

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended MARCH 31, 1998

OR

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

Commission file number 0-565

ALEXANDER & BALDWIN, INC.

(Exact name of registrant as specified in its charter)

HAWAII

99-0032630

(State or other jurisdiction of
incorporation or organization)

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

P. O. BOX 3440, HONOLULU, HAWAII
822 BISHOP STREET, HONOLULU, HAWAII

96801
96813

(Address of principal executive
offices)

(Zip Code)

(808) 525-6611

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No /

Number of shares of common stock outstanding as of March 31, 1998: 44,861,162

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed financial statements and notes for the first quarter of 1998 are
presented below.

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

Three Months Ended
March 31

1998 1997

----- -----

(unaudited)

Revenue:		
Net sales, revenue from services and rentals	\$284,267	\$271,192
Interest, dividends and other	7,140	25,060
	-----	-----
Total revenue	291,407	296,252
	-----	-----
Costs and Expenses:		
Costs of goods sold, services and rentals	237,208	228,034
Selling, general and administrative	26,081	26,312
Interest	6,080	7,942
Income taxes	8,264	12,739
	-----	-----
Total costs and expenses	277,633	275,027
	-----	-----
Net Income	\$ 13,774	\$ 21,225
	=====	=====
Basic and Diluted Earnings Per Share	\$ 0.31	\$ 0.47
Dividends Per Share	\$ 0.225	\$ 0.220
Average Number of Shares Outstanding	44,842	45,311

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
INDUSTRY SEGMENT DATA
(In thousands)

	Three Months Ended March 31	
	1998	1997
	-----	-----
	(unaudited)	
Revenue:		
Ocean Transportation	\$178,800	\$181,120
Property Development and Management:		
Leasing	9,235	9,116
Sales	7,781	4,111
Food Products	94,874	101,188
Other	717	717
	-----	-----
Total Revenue	\$291,407	\$296,252
	=====	=====
Operating Profit:		
Ocean Transportation	\$ 17,370	\$ 34,050
Property Development and Management:		
Leasing	5,899	6,234
Sales	4,642	1,580
Food Products	2,998	2,443
Other	678	663
	-----	-----
Total Operating Profit	\$ 31,587	\$ 44,970
	=====	=====

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
CONDENSED BALANCE SHEETS
(In thousands)

	March 31 1998 ---- (unaudited)	December 31 1997 ----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,045	\$ 21,623
Accounts and notes receivable, net	158,991	176,165
Inventories	85,549	69,209
Real estate held for sale	10,766	12,563
Deferred income taxes	9,936	9,404
Prepaid expenses and other assets	10,417	9,977
Accrued deposits to Capital Construction Fund	(10,000)	(10,000)
	-----	-----
Total current assets	276,704	288,941
	-----	-----
Investments	102,636	102,813
	-----	-----
Real Estate Developments	69,549	68,056
	-----	-----
Property, at cost	2,001,271	1,975,023
Less accumulated depreciation and amortization	959,950	938,508
	-----	-----
Property - net	1,041,321	1,036,515
	-----	-----
Capital Construction Fund	148,610	148,610
	-----	-----
Other Assets	66,508	59,863
	-----	-----
Total	\$1,705,328	\$1,704,798
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 30,600	\$ 34,485
Short-term commercial paper borrowings	28,000	17,000
Accounts payable	37,145	46,835
Other	79,181	75,815
	-----	-----
Total current liabilities	174,926	174,135
	-----	-----
Long-term Liabilities:		
Long-term debt	296,498	290,885
Capital lease obligations	1,500	2,000
Post-retirement benefit obligations	111,875	112,125
Other	39,891	46,311
	-----	-----
Total long-term liabilities	449,764	451,321
	-----	-----
Deferred Income Taxes	358,753	359,754
	-----	-----
Shareholders' Equity:		
Capital stock	36,723	36,769
Additional capital	50,749	49,437
Unrealized holding gains on securities	54,355	55,144
Retained earnings	592,609	591,135
Cost of treasury stock	(12,551)	(12,897)
	-----	-----
Total shareholders' equity	721,885	719,588
	-----	-----
Total	\$1,705,328	\$1,704,798
	=====	=====

