 1995 were:

Quarter	1996	1995
First.................	$24-1/4 -- 22-1/2	$24-1/4 -- 20-1/2
Second................	29-1/4 -- 23-3/4	25-1/2 -- 21-3/4
Third.................	26-1/4 -- 23-1/4	25-1/2 -- 22-1/4
Fourth................	28-1/2 -- 23	24-1/4 -- 22-1/2

DIVIDENDS

A&B strives to pay the highest possible dividends commensurate with operating and capital needs. The Company has paid cash dividends in every quarter since 1903. The quarterly dividend rate last was increased in the second quarter of 1990, from 20 cents a share to 22 cents. In 1996, total dividend payments to shareholders were $39.9 million, 61 percent of reported earnings for the year.

The following dividend schedule for 1997 has been set, subject to final approval by the A&B Board of Directors:

Quarterly Dividend Declaration Date Record Date Payment Date

First............	January 23	February 14	March 6
Second...........	April 24	May 8	June 5
Third............	June 26	August 7	September 4
Fourth...........	October 23	November 6	December 4

CREDIT RATINGS

As discussed in Note 7 to the financial statements, Matson had outstanding commercial paper notes at December 31, 1996 of $149.6 million. The Matson notes are rated A-1/P-1/D-1 by Standard & Poor's, Moody's, and Duff & Phelps, respectively. Standard & Poor's rates Matson's senior debt as A-.

C&H had outstanding commercial paper notes of $76 million at December 31, 1996. The C&H notes are rated A-2/P-2 by Standard & Poor's and Moody's, respectively.

QUARTERLY RESULTS (UNAUDITED)

Segment results by quarter for 1996 and 1995 are listed below (in thousands, except per share amounts).

	1996				1995			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Revenue:								
Ocean Transportation	$167,462	$168,701	$173,201	$152,222	$148,595	$150,507	$149,663	$145,042
Property Development & Management								
Leasing	9,025	8,918	9,085	8,888	8,805	8,746	8,441	8,081
Sales	9,324	15,299	5,125	2,161	16,437	2,403	2,874	4,121
Food Products	145,201	139,518	119,908	95,040	83,613	83,946	108,588	87,797
Other	759	1,393	673	665	730	684	701	681
Total Revenue	$331,771	$333,829	$307,992	$258,976	$258,180	$246,286	$270,267	$245,722
Operating Profit:								
Ocean Transportation	$ 16,711	$ 20,646	$ 26,648	$ 17,613	$ 23,220	$ 26,592	$ 20,855	$ 17,102
Property Development & Management								
Leasing	5,658	6,032	6,243	5,942	5,827	6,033	5,729	5,474
Sales	3,407	8,673	2,995	232	10,949	328	1,524	1,696
Food Products	13,207	11,848	2,696	(888)	(8,217)	(4,350)	(11,388)	(3,842)
Other	623	1,356	628	613	684	640	656	613
Total Operating Profit	39,606	48,555	39,210	23,512	32,463	29,243	17,376	21,043
Interest Expense	8,426	8,469	8,376	8,810	8,753	9,513	7,711	7,452
General Corporate Expense	3,563	2,970	2,858	3,378	2,690	3,462	4,224	4,366
Income Before Income Taxes	27,617	37,116	27,976	11,324	21,020	16,268	5,441	9,225
Income Taxes	10,418	13,991	10,206	4,133	8,440	5,923	1,901	3,271
Income from Continuing Operations	17,199	23,125	17,770	7,191	12,580	10,345	3,540	5,954
Income from MLC operations	--	--	--	--	--	--	2,730	2,606
Gain on sale of MLC	--	--	--	--	794	--	17,206	--
Net Income	$ 17,199	$ 23,125	$ 17,770	$ 7,191	$ 13,374	$ 10,345	$ 23,476	$ 8,560
Earnings Per Share	$0.38	$0.51	$0.39	$0.16	$0.30	$0.23	$0.51	$0.19

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALEXANDER & BALDWIN, INC.:

We have audited the accompanying balance sheets of Alexander & Baldwin, Inc.

and its subsidiaries as of December 31, 1996 and 1995, and the related statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996 (pages 26 and 30 to 41). 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 generally accepted auditing standards. Those standards require that we plan and perform the audits 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 financial statements present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Honolulu, Hawaii
January 23, 1997
(except for Note 13, as to which the date is February 13, 1997)

Eleven-Year Summary of Selected Financial Data
(Dollars and shares in thousands, except per-share amounts)
Alexander & Baldwin Inc. and Subsidiaries

	1996	1995	1994	1993	1992	1991
Annual Operations:						
Net sales and other operating revenue	$1,232,568	$1,020,455	$1,144,033	$ 923,804	$ 703,948	$ 715,984
Deduct:						
Cost of goods sold and operating expenses	1,094,454	935,072	1,019,700	794,880	583,593	565,105
Interest expense	34,081	33,429	27,702	28,802	23,881	24,575
Hurricane loss	-	-	-	-	24,803	-
Income taxes	38,748	19,535	32,652	41,386	19,044	42,359
Income from continuing operations	65,285	32,419	63,979	58,736	52,627	83,945
Income (loss) from discontinued operations	-	23,336	10,629	8,253	7,878	4,861
Cumulative effect of change in accounting principle	-	-	-	-	(41,551)	-
Net income	$ 65,285	$ 55,755	$ 74,608	$ 66,989	$ 18,954	$ 88,806
Earnings per share:						
Income from continuing operations	$1.44	$0.72	$1.39	$1.27	$1.14	$1.82
Income (loss) from discontinued operations	-	0.51	0.23	0.18	0.17	0.10
Cumulative effect of change in accounting principle	-	-	-	-	(0.90)	-
Net income	$1.44	$1.23	$1.62	$1.45	$0.41	$1.92
Return on beginning equity	10.0%	8.8%	12.7%	12.0%	3.3%	16.7%
Cash dividends per share	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88
Average number of shares outstanding	45,303	45,492	46,059	46,338	46,294	46,213
Gross profit percentage	20.0%	20.2%	21.2%	24.9%	29.1%	31.9%
Effective income tax rate	37.3%	37.6%	33.8%	41.3%	26.6%	33.5%
Market price range per share:						
High	$ 29.250	$ 25.500	$ 28.250	$ 28.000	$ 30.500	$ 29.500
Low	22.500	20.500	21.250	22.500	21.500	21.000
Close	25.000	23.000	22.250	26.750	24.750	28.250
At Year End:						
Shareholders of record	5,881	6,357	6,729	7,056	7,507	7,749
Shares outstanding	45,339	45,280	45,691	46,404	46,333	46,229
Shareholders' equity	$ 684,328	$ 649,678	$ 632,614	$ 587,006	$ 559,099	$ 578,669
Per share	15.09	14.35	13.85	12.65	12.07	12.52
Total assets	1,800,622	1,801,237	1,925,775	1,904,742	1,676,635	1,547,648
Working capital	101,431	84,399	58,392	64,884	40,013	23,195
Cash and cash equivalents	23,824	32,150	8,987	32,295	20,827	18,675
Property-net	1,063,056	973,514	975,672	1,032,983	888,621	882,513
Real estate developments-noncurrent	70,144	56,104	66,371	54,919	50,977	36,362
Long-term debt-noncurrent	345,618	380,389	519,605	576,390	549,960	452,279
Capital lease obligations-noncurrent	12,039	24,186	35,274	44,495	59,816	69,717
Current ratio	1.4 to 1	1.4 to 1	1.3 to 1	1.3 to 1	1.4 to 1	1.2 to 1
Capital stock price/earnings ratio at December 31	17.4 to 1	18.7 to 1	13.7 to 1	18.5 to 1	60.4 to 1	14.7 to 1

All share and per-share amounts reflect the stock splits of 2-for-1 in 1988 and 3-for-2 in 1986.

Eleven-Year Summary of Selected Financial Data, Continued
(Dollars and shares in thousands, except per-share amounts)
Alexander & Baldwin Inc. and Subsidiaries

	1990	1989	1988	1987	1986
Annual Operations:					
Net sales and other operating revenue	$ 747,550	$ 845,936	$ 701,908	$ 655,276	$ 536,668
Deduct:					
Cost of goods sold and operating expenses	552,236	512,499	495,234	470,928	409,563
Interest expense	29,602	26,965	27,406	21,104	16,042
Hurricane loss	-	-	-	-	-
Income taxes	58,820	107,461	61,535	62,167	575
Income from continuing operations	106,892	199,011	117,733	101,077	110,488
Income (loss) from discontinued operations	1,075	(310)	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income	$ 107,967	$ 198,701	$ 117,733	$ 101,077	$ 110,488

Earnings per share:					
Income from continuing operations	$2.32	$4.30	$2.35	$1.93	$1.97
Income (loss) from discontinued operations	0.02	(0.01)	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income	$2.34	$4.29	$2.35	$1.93	$1.97
Return on beginning equity	23.5%	45.2%	31.7%	21.4%	27.9%
Cash dividends per share	$ 0.86	$ 0.80	$ 0.77	$ 0.68	$ 0.66
Average number of shares outstanding	46,133	46,326	50,079	52,444	55,990
Gross profit percentage	36.0%	48.5%	38.8%	37.2%	35.2%
Effective income tax rate	35.5%	35.1%	34.3%	38.1%	0.5%
Market price range per share:					
High	$ 38.000	$ 39.500	$ 36.750	$ 32.000	$ 24.500
Low	19.000	31.250	20.875	16.000	14.000
Close	22.250	37.500	31.500	21.625	22.500
At Year End:					
Shareholders of record	7,860	7,650	7,201	6,859	6,749
Shares outstanding	46,201	46,096	50,099	50,347	56,095
Shareholders' equity	$ 530,298	$ 459,712	$ 439,729	$ 371,007	$ 473,283
Per share	11.48	9.97	8.78	7.37	8.44
Total assets	1,364,165	1,141,671	1,070,483	981,737	934,032
Working capital	55,340	33,906	35,974	42,262	67,533
Cash and cash equivalents	47,351	23,389	22,794	26,695	34,507
Property-net	799,942	691,194	548,066	520,124	489,076
Real estate developments-noncurrent	14,156	-	-	-	-
Long-term debt-noncurrent	315,851	196,954	174,715	172,014	94,512
Capital lease obligations-noncurrent	86,392	95,241	100,306	106,935	90,818
Current ratio	1.5 to 1	1.4 to 1	1.4 to 1	1.5 to 1	1.9 to 1
Capital stock price/earnings ratio at December 31	9.5 to 1	8.7 to 1	13.4 to 1	11.2 to 1	11.4 to 1

All share and per-share amounts reflect the stock splits of 2-for-1 in 1988 and 3-for-2 in 1986.

Industry Segment Information
(In thousands)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

	1996	1995	1994	1993	1992
Revenue:					
Ocean transportation	$ 661,586	$ 593,807	$ 604,754	$ 551,687	$ 537,669
Property development and management:					
Leasing	35,916	34,073	33,387	32,606	30,386
Sales	31,909	25,835	60,767	32,559	27,529
Food products	499,667	363,944	441,209	304,007	104,053
Other	3,490	2,796	3,916	2,945	4,311
Total revenue	$1,232,568	$1,020,455	$1,144,033	$ 923,804	$ 703,948
Operating Profit:					
Ocean transportation	$ 81,618	$ 87,769	$ 97,319	$ 91,194	$ 97,195
Property development and management:					
Leasing	23,875	23,063	23,163	22,975	21,357
Sales	15,307	14,497	18,522	18,570	16,820
Food products	26,863	(27,797)	(418)	12,692	(26,175)
Other	3,220	2,593	3,143	2,357	4,263
Total operating profit	150,883	100,125	141,729	147,788	113,460
Interest expense, net	(34,081)	(33,429)	(27,702)	(28,802)	(23,881)
General corporate expenses	(12,769)	(14,742)	(17,396)	(18,864)	(17,908)
Income from continuing operations before income taxes	$ 104,033	51,954	$ 96,631	$ 100,122	$ 71,671
Identifiable Assets:					
Ocean transportation	$1,005,741	$ 997,230	$ 853,933	$ 882,335	$ 958,669
Property development and management	312,829	297,927	271,073	268,581	258,653
Food products	391,493	413,675	399,717	418,724	135,071
Other	90,559	92,405	87,362	39,094	38,437
Assets of continuing operations	1,800,622	1,801,237	1,612,085	1,608,734	1,390,830
Discontinued operations - container leasing	-	-	313,690	296,008	285,805
Total assets	$1,800,622	$1,801,237	$1,925,775	$1,904,742	$1,676,635
Capital Expenditures:					
Ocean transportation	$ 171,110	$ 46,872	$ 29,676	$ 53,745	$ 64,333
Property development and management	4,141	8,613	14,376	34,772	30,013
Food products	12,058	13,650	18,665	26,637	8,589
Depreciation and Amortization:					
Ocean transportation	$ 62,055	$ 57,619	$ 55,663	$ 55,738	$ 52,829
Property development and management	6,214	5,561	5,246	4,860	4,523
Food products	20,144	20,390	21,340	15,974	10,665

MANAGEMENT'S DISCUSSION AND ANALYSIS
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

CONSOLIDATED EARNINGS AND REVENUE

Net income for 1996 was $65,285,000, or $1.44 per share. This was a 17-percent improvement compared with 1995 net income of $55,755,000, or $1.23 per share. 1996 results included a $2,900,000, or $0.06 per share, partial reversal of a 1995 charge for the phasing-out of the Company's unprofitable sugar-growing operations on the island of Kauai, which was substantially completed in 1996. Results for 1995 included an $18,000,000, or $0.40 per share, gain from the sale of Matson Leasing Company, Inc.'s (Matson Leasing) net assets and $5,336,000, or $0.11 per share, from its partial-year operations. These factors were partially offset in 1995 by the charge of $5,050,000, or $0.11 per share, for phasing-out sugar growing at the Company's Kauai plantation and a $2,384,000, or $0.05 per share, write-down of a California and Hawaiian Sugar Company, Inc. (C&H) operating asset. Revenue for 1996 was $1,232,568,000 compared with $1,020,455,000 for 1995, reflecting increases in all of the Company's business segments.

1996 COMPARED WITH 1995

OCEAN TRANSPORTATION revenue increased 11 percent, reflecting primarily the start-up of the Guam service, but operating profit declined seven percent in 1996, compared with 1995. Operating and overhead costs increased in 1996, due primarily to the implementation of the Guam service and to disruptive labor actions during the third and fourth quarters related to the West Coast longshore contract. Operating profit also was affected adversely by higher fuel prices and higher fuel consumption. Together, these factors have obscured the potential synergies of the newly combined shipping services and other cost reduction initiatives, such as the consolidation of customer service operations. During 1996, charter hire revenue of $6,609,000 was received, compared with $4,330,000 for 1995. This increase, however, was more than offset by a reduction in interest income of $6,290,000 for 1996 compared with 1995.

Hawaii's slow economic growth and increased competition have resulted in reduced cargo volumes for the Hawaii service. The mid-1995 introduction, by a competitor, of a Hawaii to Los Angeles service also contributed to cargo declines. Compared with 1995, total Hawaii container volume was down three percent and total automobile volume was down 22 percent in 1996.

The Guam service, which began in February 1996, made a solid contribution to Matson's revenue in its start-up phase. There was relatively strong demand for ocean shipping arising from Guam's tourism and construction industries. Also, increased westbound bookings by Matson's alliance partner, APL Limited, of cargo destined for the Far East has helped the Company diversify its economic risk in this new trade. Demand in the Pacific Coast service continued to grow in 1996, which resulted in a positive contribution to overhead. In July, the Columbus Line and Blue Star Line consortium reconfigured its service from Australia and New Zealand to cease multiple port calls on the Pacific Coast and, instead, began to utilize the Company's Pacific Coast service.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue rose five percent and operating profit rose four percent compared with 1995. These increases were due to full-year contributions from properties added to the leased portfolio in the second half of 1995. Occupancy levels for the Company's Mainland leased real estate portfolio averaged 97 percent, the same rate as for 1995. Occupancy levels for the Company's Hawaii leased real estate portfolio averaged 86 percent, versus 90 percent in the previous year, reflecting the continued weak real estate market in Hawaii and the impact of large discount retailers. Both of these factors have limited the absorption of new and vacant space.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of $31,909,000 for 1996 was 24-percent higher than in 1995; however, operating profit increased only six percent for 1996 compared with 1995. Significant sales in 1996 included two leased parcels, a 66-acre unimproved parcel to a Maui utility, four lots in the Company's Maui Business Park and 73 residential properties. Sales in 1995 included a 5.5-0acre parcel at Maui Business Park, three individual lots in Maui Business Park, eight developed industrial lots, a 38-acre agricultural-subdivision parcel and 47 residential properties. Three of the 1996 sales were completed on a tax-deferred basis. No tax-deferred sales were completed in 1995.

The mix of property sales in any year can be diverse. Sales can include property sold under threat of condemnation, developed residential real estate, commercial properties, developable subdivision lots and undeveloped land. The sale of undeveloped land and subdivision lots generally provides a greater contribution margin than does the sale of developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land, which averages approximately $150 per acre. Consequently, property sales revenue trends and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability for this segment.

FOOD PRODUCTS revenue of $499,667,000 for 1996 was 37-percent greater than the prior year's revenue of $363,944,000. Operating profit was $26,863,000 for 1996, compared with a loss of $27,797,000 for 1995. Operating profit for 1995 had been affected adversely by a refinery workers' strike, an $8,100,000 (pre-tax) reserve for the closure of sugar-growing operations on Kauai, a $3,800,000 (pre-tax) write-down of an operating asset, high raw sugar costs and low refined sugar prices.