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

	Three Months Ended March 31	
	1998	1997
	-----	-----
	(unaudited)	
Cash Flows from Operating Activities	\$ 17,104	\$ 30,650
	-----	-----
Cash Flows from Investing Activities:		
Capital expenditures	(27,838)	(8,044)
Proceeds from disposal of property, investments and other assets	2	86
Deposits into Capital Construction Fund	-	(2,908)
Increase in investments, net	(468)	(1,797)
	-----	-----
Net cash used in investing activities	(28,304)	(12,663)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	11,500	34,500
Payments of long-term debt	(10,079)	(16,672)
Proceeds of short-term commercial paper borrowings, net	11,000	9,000
Proceeds from issuances of capital stock	543	363
Repurchases of capital stock	(2,250)	(3,169)
Dividends paid	(10,092)	(9,974)
	-----	-----
Net cash provided by financing activities	622	14,048
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$(10,578)	\$ 32,035
	=====	=====
Other Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 7,103	\$ 7,892
Income taxes paid, net of refunds	4,311	1,076
Other Non-Cash Information:		
Accrued deposits to Capital Construction Fund, net	-	19,903
Depreciation	21,951	22,729
Tax-deferred property exchange	4,279	1,558
Change in unrealized holding gains	(789)	(3,819)

FINANCIAL NOTES
(Unaudited)

- (a) The condensed balance sheet as of March 31, 1998 and the condensed statements of income and the condensed statements of cash flows for the three months ended March 31, 1998 and 1997 are unaudited. Because of the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year, but in the opinion of management, all material adjustments necessary for the fair presentation of interim period results have been included in the interim financial statements.
- (b) Estimated effective annual income tax rates differ from statutory rates, primarily due to the dividends-received deduction and various tax credits.
- (c) The Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," and SFAS No. 130, "Reporting Comprehensive Income," during the year ended December 31, 1997.

In accordance with SFAS No. 128, the Company renamed its Primary Earnings per Share (EPS) to Basic EPS and disclosed its Diluted EPS. Due to the immaterial impact of the potential exercise of the Company's stock options, Basic and Diluted EPS are the same amount.

In accordance with SFAS No. 130, the Company must disclose total non-owner changes in shareholders' equity. For the Company, this consists of net income plus unrealized holding gains on securities. On this basis, comprehensive income for the first quarter of 1998 and 1997 totaled \$13 million and \$17 million, respectively.

- (d) 1997 first quarter results for ocean transportation include \$20 million, pre-tax, from the settlement of a lawsuit that involved insurance claims for earthquake damage to port facilities in 1989.
- (e) Certain amounts have been reclassified to conform with the current year's presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRST QUARTER EVENTS:

OPERATING RESULTS: Net income for the first quarter of 1998 was \$13,774,000, or \$0.31 per share. Net income for the comparable period of 1997 was \$21,225,000, or \$0.47 per share, including \$12,361,000, or \$0.27 per share, from the settlement of long-standing insurance litigation. Excluding this settlement, after-tax income rose 55 percent compared with the first quarter of 1997.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal liquid resources, which consist of cash and cash equivalents, receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled \$476,459,000 at March 31, 1998, a decrease of \$7,217,000 from December 31, 1997. The decrease was due primarily to lower receivables and cash balances, partially offset by increased sugar and coffee inventories and a slightly higher amount available under lines of credit. There was no change in accrued deposits to the CCF. Receivables decreased \$17,174,000; this decrease was mostly at Matson Navigation Company, Inc. ("Matson"). Cash and cash equivalents decreased by \$10,578,000, due primarily to normal expenditures for container equipment, debt repayments and operating cash requirements. Sugar and coffee inventories increased \$17,535,000, due principally to higher sugar production costs carried in inventory in the first quarter of 1998 and higher levels of refined sugar inventory. Amounts available under lines of credit increased just \$3,000,000 in the first quarter of 1998.

Working capital was \$101,778,000 at March 31, 1998, a decrease of \$13,028,000 from the amount at the end of 1997. This decrease was due primarily to the decreases in receivables and cash balances, partially offset by the increase in inventories.