For 1996, increased domestic sugar consumption and a better balance of sugar supply contributed to greater demand for cane sugar products and to higher refined sugar prices. An increase in the sugar import quota helped to

stabilize raw sugar costs at historically high levels, but below the Company's 1995 costs. Operating profit in 1996 included $4,600,000 (pre-tax) for the partial reversal of the $8,100,000 (pre-tax) charge recorded in 1995. This portion of the original reserve was not required for closing the Kauai sugar-growing operation, due to better-than-expected results from the final sugar cane harvest, better-than-expected pension gains and the disposition of assets. Adding to the improved 1996 results for the Company's sugar operations were lower costs resulting from the December 1995 restructuring of the Crockett, Calif. sugar refinery and the 1996 completion of a third-party-owned cogeneration plant which supplies process steam and electricity to that refinery. The Company's coffee growing and marketing operations had losses for both 1996 and 1995.

During 1996, the Company continued to address concerns about the recent decline in yields at its Maui sugar plantation. The decline, caused in part, by water and fertilizer deficiencies, is being addressed, but yield improvements have not yet been fully realized because the crop cycle spans two years from planting to harvest.

1995 COMPARED WITH 1994

OCEAN TRANSPORTATION revenue declined by two percent and operating profit declined by ten percent in 1995 compared with 1994. These declines were due primarily to decreases in Hawaii container volume and automobile carriage, due to weaknesses in certain sectors of Hawaii's economy, most notably construction and the sales of automobiles and durable goods. Also, the 1994 results benefited from a labor strike against a competitor and the 1995 results were adversely impacted when that competitor commenced, in mid-1995, a new eastbound service. Operating profit for 1995, however, benefited from higher shipping rates and increased interest income.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue and operating profit were approximately the same for 1995 and 1994. Occupancy rates for the Company's U.S. mainland properties averaged 97 percent for both years, but occupancy levels for Hawaii properties declined slightly from 92 percent in 1994 to 90 percent in 1995.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of $25,835,000 for 1995 was 57-percent lower than in 1994, but operating profit declined only 22 percent during the same period. This decline was due mainly to better margins for the sales of property in 1995 than in 1994. The 1995 sales were previously described. Sales in 1994 included a Mainland shopping center, five developed industrial lots, two undeveloped acres near Kahului harbor, Maui, and 40 residential properties.

FOOD PRODUCTS revenue decreased 18 percent in 1995 compared with 1994, due primarily to lower refined sugar sales resulting from a 1995 labor strike at C&H. The segment's operating loss for the year was $27,797,000, compared with a loss of $418,000 in 1994. The 1995 loss was due primarily to the C&H strike, the write-down of an operating asset, high raw sugar costs, depressed refined sugar prices, a 1995 charge for phasing-out the Company's sugar-growing operations on Kauai, and lower sugar yields at the Company's Maui sugar plantation.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal liquid resources, which consist of cash and cash equivalents, trade receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled $512,974,000 at December 31, 1996, an increase of $87,527,000 from December 31, 1995. Amounts available under lines of credit increased $74,000,000, due primarily to a new $50,000,000 shelf facility, of which $15,000,000 was drawn in 1996, and increased capacity under a $100,000,000 backup credit facility, due to lower commercial paper balances outstanding at year-end. Sugar and coffee inventories increased $10,255,000, due principally to the timing of raw sugar purchases. Accounts receivable increased $7,021,000, due principally to the initiation of Matson's new Guam service, partially offset by reductions in amounts advanced to Hawaii sugar growers. Cash and cash equivalents decreased by $8,326,000, due primarily to the timing of capital and operating expenditures.

Net cash provided by operations, before capital expenditures for real estate developments held for sale and discontinued operations (in 1995), were $149,801,000 and $150,550,000 for 1996 and 1995, respectively. Net operating cash flows were used principally for capital expenditures, payments of debt, deposits into the CCF and dividends. Withdrawals from the CCF were used to purchase additional vessels in December 1995 and January 1996. Cash flows for 1996 and 1995 benefited further from the sale of Matson Leasing's net assets, the proceeds of which were used principally to retire debt, to pay tax obligations and to fund capital needs.

In 1996, capital expenditures were $187,721,000, compared with $69,489,000 in 1995. Ocean transportation capital additions in 1996 of $171,110,000 were primarily for the acquisition of five container vessels, and container and chassis equipment. Property development and management capital additions in 1996 of $4,141,000 were for real-estate developments held for investment purposes and for improvements to leased properties. Food products capital additions in 1996 of $12,058,000 were primarily for sugar refinery modifications and for power generation equipment, harvesting, and factory equipment for the Company's sugar- and coffee-growing operations.

Capital expenditures approved, but not yet spent, were $46,688,000 at December 31, 1996. For 1997, internal cash flows are expected to be sufficient to finance working capital needs, dividends, capital expenditures and debt service. However, the Company maintains several borrowing facilities which could be utilized for operating, capital or other cash requirements.

OTHER

INSURANCE LITIGATION: Matson received a favorable cash settlement of approximately $33.7 million on February 13, 1997 for a contested insurance claim in connection with repairing port facilities damaged by a 1989 earthquake. This settlement will result in pre-tax income of approximately $21 million in the first quarter of 1997.

PROFIT IMPROVEMENT INITIATIVES: Contributing to 1996 results were the late-1995 staff reductions at the Company's headquarters and in its Hawaii-based businesses, the freezing of executive salaries for 1996, the elimination of Company-owned executive automobiles and the sale of the corporate airplane. The Company is continuing to seek ways to reduce costs and improve operating and administrative efficiencies.

LEGISLATION: In April 1996, the President of the United States signed the Federal Agricultural Improvement and Reform Act. Along with provisions affecting many crops for the next seven years, the new law made changes to the raw sugar price-support mechanisms. These changes included eliminating market allocation mechanisms, lowering the sugar price support level by providing for government recourse loans when imports of raw sugar are below a defined threshold and establishing a minimum level of raw sugar imports. In September 1996, the U.S. Secretary of Agriculture announced that, beginning in 1997, the minimum level of raw sugar imports would be administered under a revised formula. Under this new method, an initial import quota of 1,700,000 tons was established. This tonnage will increase or decrease by specified amounts, at scheduled intervals, based upon changes in sugar supply, demand and inventories. The U.S. Department of Agriculture will monitor this program and may, at its discretion, alter the sugar import quota. These changes resulted in a reduction of raw sugar costs during 1996 compared with 1995. Refined sugar prices, however, were not directly impacted by these changes.

TAX-DEFERRED EXCHANGES: In 1996, the Company sold two parcels of land on Maui for $12,325,000. The proceeds from these sales are reflected in the Statements of Cash Flows under the caption "Non-Cash Activities." Proceeds of $2,800,000 were reinvested in 1996 on a tax-deferred basis, and the remaining proceeds are expected to be reinvested in 1997 on a tax-deferred basis. Also, in 1996, the Company received $1,850,000 from a sale of land under threat of condemnation. These proceeds will be reinvested on a tax-deferred basis.

SHARE REPURCHASES: During 1996, the Company repurchased 50,000 shares of its common stock for $1,250,000. Since approval of a 2,000,000-share repurchase program in 1993, the Company has purchased a total of 1,283,934 shares for $30,546,000. In December 1996, the Board of Directors authorized the repurchase of up to 3,000,000 additional shares.

ENVIRONMENTAL MATTERS: As with most industrial and land-development companies of its size, the Company's operations have certain risks which 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. Management believes that appropriate liabilities have been accrued for environmental matters.

OUTLOOK: Information about the Company's outlook for 1997 and its plans to address issues affecting each primary business unit is included in the Letter to Shareholders on pages 3 through 7 and in the business unit discussions included on pages 8 through 20 of the Annual Report to Shareholders, which sections are incorporated herein by reference.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission (SEC) filings such as the Form 10-K, press releases made by the Company 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 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:
(1) economic conditions in Hawaii and elsewhere; (2) market demand;
(3) competitive factors and pricing pressures in the Company's primary markets;
(4) legislative and regulatory environment at the federal, state and local levels; (5) dependence on raw sugar suppliers and other third-party suppliers;
(6) fuel prices; and (7) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

Management has prepared and is responsible for the Company's consolidated financial statements and related notes. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates made by management. All financial information in this Annual Report is consistent with these financial statements.

The Company maintains internal accounting control systems, and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are properly executed and recorded in accordance with management's authorization, and that underlying accounting records may be relied upon for the accurate preparation of financial statements and other financial information. The design, monitoring and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Company's financial statements have been audited by independent auditors

who have expressed their opinion with respect to the fairness, in all material aspects, of the presentation of financial position, results of operations and cash flows under generally accepted accounting principles (see Independent Auditors' Report on page 23).

The Board of Directors, through its Audit Committee (composed of non-employee directors), oversees management's responsibilities in the preparation of the financial statements and nominates the independent auditors, subject to shareholder election. 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/ John C. Couch

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John C. Couch
Chairman of the Board, President
and Chief Executive Officer

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

Year Ended December 31,	1996	1995	1994
REVENUE:			
Transportation and terminal services ...	$ 547,427	$ 511,673	$ 473,450
Food products	487,907	350,613	427,524
Rentals and other services	143,392	100,423	161,764
Property development and other	31,424	25,334	59,412
Interest	15,085	19,571	11,618
Gain on sale of property and other	4,577	10,158	7,474
Dividends	2,756	2,683	2,791
Total revenue	1,232,568	1,020,455	1,144,033
COSTS AND EXPENSES:			
Cost of services	550,745	473,757	478,761
Cost of goods sold	430,376	348,354	422,444
Selling, general and administrative	113,333	112,961	118,495
Interest	34,565	37,365	31,427
Interest capitalized	(484)	(3,936)	(3,725)
Total costs and expenses	1,128,535	968,501	1,047,402
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	104,033	51,954	96,631
INCOME TAXES.............................	38,748	19,535	32,652
INCOME FROM CONTINUING OPERATIONS.........	65,285	32,419	63,979
DISCONTINUED OPERATIONS:			
Income From Operations of Matson Leasing Company, Inc. (Net of income taxes of $3,228 in 1995 and $5,975 in 1994)....	-	5,336	10,629
Gain on Sale of Matson Leasing Company, Inc. (Net of income taxes of $8,954)..	-	18,000	-
NET INCOME...............................	$ 65,285	$ 55,755	$ 74,608
EARNINGS PER SHARE OF COMMON STOCK:			
Continuing Operations	$ 1.44	$ 0.72	$ 1.39
Discontinued Operations	-	0.51	0.23
Net Income	$ 1.44	$ 1.23	$ 1.62
AVERAGE COMMON SHARES OUTSTANDING.........	45,303	45,492	46,059

See notes to financial statements.

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

Year Ended December 31,	1996	1995	1994
CASH FLOWS FROM OPERATIONS:			
Income from continuing operations	$ 65,285	$ 32,419	$ 63,979
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	88,951	85,127	84,037
Plantation closure (reversal)	(4,624)	8,100	-
Loss (gain) on disposal of property, investments and other assets	(1,686)	226	(5,700)
Changes in assets and liabilities:			
Accounts and notes receivable	(5,225)	(32,889)	1,245
Inventories	(16,616)	2,640	1,111
Prepaid expenses and other assets	103	6,153	26,328
Accounts and income taxes payable	7,062	14,580	(7,859)
Deferred income taxes payable	10,420	42,965	1,412
Other liabilities	6,131	(8,771)	(15,677)
Capital expenditures for real estate developments held for sale	(16,799)	(19,734)	(6,817)
Discontinued leasing operations	-	(59,160)	44,702
Net cash provided by operations	133,002	71,656	186,761
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures for property	(185,142)	(63,908)	(48,791)
Capital expenditures for real estate developments held for investment	(2,579)	(5,581)	(12,643)
Receipts from disposal of income producing property, investments and other assets	10,897	362,501	1,447
Deposits into Capital Construction Fund	(11,481)	(136,484)	(8,900)
Withdrawals from Capital Construction Fund	145,500	999	9,383
Reduction (increase) in investments - net	1,184	(1,518)	(32)
Discontinued leasing operations:			
Capital expenditures	-	(30,061)	(33,932)
Other	-	900	1,045
Net cash provided by (used in) investing activities	(41,621)	126,848	(92,423)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	43,000	40,000	31,000
Payments of long-term liabilities	(81,888)	(189,764	(84,314)
Proceeds (payments) of short-term commercial paper borrowings - net	(21,000)	25,000	(6,000)
Repurchases of capital stock	(1,250)	(11,580)	(17,717)
Proceeds from issuance of capital stock	1,291	468	122
Dividends paid	(39,860)	(40,035)	(40,563)
Net cash used in financing activities	(99,707)	(175,911)	(117,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,326)	22,593	(23,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:			
Continuing operations	32,150	8,987	32,295
Discontinued leasing operations	-	570	396
TOTAL CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,150	9,557	32,691
CASH AND CASH EQUIVALENTS AT END OF YEAR:			
Continuing operations	23,824	32,150	8,987
Discontinued leasing operations	-	-	570
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 23,824	$ 32,150	$ 9,557
OTHER CASH FLOW INFORMATION:			
Interest paid, net of amounts capitalized	$ 36,472	$ 41,277	$ 44,064
Income taxes paid, net of refunds	26,360	53,014	18,391
NON-CASH ACTIVITIES/Tax-deferred property sales	12,325	-	22,200

See notes to financial statements.

BALANCE SHEETS
(In thousands, except per-share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

December 31,	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 23,824	$ 32,150
Accounts and notes receivable:		
Trade, less allowances of $5,787 and $5,479	139,059	110,697
Other	33,207	54,548
Inventories:		
Sugar and coffee	61,540	51,285
Materials and supplies	41,182	34,821
Real estate held for sale	17,383	23,550
Deferred income taxes	17,708	11,439
Prepaid expenses and other assets	12,114	13,413
Accrued deposits to Capital Construction Fund	(1,656)	(6,233)
Total current assets	344,361	325,670
INVESTMENTS	91,602	82,246
REAL ESTATE DEVELOPMENTS	70,144	56,104
PROPERTY:		
Land	61,869	60,101
Buildings	204,588	202,769
Vessels	816,516	657,238
Machinery and equipment	676,830	660,499
Water, power and sewer systems	78,726	82,208
Other property improvements	88,529	91,091
Total	1,927,058	1,753,906
Less accumulated depreciation and amortization	864,002	780,392
Property-net	1,063,056	973,514
CAPITAL CONSTRUCTION FUND	178,616	317,212
OTHER ASSETS-NET	52,843	46,491
Total	$1,800,622	$1,801,237

See notes to financial statements.

December 31,	1996	1995
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 31,966	$ 24,794
Current portion of capital lease obligations	12,116	11,061
Short-term commercial paper borrowings	62,000	83,000
Accounts payable	50,496	49,394
Payrolls and vacation pay	21,996	19,891
Uninsured claims	16,129	13,076
Post-retirement benefit obligations/current portion.	5,710	5,118
Taxes other than income	5,445	6,099
Promotional programs	4,507	1,099
Accrued interest payable	3,313	4,478
Accrued and other liabilities	29,252	23,261
Total current liabilities	242,930	241,271
LONG-TERM LIABILITIES:		
Long-term debt	345,618	380,389
Capital lease obligations	12,039	24,186
Post-retirement benefit obligations	116,047	118,472
Uninsured claims	7,902	11,182
Pension obligations	3,651	13,345
Other	37,194	32,335
Total long-term liabilities	522,451	579,909
DEFERRED INCOME TAXES	350,913	330,379
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Capital stock/common stock without par value; authorized, 150,000 shares ($.75 stated value per share); outstanding, 45,339 shares in 1996 and 45,280 shares in 1995	37,150	37,133
Additional capital	43,377	40,138
Unrealized holding gains on securities	48,205	39,830
Retained earnings	568,969	546,394
Cost of treasury stock	(13,373)	(13,817)
Total shareholders' equity	684,328	649,678
Total	$1,800,622	$1,801,237

STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per-share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

Three Years Ended December 31, 1996

	Capital Stock						
	Issued		In Treasury				
	Shares	Stated Value	Shares	Cost	Additional Capital	Unrealized Holding Gains	Retained Earnings
BALANCE, DECEMBER 31, 1993	50,704	$38,028	4,300	$(14,724)	$38,510		$525,192
CHANGES IN 1994:							
Shares repurchased and retired	(723)	(542)					(17,175)
Stock options exercised	12	9			352		
Acquired in payment of options	(6)	(5)					(152)
Issued--incentive plan	4	3					
Unrealized holding gains on securities						$29,073	
Net income							74,608
Cash dividends -- $.88 per share							(40,563)
BALANCE, DECEMBER 31, 1994	49,991	37,493	4,300	(14,724)	38,862	29,073	541,910
CHANGES IN 1995:							
Shares repurchased and retired	(511)	(383)					(11,196)
Stock options exercised	24	18			669		
Acquired in payment of options	(2)	(1)					(40)
Issued--incentive plan	8	6	(70)	907	607		
Unrealized holding gains on securities						10,757	
Net income							55,755
Cash dividends -- $.88 per share							(40,035)
BALANCE, DECEMBER 31, 1995	49,510	37,133	4,230	(13,817)	40,138	39,830	546,394
CHANGES IN 1996:							
Shares repurchased and retired	(50)	(38)					(1,213)
Stock options exercised	125	94			2,690		
Acquired in payment of options	(59)	(44)					(1,637)
Issued--incentive plan	7	5	(36)	444	549		
Unrealized holding gains on securities						8,375	
Net income							65,285
Cash dividends -- $.88 per share							(39,860)
BALANCE, DECEMBER 31, 1996	49,533	$37,150	4,194	$(13,373)	$43,377	$48,205	$568,969

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all subsidiaries, after elimination of significant intercompany amounts.

OCEAN TRANSPORTATION: Voyage revenue and variable costs and expenses are included in income at the time each voyage leg commences. This method of accounting does not differ materially from other acceptable accounting methods.

Vessel depreciation, charter hire, terminal operating overhead, and general and administrative expenses are charged to expense as incurred. Expected costs of regularly-scheduled dry docking of vessels and planned major vessel repairs performed during dry docking are accrued.