RESULTS OF SEGMENT OPERATIONS -
FIRST QUARTER 1998 COMPARED WITH THE FIRST QUARTER 1997

OCEAN TRANSPORTATION revenue of \$178,800,000 for the first quarter of 1998 was one-percent less than the 1997 first-quarter revenue. Operating profit in the first quarter of 1998 decreased by \$16,680,000 to \$17,370,000, primarily because the first quarter 1997 results included \$19,937,000 (pretax) for the insurance settlement. Excluding that factor, 1998 first quarter operating profit was \$3,257,000 higher than in the first quarter of 1997, an improvement of 23 percent. This increase was primarily the result of a small improvement in Hawaii service revenue and the start of a revised operating alliance with American President Lines, Ltd. Matson's first-quarter 1998 Hawaii service container volume was two-percent higher than in the 1997 first quarter, while automobile volume was two-percent lower.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue of \$9,235,000 for the first quarter of 1998 was one-percent higher than the first quarter 1997 revenue, and operating profit of \$5,899,000 was five-percent lower than the 1997 first-quarter amount. The reduction primarily reflected the weak Hawaii economy, a lower lease rate on one property and the net effect of acquisitions and sales of various income properties. First quarter 1998 occupancy levels for Mainland properties averaged 96 percent, versus 99 percent in the first quarter of 1997. Occupancy levels for Hawaii properties averaged 65 percent in the first quarter of 1998, versus 82 percent in the comparable period of 1997. That decrease was due primarily to a temporary vacancy related to a former Woolworth tenancy and properties acquired recently at favorable prices that have relatively low occupancy rates.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of \$7,781,000 in the first quarter of 1998 compared with \$4,111,000 in the comparable period of 1997. Operating profit from property sales in the first quarter of 1998 was \$4,642,000, versus \$1,580,000 in the same period in 1997. Sales in the first quarter of 1998 included three business parcels and nine residential properties. Sales in the first quarter of 1997 included one developed business lot and 11 residential properties. Three of the 1998 and one of the 1997 sales were completed on a tax-deferred basis.

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 condensed balance sheets are not necessarily indicative of future profitability for this segment.

FOOD PRODUCTS revenue of \$94,874,000 for the first quarter of 1998 was six-percent lower than the revenue reported for the comparable period of 1997. However, operating profit was \$2,998,000 for the first quarter of 1998, versus \$2,443,000 a year earlier. Hawaii agribusiness results were higher for both sugar production and coffee. Refined sugar sales and refiners' margins were lower at California and Hawaiian Sugar Company, Inc., due to greater supplies of refined beet and cane sugar in the domestic market.

OTHER

INSURANCE LITIGATION: Matson received a favorable cash settlement of \$33,650,000 on February 13, 1997 for a contested insurance claim in connection with repairing port facilities damaged by a 1989 earthquake. As noted previously, this settlement resulted in additional net income of \$12,361,000 in the first quarter of 1997.

LEGISLATION: In September 1997, the Secretary of Agriculture established, under the Federal Agriculture Improvement and Reform Act and in accordance with the Harmonized Tariff Schedule, the aggregate quantity of sugars and syrups that can be imported into the United States. The maximum import quantity for fiscal year 1998 was set at 1,800,000 metric tons raw value (mtrv), with an initial release of 1,200,000 mtrv and the remaining 600,000 mtrv to be released in 200,000 mtrv increments in January, March, and May, if, in those months, the stocks-to-use ratio, as published in the World Agricultural Supply and Demand Estimate (WASDE), is not greater than 15.5 percent. In January 1998, the WASDE stocks-to-use ratio was 15.7 percent and, as a result, the first 1998 increment was cancelled. In March 1998, the WASDE stocks-to-use ratio was 14.5 percent. As a result, the second 1998 increment was released and the maximum import quantity for fiscal year 1998 is still at 1,600,000 mtrv. The approved import quantity is now 1,400,000 mtrv and the final increment of 200,000 mtrv will be cancelled or released in May 1998.

TAX-DEFERRED REAL ESTATE EXCHANGES: In the first quarter of 1998, the Company sold five parcels of land on Maui for \$4,279,000 (net reinvestment proceeds). The proceeds from these sales are reflected in the Condensed Statements of Cash Flows under the caption "Other Non-Cash Information" and are expected to be reinvested on a tax-deferred basis.

SHARE REPURCHASES: During the first quarter of 1998, the Company repurchased 85,000 shares of its common stock for an aggregate of \$2,250,000 (average of \$26.47 per share).

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.

ECONOMIC CONDITIONS: Very low real growth continues to be the immediate outlook for Hawaii's economy. No catalyst for better performance appears evident. The state's important visitor industry is expected to benefit from increasing westbound arrivals, due to the continuing strong economic performance of the U.S. mainland states and resulting expectations of strong 1998 summer vacation travel and spending. Although Asia's financial turmoil is a concern, the most immediate and direct effect on Hawaii is likely to be realized through the volatility in currency exchange. If the yen weakens further, as many expect, eastbound visitors will spend less and shorten the lengths of their stays in Hawaii, likely reducing tourism expenditures. The net effect of a favorable westbound visitor outlook and an unfavorable eastbound one is for modest growth in total expenditures, at best. Separately, passage by the Hawaii state legislature of key initiatives to support economic revitalization remains uncertain.