PROPERTY DEVELOPMENT AND MANAGEMENT: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally at closing dates), adequate down payments have been received and collection of remaining balances is reasonably assured.

Expenditures for real estate developments are capitalized during construction and are classified as Real Estate Developments on the balance sheet. When construction is complete, the costs are reclassified either as Property or as Real Estate Held For Sale, 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 operating or investing activities, based upon the Company's intention either to sell the property or to retain ownership of the property as an investment following completion of construction.

FOOD PRODUCTS: Revenue is recorded when refined sugar products and coffee are sold to third parties.

Costs of growing sugar cane are charged to the cost of production in the year incurred and to cost of sales as refined products are sold. The cost of raw cane sugar purchased from third parties is recorded as inventory at the purchase price.

Costs of developing coffee are capitalized during the development period and depreciated over the estimated productive lives of the orchards. Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

CASH AND CASH EQUIVALENTS: The Company considers highly liquid investments purchased with original maturities of three months or less, which have no significant risk of change in value, to be cash equivalents.

INVENTORIES: Sugar inventory, consisting of raw and refined sugar products, and coffee inventory, are stated at the lower of cost (first-in, first-out basis) or market. Other inventories, composed principally of materials and supplies, are stated at the lower of cost (principally average cost) or market.

PROPERTY: Property is stated at cost. Major renewals and betterments are capitalized. Replacements, maintenance and repairs which do not improve or extend asset lives are charged to expense as incurred. Assets held under capital leases are included with property owned. Gains or losses from property disposals are included in income.

CAPITALIZED INTEREST: Interest costs incurred in connection with significant expenditures for real estate developments or the construction of assets are capitalized.

DEPRECIATION: Depreciation is computed using the straight-line method. Depreciation expense includes amortization of assets under capital leases and vessel spare parts.

Estimated useful lives of property are as follows:

Buildings	10 to 50 years
Vessels	10 to 40 years
Marine containers	15 years
Machinery and equipment	3 to 35 years
Utility systems and other depreciable property	5 to 60 years

OTHER NON-CURRENT ASSETS: Other non-current assets consist principally of sugar supply contracts and intangible assets. These assets are being amortized using the straight-line method over periods not exceeding 30 years.

PENSION PLANS: Certain ocean transportation subsidiaries are members of the Pacific Maritime Association (PMA), the Maritime Service Committee or the Hawaii Stevedore Committee, which negotiate multi-employer pension plans covering certain seagoing and shoreside bargaining unit personnel. The subsidiaries negotiate multi-employer 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 cover substantially all other employees.

INCOME TAXES: Income tax expense is based on revenue and expenses in the statements of income. Deferred income tax liabilities and assets are computed at current tax rates for temporary differences between the financial statement

and income tax bases of assets and liabilities.

FAIR VALUES: The carrying values of current assets (other than inventories, real estate held for sale, deferred income taxes and prepaid and other assets) and of debt instruments are reasonable estimates of their fair values. Real estate is carried at the lower of cost or fair value. Fair values are generally determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, fair value is determined by reference to the sales of similar property, market studies, tax assessments and discounted cash flows. For commercial property, fair value is determined using recent comparable sales, tax assessments and cash flow analysis. A large portion of the Company's real estate is undeveloped land located in Hawaii. This land has a cost basis which averages approximately $150 per acre, a value which is much lower than fair value.

FUTURES CONTRACTS: Realized and unrealized gains and losses on commodity futures contracts are deferred and recorded in inventory. These amounts are not significant.

ENVIRONMENTAL COSTS: Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations or events, and which do not contribute to current or future revenue generation, are charged to expense. Liabilities are recorded when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Future actual amounts could differ from those estimates.

RECLASSIFICATIONS: Certain amounts in the 1995 and 1994 financial statements have been reclassified to conform with the 1996 presentation.

RESTATEMENTS: The financial statements for all periods presented have been restated to reflect the sale of certain net assets of the Company's container leasing segment, as described in Note 2.

2. DISCONTINUED OPERATIONS

In June 1995, the Company sold the net assets of its container leasing subsidiary, Matson Leasing Company, Inc., for $361.7 million in cash, and realized an after-tax gain of $18 million. Specifically excluded from the sale were long-term debt and U. S. tax obligations of the business.

Summary operating results of discontinued operations, excluding the above gain, were as follows:

	1995	1994
	(In thousands)	
Net sales	$35,251	$ 63,060
Gross profit	$14,762	$ 24,499
Earnings before income taxes	$ 8,564	$ 16,604
Income taxes	3,228	5,975
Net earnings from discontinued operations	$ 5,336	$ 10,629

3. INVESTMENTS

At December 31, 1996 and 1995, investments principally consisted of marketable equity securities, limited partnership interests and purchase-money mortgages.

The marketable equity securities are classified as "available for sale" and are stated at quoted market values. The unrealized holding gains on these securities, net of deferred income taxes, have been recorded as a separate component of shareholders' equity.

The components of the net unrealized holding gains at December 31, 1996 and 1995 were as follows:

	1996	1995
	(In thousands)	
Market value	$85,796	$73,460
Less historical cost	9,966	9,966
Unrealized holding gains	75,830	63,494
Less deferred income taxes	27,625	23,664
Net unrealized holding gains	$48,205	$39,830

The investments in limited partnership interests and purchase money mortgages are recorded at cost, which approximated market values, of $5,806,000 and $8,786,000 at December 31, 1996 and 1995, respectively. The purchase money mortgages are intended to be held to maturity. The value of the underlying investments of the limited partnership interests are assessed annually and are

approximately equal to the original cost.

See Note 4 for a discussion of market values of investments in the Capital Construction Fund.

4. CAPITAL CONSTRUCTION FUND

A subsidiary is party to an agreement with the United States Government which 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 Federal income 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 having adequate tax bases 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 year-end, the oldest CCF deposits date from 1991. Management believes that all amounts on deposit in the CCF at the end of 1996 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, the subsidiary 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 balance sheet either as obligations of the Company's current assets or as receivables from 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 balance sheets or 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, 1996 and 1995, the balances on deposit in the CCF are summarized in Table 1.

TABLE 1 (In thousands)

	1996			1995		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Mortgage-backed securities.....	$ 84,642	$ 80,871	$(3,771)	$ 95,156	$ 91,132	$(4,024)
Cash and cash equivalents......	92,318	92,318	-	215,823	215,856	33
Accrued deposits...............	1,656	1,656	-	6,233	6,233	-
Total..........................	$178,616	$174,845	$(3,771)	$317,212	$313,221	$(3,991)

Fair value of the mortgage-backed securities ("MBS") was determined by an outside investment management company, based on the experience of trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter.

At the end of 1996, the fair value of the Company's investments in MBS is less than amortized cost due to interest rate sensitivity inherent in the fair value determination of such securities. While an unrealized market loss exists, the Company intends to hold these investments to maturity, which ranges from 1997 through 2024. The MBS have a weighted average life of approximately six years. The Company earned $6,838,000 in 1996, $7,655,000 in 1995 and $8,292,000 in 1994 on its investments in MBS.

Fair values of the remaining CCF investments were based on quoted market prices, if available. If a quoted market price was not available, fair value was estimated using quoted market prices of similar securities and investments. These remaining investments mature in 1997.

During 1996 and 1995, there were no sales of securities classified as "held-to-maturity" included in the CCF.

5. EMPLOYEE BENEFIT PLANS

Total contributions to the multi-employer pension plans covering personnel in shoreside and seagoing bargaining units were $5,552,000 in 1996, $5,903,000 in 1995 and $8,216,000 in 1994. 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 used or cargo handled or carried. 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 multi-employer plans are subject to the plan termination insurance provisions of the Employee Retirement Income Security Act of 1974, as amended, and are paying premiums to the Pension Benefit Guarantee Corporation (PBGC).

The statutes provide that an employer which withdraws from or significantly reduces its contribution obligation to a multi-employer 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 longshore plan in 1984, the Company 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. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately $6,400,000 for various plan years ending in 1996 and 1995. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

The net pension cost (benefit) and components for 1996, 1995 and 1994, of single-employer defined benefit pension plans, which cover substantially all other employees, were as follows:

	1996	1995	1994
	(In thousands)		
Service cost--benefits earned during the year	$ 6,326	$ 6,210	$ 7,317
Interest cost on projected benefit obligation	23,295	21,785	20,542
Actual return on plan assets	(47,980)	(78,713)	3,719
Net amortization and deferral	14,599	50,298	(29,062)
Curtailments and terminations	(779)	(1,761)	1,300
Net pension cost (benefit)	$ (4,539)	$ (2,181)	$ 3,816

The funded status of the single-employer plans at December 31, 1996 and 1995 was as follows:

	1996	1995
	(In thousands)	
Actuarial present value of benefit obligation:		
Vested benefits	$ 284,755	$ 241,422
Non-vested benefits	8,415	9,881
Accumulated benefit obligation	293,170	251,303
Additional amounts related to projected compensation levels	32,925	34,276
Projected benefit obligation	326,095	285,579
Plan assets at fair value	380,909	348,208
Excess of plan assets over projected benefit obligation	(54,814)	(62,629)
Prior service costs to be recognized in future years	(3,518)	(3,739)
Unrecognized actuarial net gain	59,119	75,759
Unrecognized net asset at January 1, 1987 (being amortized over periods of 4 to 15 years)	2,864	3,954
Accrued pension liability	$ 3,651	$ 13,345

At December 31, 1996 and 1995, the projected benefit obligation was determined using a discount rate of 7.5% and 8%, respectively, and assumed increases in future compensation levels of 4.5% and 5%, respectively. The expected long-term rate of return on assets was 9% for 1996 and 1995. The assets of the 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 ERISA 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 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 projected benefit obligation, included with other non-current liabilities, relating to these unfunded plans, totaled $9,844,000 and $8,680,000 at December 31, 1996 and 1995, respectively.

6. POST-RETIREMENT BENEFIT PLANS

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 net periodic cost for post-retirement health care and life insurance

benefits during 1996, 1995 and 1994 included the following:

	1996	1995	1994
	(In thousands)		
Service cost	$ 1,351	$ 1,512	$ 2,149
Interest cost	6,605	7,031	7,825
Net amortization	(2,016)	(1,524)	(216)
Curtailment gain	(2,476)	(2,045)	-
Post-retirement benefit cost	$ 3,464	$ 4,974	$ 9,758

The unfunded accumulated post-retirement benefit obligation at December 31, 1996 and 1995 is summarized below:

	1996	1995
	(In thousands)	
Accumulated post-retirement benefit obligation:		
Retirees	$ 54,951	$ 56,606
Fully-eligible active plan participants	10,865	9,073
Other active plan participants	27,780	25,373
Unrecognized prior service cost	3,643	5,676
Unrecognized net gain	24,518	26,862
Total	121,757	123,590
Current obligation	5,710	5,118
Non-current obligation	$116,047	$118,472

At December 31, 1996 and 1995, the weighted average discount rates used in determining the accumulated post-retirement benefit obligations were 7.5% and 8%, respectively, and the assumed health care cost trend rate used in measuring the accumulated post-retirement benefit obligation was 10% through 2001, decreasing to 5% thereafter. If the assumed health care cost trend rate were increased by one percentage point, the accumulated post-retirement benefit obligation as of December 31, 1996 and 1995 would have increased by approximately $11,105,000 and $10,405,000, respectively, and the net periodic post-retirement benefit cost for 1996 and 1995 would have increased by approximately $1,208,000 and $1,190,000, respectively.

7. LONG-TERM DEBT, CREDIT AGREEMENTS

At December 31, 1996 and 1995, long-term debt consisted of the following:

	1996	1995
	(In thousands)	
Commercial paper, 5.33%-5.70%	$ 225,632	$ 246,437
Bank variable rate loans (1996 high 6.38%, low 5.50%) due after 1996	22,000	40,000
Term loans:		
7.19%, payable through 2007	75,000	75,000
8%, payable through 2000	37,500	47,500
9.05%, payable through 1999	21,285	27,201
9.8%, payable through 2004	16,667	18,750
9%, payable through 1999	15,882	21,176
7.43%, payable through 2007	15,000	-
7.65%, payable through 2001	10,000	10,000
11.78%, payable through 1997	618	1,269
Limited partnership subscription notes, no interest, repaid in 1996	-	850
Total	439,584	488,183
Less current portion	31,966	24,794
Commercial paper classified as current	62,000	83,000
Long-term debt	$ 345,618	$ 380,389

VARIABLE RATE LOANS: The Company and a subsidiary have a revolving credit and term loan agreement with five commercial banks, whereby they may borrow up to $155,000,000, under revolving loans to November 30, 1998, at varying rates of interest. Any revolving loan outstanding on that date may be converted into a term loan, which would be payable in 16 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. At December 31, 1996 and 1995, $15,000,000 and $10,000,000, respectively, were outstanding under this agreement.

The Company and a subsidiary have an uncommitted $45,000,000 short-term revolving credit agreement with a commercial bank. The agreement extends to November 30, 1997, but may be canceled by the bank at any time. At December 31, 1996 and 1995, $7,000,000 and $17,000,000, respectively, were outstanding under this agreement.

The Company and a subsidiary have an uncommitted $25,000,000 revolving credit agreement with a commercial bank. The agreement extends to July 18, 1997. At December 31, 1996, there were no amounts outstanding under this agreement. At December 31, 1995, $13,000,000 was outstanding.

During 1995, a subsidiary entered into a $50,000,000 one-year Revolving Credit Agreement to replace two previous credit facilities. Up to $25,000,000 of this

agreement serves as a commercial paper liquidity back-up line, with the balance available for general corporate funds. At December 31, 1996 and 1995, there were no amounts outstanding under this agreement.

TERM LOAN: The Company and a subsidiary have a shelf facility under which they may borrow up to $50,000,000 in $5,000,000 term loan increments. At December 31, 1996, $15,000,000 had been borrowed.

COMMERCIAL PAPER: At December 31, 1996, there were two commercial paper programs. The first program was used by a subsidiary to finance the construction of a vessel, which was delivered in 1992. At December 31, 1996, $149,632,000 of commercial paper notes was outstanding under this program. Maturities ranged from 6 to 66 days. The borrowings outstanding under this program are classified as long-term, because the subsidiary intends to continue the program indefinitely and eventually to repay the borrowings with qualified withdrawals from the Capital Construction Fund.

The second commercial paper program is used by a subsidiary to fund the purchases of sugar inventory from Hawaii sugar growers and to provide working capital for sugar refining and marketing operations. At December 31, 1996, $76,000,000 of commercial paper notes was outstanding under this program. Maturities ranged from 7 to 51 days. The interest cost and certain fees on the borrowings relating to sugar inventory advances to growers are reimbursed by the growers. Of the total commercial paper borrowing outstanding at December 31, 1996, $62,000,000 was classified as current. The commercial paper is supported by a $100,000,000 backup revolving credit facility with six commercial banks. Both the commercial paper program and the backup facility are guaranteed by the subsidiary's parent and by the Company.

In 1995, the Company repaid the outstanding commercial paper notes of a third program which had been used to finance container purchases of the discontinued container leasing business.

LONG-TERM DEBT MATURITIES: At December 31, 1996, maturities and planned prepayments of all long-term debt during the next five years totaled $31,966,000 for 1997, $24,453,000 for 1998, $32,616,000 for 1999, $19,583,000 for 2000 and $17,083,000 for 2001.

8. LEASES

THE COMPANY AS LESSEE: Various subsidiaries of the Company lease a vessel and certain land, buildings and equipment under both capital and operating leases. Capital leases include one vessel leased for a term of 25 years ending in 1998; containers, machinery and equipment for terms of 5 to 12 years expiring through 1997; and a wastewater treatment facility in California, the title to which will revert to a subsidiary in 2002. Principal operating leases cover office and terminal facilities for periods which expire between 1997 and 2026. 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 $50,869,000, $46,680,000 and $48,169,000 for the years ended December 31, 1996, 1995 and 1994, respectively. Contingent rents and income from sublease rents were not significant.

Assets recorded under capital lease obligations and included in property at December 31, 1996 and 1995 were as follows:

	1996	1995
	(In thousands)	
Vessel	$ 55,253	$55,253
Machinery and equipment	42,468	42,688
Total	97,721	97,941
Less accumulated amortization	90,462	84,813
Property under capital leases--net	$ 7,259	$13,128

Future minimum payments under all leases and the present value of minimum capital lease payments as of December 31, 1996 were as follows:

	Capital Leases	Operating Leases
	(In thousands)	
1997	$ 14,603	$25,186
1998	11,089	24,252
1999	609	16,203
2000	578	13,394
2001	547	12,206
Thereafter	516	101,866
Total minimum lease payments	27,942	$193,107
Less amount representing interest	3,787	
Present value of future minimum payments	24,155	
Less current portion	12,116	
Long-term obligations at December 31, 1996	$ 12,039	

A subsidiary is obligated to pay terminal facility rent equal to the principal and interest on Special Facility Revenue Bonds issued by the Department of Transportation of the State of Hawaii. Interest on the bonds is payable semi-annually and principal, in the amount of $16,500,000, is due in 2013. An accrued liability of $7,713,000 and $7,170,000 at December 31, 1996 and 1995,

respectively, included in other long-term liabilities, provides for a pro-rata portion of the principal due on these bonds.