YEAR 2000: Beginning in 1996, the Company initiated an evaluation of its computer systems and applications to prepare for the Year 2000. Following this evaluation, implementation plans for all business segments were prepared and are currently being executed. Areas which have the greatest risk of impacting operations are being corrected first; however, all work related to primary systems and applications is expected to be completed substantially by the end of 1998. Many of the primary systems are already Year 2000 compliant. The plans consist of upgrading, modifying or replacing various systems for approximately \$6,000,000 to \$8,000,000. The costs incurred in connection with the Year 2000 compliance are being treated as an operating expense unless a

system is being replaced for operating reasons as well as Year 2000 compliance, in which case costs are being capitalized. The Company believes that its systems and applications necessary to operate and manage its businesses will be replaced, modified or upgraded in advance of the Year 2000 and that the related costs will not have a material impact on the operations, cash flows, financial condition or segment results of future periods.

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 Forms 10-Q, 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, such as government rate regulations, land-use regulations, government administration of the U.S. sugar program, and retention of cabotage laws; (5) dependence on raw sugar suppliers and other third-party suppliers; (6) fuel prices; (7) labor relations; and (8) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10. Material contracts.

10.b.1.(xxxii) Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan.

10.b.1.(xxxiii) Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan.

11. Statement re computation of per share earnings.

27. Financial Data Schedule.

(b) Reports on Form 8-K

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

SIGNATURES

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

ALEXANDER & BALDWIN, INC.

(Registrant)

Date: May 14, 1998

/s/ Glenn R. Rogers

Glenn R. Rogers
Executive Vice President and Chief
Financial Officer

Date: May 14, 1998

/s/ Thomas A. Wellman

Thomas A. Wellman
Controller

EXHIBIT INDEX

- 10. Material contracts.
 - 10.b.1.(xxxii) Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan.
 - 10.b.1.(xxxiii) Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan.
- 11. Statement re computation of per share earnings.
- 27. Financial Data Schedule.

1998 STOCK OPTION/STOCK INCENTIVE PLAN

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 1998 Stock Option/Stock Incentive Plan is intended to promote the interests of Alexander & Baldwin, Inc., a Hawaii corporation, by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to join and/or remain in the service of the Corporation.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

A. The Plan is comprised of two separate equity incentive programs:

(i) the Discretionary Option Grant Program (together with the Reload Option Grant Program) under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock at a fixed price per share over their period of Service, and

(ii) the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through immediate stock issuances or through share right awards, as a bonus for services rendered the Corporation (or any Parent or Subsidiary) or the attainment of designated performance milestones.

B. The provisions of Articles One and Five shall apply to both equity incentive programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. The Plan shall be administered by the Compensation and Stock Option Committee (the "Committee") comprised of two (2) or more Board members appointed by the Board. The Board may from time to time appoint members to the Committee in substitution for (or in addition to) members previously appointed, and the Board shall have the authority to fill any and all vacancies on the Committee, however caused. The Committee acting in its administrative capacity under the Plan shall be herein designated as the Plan Administrator.

B. The Committee as Plan Administrator shall have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding option grants or stock issuances thereunder as it may deem necessary or advisable. The Plan Administrator shall also have the discretionary authority to change the terms and conditions of any outstanding option grant, outstanding share right award, or unvested stock issuance, provided such action does not, without the consent of the holder,

adversely affect the rights and obligations such individual may have under the Plan or the outstanding option grant, outstanding share right award, or stock issuance. Decisions of the Plan Administrator shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs or any option grant, share right award, or stock issuance thereunder.

C. Service on the Committee shall constitute service as a Board member, and Committee members shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on the Committee. No member of the Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option

Grant and Stock Issuance Programs are as follows:

- (i) Employees, and
- (ii) non-employee directors of any Subsidiary.

B. The Plan Administrator shall have full authority to determine, (i) with respect to the option grants under the Discretionary Option Grant Program, all terms and conditions thereof to the extent not inconsistent with the express provisions of this Plan, including but not limited to which eligible persons are to receive option grants, the time or times when those option grants are to be made, the number of shares to be covered by each such grant, whether the granted option will have a reload feature, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding and (ii) with respect to stock issuances or share right awards under the Stock Issuance Program, all terms and conditions thereof to the extent not inconsistent with the express provisions of this Plan, including but not limited to which eligible persons are to receive stock issuances or share right awards, the time or times when such issuances or share right awards are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration to be paid for such shares.

C. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances or share right awards in accordance with the Stock Issuance Program.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The maximum number of shares of Common Stock initially reserved for issuance over the term of the Plan shall not exceed 2,100,000 shares.

B. No one person participating in the Plan may receive option grants, share right awards and direct stock issuances for more than 500,000 shares of Common Stock in the aggregate per calendar year, beginning with the 1998 calendar year.

C. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent those options expire or terminate for any reason prior to exercise in full. Unvested shares issued under the Plan and subsequently repurchased by the Corporation, at the original exercise or issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants, share right awards or direct stock issuances under the Plan. Should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option, then the number of shares of Common Stock available for issuance under the Plan shall be reduced only by the net number of shares of Common Stock issued to the holder of such option.

D. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities for which any one person may be granted stock options, share right awards and direct stock issuances under the Plan per calendar year, (iii) the aggregate number and/or class of securities which may be issued in the aggregate under the Stock Issuance Program, and (iv) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under those options. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO

DISCRETIONARY OPTION GRANT PROGRAM

I. OPTION TERMS

Each option shall be a non-statutory option under the federal tax laws, evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the

terms specified below.

A. EXERCISE PRICE.

1. The exercise price per share shall be fixed by the Plan Administrator but shall not be less than the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of the documents evidencing the option, be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation, or

(ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date.

B. EXERCISE AND TERM OF OPTIONS. Each option shall be exercisable

at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. EFFECT OF TERMINATION OF SERVICE.

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option exercisable in whole or in part by the Optionee at the time of death may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution.

(iii) Should the Optionee's Service be terminated for Misconduct, or should the Optionee (a) engage in any post-Service activity, whether as an employee, consultant, advisor, or otherwise, competitive with the business operations of the Corporation (or any Parent or Subsidiary), or (b) engage in any other conduct, while in Service or following cessation of Service, materially detrimental to the business or affairs of the Corporation (or any Parent or Subsidiary), as determined in the sole discretion of the Plan Administrator, then all outstanding options held at the time by the Optionee shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, except as otherwise provided in Section I.C.2 below, an outstanding option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to

such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee otherwise would have vested had the Optionee continued in Service.

D. STOCKHOLDER RIGHTS. The holder of an option shall have no

stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and satisfied all other conditions precedent to the issuance of the certificates for the purchased shares.

E. REPURCHASE RIGHTS. The Plan Administrator shall have the

discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. TRANSFERABILITY OF OPTIONS. During the lifetime of the

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

II. CHANGE IN CONTROL

A. Each option outstanding at the time of a Change in Control but not otherwise fully exercisable shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock.

B. All outstanding repurchase rights, as described in Section I.E of this Article Two, shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control.

C. Immediately following the consummation of the Change in Control, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

D. Each option which is assumed (or is otherwise to continue in effect) in connection with a Change in Control shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such

securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and (iii) the maximum number and/or class of securities for which any one person may be granted stock options, share right awards and direct stock issuances under the Plan per calendar year.

E. The outstanding options shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

ARTICLE THREE

RELOAD OPTION GRANT PROGRAM

I. TERMS AND CONDITIONS OF RELOAD OPTIONS

A. The Plan Administrator shall have full power and authority, exercisable in its sole discretion either at the time an option is granted under the Discretionary Option Grant Program or at any time while such option remains outstanding, to incorporate a reload feature into that option. To the extent an option with such a reload feature is subsequently exercised through the delivery of previously-acquired shares of Common Stock in payment of the exercise price for the shares purchased under that option, the Optionee shall automatically be granted, at the time of such exercise (the "Reload Grant Date"), a new option (the "Reload Option") to purchase the number of shares of Common Stock so delivered. For purposes of this Article Three, the underlying option with such a reload feature shall be referred to as the "Original Option." In addition, to the extent an option with a reload feature granted under the Corporation's 1989 Stock Option/Stock Incentive Plan is exercised through the delivery of previously-acquired shares of Common Stock in payment of the exercise price for the shares purchased under that option, the Optionee shall automatically be granted, at the time of such exercise, pursuant to the terms of the instrument evidencing the reload feature, a Reload Option to purchase shares under the 1989 Stock Option/Stock Incentive Plan, to the extent shares of Common Stock are available for issuance under that plan, and, to the extent shares of Common Stock no longer are available for issuance under that plan, to purchase shares under this Plan.

B. The Plan Administrator may, in its sole discretion, provide in the instrument evidencing the reload feature that no Reload Option shall be granted in the event the Original Option with such feature is exercised before a specified period of time has elapsed after the grant date of that Original Option.

C. The reload feature and each Reload Option shall each be evidenced by instruments in such form as the Plan Administrator shall from time to time deem appropriate. However, the terms and provisions of each Reload Option shall be exactly the same as the terms and provisions of the Original Option to which such Reload Option relates, except to the extent otherwise indicated below.