THE COMPANY AS LESSOR: Various Company subsidiaries lease land, buildings and land improvements under operating leases. The historical cost of and accumulated depreciation on leased property at December 31, 1996 and 1995 were as follows:

	1996	1995
	(In thousands)	
Leased property	$246,802	$246,609
Less accumulated amortization	42,722	37,555
Property under operating leases--net	$204,080	$209,054

Total rental income under these operating leases for the three years ended December 31, 1996 was as follows:

	1996	1995	1994
	(In thousands)		
Minimum rentals	$34,556	$28,164	$31,792
Contingent rentals (based on sales volume)	1,232	880	1,515
Total	$35,788	$29,044	$33,307

Future minimum rental income on non-cancelable leases at December 31, 1996 was as follows:

	Operating Leases
	(In thousands)
1997	$ 28,860
1998	20,903
1999	17,059
2000	13,353
2001	10,898
Thereafter	114,939
Total	$ 206,012

9. INCOME TAXES

The income tax expense for the three years ended December 31, 1996 consisted of the following:

	1996	1995	1994
	(In thousands)		
Current:			
Federal	$23,549	$(23,833)	$29,796
State	4,779	403	1,444
Total	28,328	(23,430)	31,240
Deferred	10,420	42,965	1,412
Income tax expense	$38,748	$ 19,535	$32,652

Total income tax expense for the three years ended December 31, 1996 differs from amounts computed by applying the statutory Federal rate to pre-tax income, for the following reasons:

	1996	1995	1994
	(In thousands)		
Computed income tax expense	$36,412	$18,184	$33,821
Increase (decrease) resulting from:			
State tax on income, less applicable Federal tax	2,605	326	1,332
Low-income housing credits	(1,219)	(1,224)	(1,219)
Fair market value over cost of donations	(11)	-	(2,138)
Other-net	961	2,249	856
Income tax expense	$38,748	$19,535	$32,652

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 1996 and 1995 were as follows:

	1996	1995
	(In thousands)	
Capital Construction Fund	$159,304	$166,649
Accelerated depreciation	123,575	130,456

Tax-deferred gains on real estate transactions......	73,890	69,585
Unrealized holding gains on securities.............	27,625	23,664
Post-retirement benefits...........................	(49,398)	(47,813)
Insurance reserves.................................	(6,791)	(6,766)
Alternative minimum tax benefits...................	(3,905)	(14,264)
Other-net..	8,905	(2,571)
Total..	$333,205	$318,940

The Internal Revenue Service (IRS) has completed its audits of the Company's tax returns through 1991 and, with one exception, has settled all substantive issues raised during the audits. No settlement had a material effect on the Company's financial position or results of operations. The Company is contesting the remaining issue, which relates to the classification of cross border lease transactions. The IRS has commenced an audit of the Company's tax returns for 1992 through 1995. Management believes that the ultimate resolution of the outstanding audit issue and other matters which may result from the current audits will not have a material effect on the Company's financial position or results of operations.

10. CAPITAL STOCK AND STOCK OPTIONS

The Company has a stock option plan ("1989 Plan") under which key employees may be granted stock purchase options and stock appreciation rights. A second stock option plan for key employees terminated in 1993, but shares previously granted under the plan are still exercisable. Under the 1989 Plan, option prices may not be less than the fair market value of a share of the Company's common stock on the dates of grant, and each option generally becomes exercisable in-full one year after the date granted. Payment for options exercised, to the extent not reduced by the application or surrender of stock appreciation rights, may be made in cash or in shares of the Company's stock. If payment is made in shares of the Company's stock, the option holder may receive, under a reload feature of the 1989 Plan, a new stock option grant for the number of shares equal to that surrendered, with an option price not less than the fair market value of the Company's stock on the date of exercise. During 1996, 471,264 new options were granted under the 1989 Plan, including 40,489 reload options.

The 1989 Plan also permits 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 fully vested upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee which administers the plan. The number of incentive shares issued during 1996 or outstanding at the end of the year was not material.

The Company also has a Directors' stock option plan, under which 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 3,000 shares of the Company's common stock at the average fair market value of the shares for the five consecutive trading days prior to the grant date. Each option becomes exercisable six months after the date granted. During 1996, 24,000 new options were granted and no options were canceled or exercised. At December 31, 1996, 186,000 options were outstanding under the plan.

The Company applies Accounting Principles Board Opinion Number 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost is recognized in the Company's income statement for stock option plans at the time grants are awarded. If the compensation costs for the 1989 Plan had been determined consistent with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the after-tax cost for grants made in 1996 and 1995 would have been approximately $900,000 and $1.3 million, respectively. Earnings per share for 1996 and 1995 would have declined by $0.02 and $0.03, respectively. The potential impact of the Director's stock option plan was immaterial.

Changes in shares under all option plans, for the three years ended December 31, 1996, were as follows:

	Shares	Price Range Per Share
1994: Granted............................	475,200	$24.700-27.000
Exercised..........................	(12,300)	17.375-24.750
Canceled...........................	(55,996)	24.250-36.250
Outstanding, December 31...........	2,444,032	17.375-37.875
1995: Granted............................	551,800	21.750-22.500
Exercised..........................	(23,550)	17.375-24.750
Canceled...........................	(385,531)	24.250-36.250
Outstanding, December 31...........	2,586,751	17.375-37.875
1996: Granted............................	495,264	21.750-32.625
Exercised..........................	(125,188)	17.375-24.750
Canceled...........................	(15,800)	24.250-36.250
Outstanding, December 31 (2,510,252 exercisable)	2,941,027	$17.375-37.875

Options outstanding at December 31, 1996 include 48,916 shares that carry stock appreciation rights which expire in January 1997. The outstanding options do not have a material dilutive effect in the calculation of earnings per share of common stock.

The Company 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 the Company'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 to purchase additional shares of the Company's stock or shares of an acquiring company's stock at prices below market value.

11. RELATED PARTY TRANSACTIONS, COMMITMENTS AND CONTINGENCIES

At December 31, 1996, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $46,688,000. However, there is no contractual obligation to spend this entire amount.

The Company has arranged for standby letters of credit of approximately $20,689,000, necessary to qualify as a self-insurer for state and federal workers' compensation liabilities. The Company also has other letters of credit outstanding for normal operating matters which total approximately $4,701,000.

A subsidiary is a party, acting as the steam host, to a Steam Purchase Agreement with a developer which constructed and operates a cogeneration facility contiguous to the subsidiary's California refinery. The agreement provides that, during the 30-year period of the agreement, the subsidiary will receive steam necessary for refinery operations at a reduced price, compared to the market price of fuel which previously had to be purchased to generate its steam requirements.

A subsidiary is party to a long-term sugar supply contract with Hawaiian Sugar & Transportation Cooperative (HSTC), a raw sugar marketing and transportation cooperative owned by the Company and by the other Hawaii sugar growers. Under the terms of this contract, the subsidiary is obligated to purchase, and HSTC is obligated to sell, all of the raw sugar delivered to HSTC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. The subsidiary made purchases of raw sugar totaling $190,196,000 and $158,284,000 under the contract during 1996 and 1995, respectively. The contract also requires that the subsidiary provide cash advances to HSTC prior to the physical receipt of the sugar at its refinery (see Note 7). Such advances are determined by the estimated raw sugar market prices. Amounts due to HSTC are credited against outstanding advances to HSTC upon delivery of raw sugar to the subsidiary's refinery.

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

12. INDUSTRY SEGMENTS

Industry segment information for 1996, 1995 and 1994, on page 26, is incorporated herein by reference. Segments are:

Ocean transportation -- carrying freight between various U.S. and Canadian West Coast, Hawaii and other Pacific ports, and providing terminal services.

Property development and management -- developing, managing and selling residential, commercial and industrial properties.

Food products -- growing, processing and marketing sugar, molasses and coffee, and generating and selling electricity.

As discussed in Note 2, the net assets of the container leasing segment were sold in 1995.

13. SUBSEQUENT EVENT

On February 13, 1997, a subsidiary received $33,650,000 in settlement of a lawsuit that involved insurance claims over damage to the subsidiary's port facilities resulting from the October 1989 Loma Prieta earthquake. After satisfying terminal repair costs and litigation expenses of approximately $12,600,000, the Company, through its subsidiaries, will record approximately $21,000,000 of pre-tax income in the first quarter of 1996. After taxes, this will add about $13,000,000, or $0.29 per share, to net income during that period.

DIRECTORS AND OFFICERS

Alexander & Baldwin, Inc.
Directors

MICHAEL J. CHUN (53)*
President, The Kamehameha Schools
(educational institution)

JOHN C. COUCH (57)
Chairman of the Board, President and Chief Executive Officer,
Alexander & Baldwin, Inc.
Chairman of the Board and
Chief Executive Officer
A&B-Hawaii, Inc.
Chairman of the Board,
Matson Navigation Company, Inc.

LEO E. DENLEA, JR. (65)*
Chairman of the Board, President
and Chief Executive Officer,
Farmers Group, Inc. (insurance)

WALTER A. DODS, JR. (55)*
Chairman of the Board and
Chief Executive Officer,
First Hawaiian, Inc.
Chairman of the Board and
Chief Executive Officer,
First Hawaiian Bank (banking)

CHARLES G. KING (51)**
President, King Auto Center
(automobile dealership)

CARSON R. McKISSICK (64)*
Managing Director,
The Corporate Development Company (financial advisory services)

C. BRADLEY MULHOLLAND (55)
President and Chief Executive Officer, Matson Navigation Company, Inc.

ROBERT G. REED III (69)**
Independent business consultant

MARYANNA G. SHAW (58)*
Private investor

CHARLES M. STOCKHOLM (64)**
Managing Director,
Trust Company of the West
(investment management services)

R. J. PFEIFFER (77)
Chairman Emeritus of the Board,
Alexander & Baldwin, Inc.
Chairman Emeritus of the Board,
A&B-Hawaii, Inc.
Chairman Emeritus of the Board,
Matson Navigation Company, Inc.

Advisory Director

ALEXANDER C. WATERHOUSE (85)
Vice Chairman,
Waterhouse Properties, Inc.
(private investments)

* Audit Committee Members
** Compensation and Stock Option Committee Members

All positions as of December 31, 1996
All ages as of March 31, 1997

Alexander & Baldwin, Inc.
Officers

JOHN C. COUCH (57)
Chairman of the Board, President and Chief Executive Officer

MEREDITH J. CHING (40)
Vice President (Government & Community Relations)

JOHN B. KELLEY (51)
Vice President (Investor Relations)

MILES B. KING (49)
Vice President and Chief Administrative Officer

MICHAEL J. MARKS (58)
Vice President, General Counsel and Secretary

GLENN R. ROGERS (53)
Vice President, Chief Financial Officer and Treasurer

ROBERT K. SASAKI (56)
Vice President (Properties)

JUDITH A. WILLIAMS (53)
Vice President (Corporate Planning & Development)

THOMAS A. WELLMAN (38)
Controller

A&B-Hawaii, Inc.
Officers

JOHN C. COUCH (57)
Chairman of the Board and Chief Executive Officer

W. ALLEN DOANE (49)
President and Chief Operating Officer

RICHARD F. CAMERON (64)
Senior Vice President (Agribusiness)

G. STEPHEN HOLADAY (52)
Senior Vice President (Asst. Plantation Manager)

MILES B. KING (49)
Senior Vice President (Industrial Relations)

DAVID G. KONCELIK (55)
Senior Vice President (President and Chief Executive Officer,
California and Hawaiian Sugar Company, Inc.)

MICHAEL J. MARKS (58)
Senior Vice President and General Counsel

GLENN R. ROGERS (53)
Senior Vice President, Chief Financial Officer and Treasurer

ROBERT K. SASAKI (56)
Senior Vice President (Properties)

NORBERT M. BUELSING (46)
Vice President (Property Management)

MEREDITH J. CHING (40)
Vice President (Government & Community Relations)

KEITH A. GOTO (53)
Vice President (Labor Relations)

JOHN B. KELLEY (51)
Vice President

STANLEY M. KURIYAMA (43)
Vice President (Land Planning & Entitlements)

THOMAS A. WELLMAN (38)
Vice President and Controller

JUDITH A. WILLIAMS (53)
Vice President (Corporate Planning & Development)

ALYSON J. NAKAMURA (31)
Secretary

Matson Navigation Company, Inc.
Officers

JOHN C. COUCH (57)
Chairman of the Board

C. BRADLEY MULHOLLAND (55)
President and Chief Executive Officer

RAYMOND J. DONOHUE (60)
Senior Vice President and Chief Financial Officer

MILES B. KING (49)
Senior Vice President (Human Resources)

GARY J. NORTH (52)
Senior Vice President (Operations)
(President and Chief Operating Officer, Matson Terminals, Inc.)

KEVIN C. O'ROURKE (50)
Senior Vice President and General Counsel

PAUL E. STEVENS (44)
Senior Vice President (Marketing)

RICHARD S. BLISS (58)
Vice President
(Area Manager, Hawaii)

ROBERT L. DAWDY (52)
Vice President (West Coast Operations)

BRANTON B. DREYFUS (43)
Vice President

(Area Manager, Southern California)

JOHN C. GOSLING (60)
Vice President (Engineering)

PHILIP M. GRILL (49)
Vice President (Government Relations)

DALE B. HENDLER (43)
Vice President (Information Services)

MERLE A. K. KELAI (65)
Vice President (Community Relations and Government Affairs)

RONALD H. ROTHMAN (55)
Vice President (Industrial Relations)

MICHAEL J. MARKS (58)
Secretary

TIMOTHY H. REID (50)
Treasurer

JOSEPH A. PALAZZOLO (48)
Controller

[Photo caption: Board of Directors (from left to right): John C. Couch, Leo E. Denlea, Jr., C. Bradley Mulholland, Michael J. Chun, Maryanna G. Shaw, Alexander G. Waterhouse, Charles M. Stockholm (back), R. J. Pfeiffer (front), Carson R. McKissick, Charles G. King, Walter A. Dods, Jr., Robert G. Reed III. Behind the directors are photos of A&B's founders, Samuel T. Alexander (center left) and Henry P. Baldwin (center right), and their first partners, Wallace M. Alexander (far left) and Joseph P. Cooke (far right). Wallace M. Alexander and Joseph P. Cooke also were the son and nephew, respectively, of Samuel T. Alexander.]

PARENT COMPANY, PRINCIPAL SUBSIDIARIES AND AFFILIATES[1]

ALEXANDER & BALDWIN, INC.	Honolulu, Hawaii
A&B-HAWAII, INC. (Honolulu, Hawaii)	
Division: Hawaiian Commercial & Sugar Company	Puunene, Maui
Subsidiaries:	
A&B Development Company (California)	San Francisco
A&B Properties, Inc.	Honolulu
California and Hawaiian Sugar Company, Inc.	Crockett, California
East Maui Irrigation Company, Limited	Puunene, Maui
McBryde Sugar Company, Limited	Eleele, Kauai
Subsidiary: Island Coffee Company, Inc.	Eleele, Kauai
Kahului Trucking & Storage, Inc.	Kahului, Maui
Kauai Commercial Company, Incorporated	Puhi, Kauai
MATSON NAVIGATION COMPANY, INC. (San Francisco, California)	
Subsidiaries:	
Matson Intermodal System, Inc.	San Francisco
Matson Services Company, Inc.	San Francisco
Matson Terminals, Inc.	San Francisco
HAWAIIAN SUGAR & TRANSPORTATION COOPERATIVE[2] (Crockett, California)	

1 Wholly owned unless otherwise indicated
2 A cooperative owned with other Hawaii sugar companies

INVESTOR INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Plaza Meeting Room on the ground floor of Amfac Center, 745 Fort Street, Honolulu, Hawaii at 10 a.m. on Thursday, April 24, 1997.

INVESTOR INFORMATION

Shareholders having questions about A&B are encouraged to write to John C. Couch, Chairman of the Board, President and Chief Executive Officer; or Michael J. Marks, Vice President, General Counsel and Secretary.

Inquiries from professional investors may be directed to John B. Kelley, Vice President, Investor Relations. Phone (808) 525-8422 E-mail: jbkell@aloha.net

FORM 10-K

Shareholders may obtain a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, without charge, by writing to Michael J. Marks, Vice President, General Counsel and Secretary, Alexander & Baldwin, Inc., P.O. Box 3440, Honolulu, HI 96801-3440.

TRANSFER AGENT & REGISTRAR

CHASE MELLON SHAREHOLDER SERVICES
San Francisco, California and New York, New York

For questions regarding stock certificates or dividends, representatives of the Transfer Agent may be reached at 1-800-356-2017 between 8 a.m. and 8 pm., Eastern Time.

AUDITORS

DELOITTE & TOUCHE LLP
Honolulu, Hawaii

EXHIBIT 21

ALEXANDER & BALDWIN, INC.
SUBSIDIARIES AS OF FEBRUARY 28, 1997

Name of Subsidiary	State or Other Jurisdiction Under Which Organized
A&B-Hawaii, Inc.	Hawaii
Subsidiaries:	
A & B Development Company (California)	California
A & B Properties, Inc.	Hawaii
California and Hawaiian Sugar Company, Inc.	Hawaii
East Maui Irrigation Company, Limited	Hawaii
Kahului Trucking & Storage, Inc.	Hawaii
Kauai Commercial Company, Incorporated	Hawaii
Kukui'ula Development Company, Inc.	Hawaii
McBryde Sugar Company, Limited	Hawaii
Subsidiary: Island Coffee Company, Inc.	Hawaii
South Shore Community Services, Inc.	Hawaii
South Shore Resources, Inc.	Hawaii
WDCI, INC.	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Intermodal System, Inc.	Hawaii
Matson Services Company, Inc.	Hawaii
Matson Terminals, Inc.	Hawaii

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

INDEPENDENT AUDITORS' CONSENT

Alexander & Baldwin, Inc.:

We consent to the incorporation by reference in Registration Statements No. 2-72008, 2-84179, 33-31922, 33-31923 and 33-54825 of Alexander & Baldwin, Inc. and its subsidiaries on Form S-8 of our reports dated January 23, 1997, appearing in and incorporated by reference in the Annual Report on Form 10-K of Alexander & Baldwin, Inc. and its subsidiaries for the year ended December 31, 1996.

/s/ Deloitte & Touche LLP

March 27, 1997

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12-MOS
DEC-31-1996
DEC-31-1996
8,224
15,600
178,053
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37,150
647,178
1,800,622
1,210,150
1,232,568
981,121
981,121
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0
34,081
104,033
38,748
65,285
0
0
0
65,285
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1.44