1. Exercise Price.

a. Unless the Plan Administrator specifies otherwise in the instrument evidencing the reload feature, the exercise price per share of the Common Stock purchasable under the Reload Option shall be equal to the Fair Market Value per share of Common Stock on the Reload Grant Date. The Plan Administrator shall have full power and authority under this Article Three to provide in the instrument evidencing the reload feature that the Reload Option shall have an exercise price per share in excess of the Fair Market Value per share of Common Stock on the Reload Grant Date in the event the Fair Market Value per share of Common Stock on such date is not more than one hundred fifty percent (150%) of the exercise price per share in effect at the time under the Original Option.

b. The exercise price shall become immediately due upon exercise of the Reload Option and shall be payable in the same form or forms in which the exercise price may be paid under the Original Option.

2. No Additional Reload Option. In no event shall any

additional Reload Option be granted in connection with the subsequent exercise of the Reload Option granted with respect to the Original Option, whether or not shares of Common Stock are delivered in connection with the payment of the exercise price of that Reload Option. Accordingly, not more than one Reload Option shall be granted per Original Option.

3. Term of Reload Option. The Reload Option shall have the

same maximum option term and expiration date as the Original Option to which it relates, subject to earlier termination in accordance with Section I.5 of this Article Three.

4. Exercise of Reload Option.

a. The Plan Administrator shall specify in the instrument evidencing the reload feature the period of time which must elapse following the exercise of the Original Option before the Reload Option shall become exercisable. Once the period specified by the Plan Administrator has elapsed, the Reload Option shall become immediately exercisable for all of the shares of Common Stock at the time subject to that Reload Option.

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

5. Termination of Service. Upon the Optionee's cessation of

Service for any reason while holding one or more outstanding Reload Options under this Article Three, each of those Reload Options shall terminate and cease to be outstanding at the same time the Original Option, to which that Reload Option relates, terminates in connection with such cessation of Service.

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

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

7. Change in Control. Should a Change in Control occur while

the Reload Option is outstanding, then that Reload Option shall immediately become exercisable for the shares of Common Stock at the time subject to that Reload Option. Upon the consummation of the Change in Control, each outstanding Reload Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation or its parent company or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

8. Miscellaneous Provisions.

a. The Company's obligation to deliver shares of Common Stock upon the exercise of Reload Options granted under this Article Three shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

b. To the extent the Optionee has the right to have a portion of the shares purchased under the Original Option withheld by the Corporation in satisfaction of the applicable withholding taxes incurred in connection with the exercise of the Original Option (or otherwise to deliver existing shares of Common Stock in satisfaction of such tax liability), the Optionee shall have the similar right with respect to the withholding tax liability incurred in connection with the exercise of the Reload Option, unless the Plan Administrator specifies otherwise in the instrument evidencing the reload feature.

ARTICLE FOUR

STOCK ISSUANCE PROGRAM -----

I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance, whether or not evidenced by a Stock Issuance Agreement, shall be made in compliance with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the completion of a designated Service period or the attainment of specified performance goals. Of the number of shares of Common Stock reserved for issuance under this Plan, as set forth in Section V.A of Article One, the number of shares of Common Stock issuable under the Stock Issuance Program shall not exceed 250,000 shares in the aggregate over the term of this Plan, subject to appropriate adjustments under Section V.D of Article One.

A. ISSUE PRICE. -----

1. The issue price per share of Common Stock subject to direct issuance shall be fixed by the Plan Administrator, but shall not be less than the Fair Market Value per share of Common Stock on the date of the stock issuance or share right award.

2. Shares of Common Stock may be issued under the Stock Issuance Program for any consideration which constitutes valid consideration under the laws of the state under which the Corporation is at the time incorporated.

B. VESTING/ISSUANCE PROVISIONS.

1. The Plan Administrator may issue shares of Common Stock under the Stock Issuance Program which are fully and immediately vested upon issuance or which are to vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. Alternatively, the Plan Administrator may issue share right awards under the Stock Issuance Program which shall entitle the recipient to receive a specified number of shares of Common Stock upon the completion of a designated Service period or the attainment of one or more performance goals established by the Plan Administrator. Upon the completion of such Service period or the attainment of such performance goals, fully-vested shares of Common Stock shall be issued in satisfaction of those share right awards.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to his or her unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Except as otherwise may be provided by the Plan Administrator, share right awards and unvested shares of Common Stock issued under the Stock Issuance Program shall not be assignable or transferable.

5. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. The Plan Administrator, however, shall have the discretionary authority to waive the surrender and cancellation of one or more unvested shares of Common Stock (or other assets attributable thereto) which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

6. Outstanding share right awards under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the Service requirement for such awards is not satisfied or the performance goals established for those awards are not attained. The Plan Administrator, however, shall have the discretionary authority to issue shares of Common Stock in satisfaction of one or more outstanding share right awards as to which the designated Service requirement or performance goals are not satisfied or attained.

II. CHANGE IN CONTROL

In the event of any Change in Control:

1. all of the Corporation's outstanding rights to cancel unvested shares under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, and

2. all shares of Common Stock at the time subject to outstanding share right awards shall be issued immediately as fully-vested shares.

III. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

MISCELLANEOUS

I. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all holders of options under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Taxes incurred by such holders in connection with the exercise of their options. Such right may be provided to any such holder in either or both of the following formats:

Stock Withholding: The election to have the Corporation

withhold, from the shares of Common Stock otherwise issuable upon the exercise of such option, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

Stock Delivery: The election to deliver to the Corporation, at

the time the option is exercised, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise triggering the Taxes) with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

II. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective when adopted by the Board, and options may be granted under the Discretionary Option Grant Program at any time on or after such date. However, no options granted under the Plan may be exercised, and no shares shall be issued under the Plan, unless the Plan is approved by the Corporation's stockholders at the 1998 Annual Meeting. If such stockholder approval is not obtained, then all options previously granted under this Plan shall terminate and cease to be outstanding without ever becoming exercisable for the option shares, and no further options shall be granted and no shares shall be issued under the Plan.

B. The Plan shall terminate upon the earliest of (i) the tenth

(10th) anniversary of the date of its adoption by the Board, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with a Change in Control. Should the Plan terminate in accordance with clause (i), then all option grants, share right awards and unvested stock issuances outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

III. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options, share right awards or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws or regulations.

B. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant Program and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees the exercise price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically canceled and cease to be outstanding.

IV. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the issuance of shares of Common Stock under the Plan shall be used for general corporate purposes.

V. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq Stock Market, if applicable) on which Common Stock is then listed for trading.

VI. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Plan to be executed by its duly authorized officers effective this 23rd day of April, 1998.

ALEXANDER & BALDWIN, INC.

By /s/ Miles B. King
Its Vice President

By /s/ Alyson J. Nakamura
Its Assistant Secretary

APPENDIX

The following definitions shall be in effect under the Plan:

A. BOARD shall mean the Corporation's Board of Directors.

B. CHANGE IN CONTROL shall mean:

(i) a merger or consolidation approved by the Corporation's stockholders in which securities possessing 35% or more of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction,

(ii) any approval by the stockholders of the Corporation of a plan of complete liquidation or dissolution of the Corporation, or any sale, transfer or other disposition of all or substantially all of the Corporation's assets, other than a sale, transfer or other disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale, or

(iii) any other change in control of a nature required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A under the 1934 Act, whether or not the Corporation is at the time required to comply with such Regulation 14A, provided that, without limitation, a

change in control shall in all events be deemed to have occurred if (a) any person (as defined in Rule 13d-3 of the 1934 Act) becomes the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing 35% or more of the total combined voting power of the Corporation's outstanding securities, or (b) there is a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases to consist of individuals who either (I) have served continuously as Board members since the beginning of such period or (II) have been elected or nominated for election as Board members during such period by a vote of at least two-thirds of the Board members described in clause (I) who were still in office at the time the Board approved such election or nomination, other than, in the case of either (I) or (II) above, a Board member whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Corporation.

C. CODE shall mean the Internal Revenue Code of 1986, as amended.

D. COMMON STOCK shall mean the Corporation's common stock.

E. CORPORATION shall mean Alexander & Baldwin, Inc., a Hawaii

corporation, and its successors.

F. DISCRETIONARY OPTION GRANT PROGRAM shall mean the discretionary

option grant program in effect under the Plan.

G. EMPLOYEE shall mean an individual who is in the employ of the

Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

H. EXERCISE DATE shall mean the date on which the Corporation shall have

received both (i) written notice of the option exercise, and (ii) payment of the option price for the purchased shares.

I. FAIR MARKET VALUE per share of Common Stock on any relevant date

shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be deemed equal to the mean between the highest and lowest selling prices per share of Common Stock on the date in question, as such prices are reported on the Nasdaq National Market or any successor system. If there are no highest and lowest selling prices for the Common Stock on the date in question, then the Fair Market Value shall be the mean between the highest and lowest selling prices on the last preceding date for which such quotations exist.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be deemed equal to the mean between the highest and lowest selling prices per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such prices are officially quoted in the composite tape of transactions on such exchange. If there are no highest and lowest selling prices for the Common Stock on the date in question, then the Fair Market Value shall be the mean between the highest and lowest selling prices on the last preceding date for which such quotations exist.

J. MISCONDUCT shall mean the commission of any act of fraud,

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

K. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.

L. OPTIONEE shall mean any person to whom an option is granted under the

Discretionary Option Grant Program.

M. PARENT shall mean any corporation (other than the Corporation) in an

unbroken chain of corporations ending with the Corporation, provided each
corporation in the unbroken chain (other than the first corporation) owns, at
the time of the determination, stock possessing fifty percent (50%) or more of
the total combined voting power of all classes of stock in one of the other
corporations in such chain.

N. PARTICIPANT shall mean any person who is issued shares of Common

Stock under the Stock Issuance Program.

O. PERMANENT DISABILITY OR PERMANENTLY DISABLED shall mean the inability

of the Optionee or the Participant to engage in any substantial gainful
activity by reason of any medically determinable physical or mental impairment
expected to result in death or to be of continuous duration of twelve (12)
months or more.

P. PLAN shall mean the Corporation's 1998 Stock Option/Stock Incentive

Plan, as set forth in this document.

Q. PLAN ADMINISTRATOR shall mean the Compensation and Stock Option

Committee acting in its administrative capacity under the Plan.

R. SECTION 16 INSIDER shall mean an officer or director of the

Corporation subject to the short-swing profit liabilities of Section 16 of the
1934 Act.

S. SERVICE shall mean the performance of services for the Corporation

(or any Parent or Subsidiary) by a person in the capacity of an Employee or a
non-employee director of any Subsidiary, except to the extent otherwise
specifically provided for by the Plan Administrator in the documents evidencing
the option grant or stock issuance or otherwise.

T. STOCK EXCHANGE shall mean either the American Stock Exchange, the New

York Stock Exchange, or any successor exchange.

U. STOCK ISSUANCE AGREEMENT shall mean an agreement entered into by the

Corporation and the Participant at the time of issuance of shares of Common
Stock under the Stock Issuance Program.

V. STOCK ISSUANCE PROGRAM shall mean the stock issuance program in

effect under the Plan.

W. SUBSIDIARY shall mean any corporation (other than the Corporation) in

an unbroken chain of corporations beginning with the Corporation, provided each
corporation (other than the last corporation) in the unbroken chain owns, at
the time of the determination, stock possessing fifty percent (50%) or more of
the total combined voting power of all classes of stock in one of the other
corporations in such chain. For purposes of options under the Discretionary
Option Grant Program and direct stock issuances or share right awards under the
Stock Issuance Program, the term "Subsidiary" shall also include any
partnership, joint venture or other business entity of which the Corporation
owns, directly or indirectly through another subsidiary corporation, more than
a fifty percent (50%) interest in voting power, capital or profits.

X. TAXES shall mean the Federal, state and local income and employment

tax liabilities incurred by the holder of options in connection with the
exercise of those options.

Y. 10% STOCKHOLDER shall mean the owner of stock (as determined under

Code Section 424(d)) possessing more than ten percent (10%) of the total
combined voting power of all classes of stock of the Corporation (or any Parent

or Subsidiary).

1998 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 1998 Non-Employee Director Stock Option Plan (the "Plan") is intended to promote the interests of Alexander & Baldwin, Inc., a Hawaii corporation (the "Corporation"), by offering non-employee members of the Board of Directors the opportunity to participate in a special stock option program designed to provide them with significant incentives to remain in the service of the Corporation.

II. ELIGIBILITY

Each non-employee member of the Corporation's Board of Directors (the "Board") shall be eligible to receive automatic option grants pursuant to the provisions of Article Two below.

III. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of the Corporation's common stock, without par value ("Common Stock"). Such shares may be made available from authorized but unissued shares of Common Stock or shares of Common Stock reacquired by the Corporation and held as Treasury shares. The aggregate number of issuable shares shall not exceed 130,000 shares, subject to adjustment from time to time in accordance with subparagraph D. below.

B. Should any option expire or terminate for any reason prior to exercise in full, the shares subject to the portion of the option not so exercised shall be available for subsequent option grants under this Plan. All share issuances under the Plan shall reduce on a share-for-share basis the number of shares of Common Stock available for subsequent issuance under the Plan. Should the exercise price of an outstanding option under this Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of any applicable withholding taxes incurred in connection with the exercise of an option, then the number of shares available for subsequent issuance under the Plan shall be reduced only by the net number of shares issued to the holder of such option.

C. Should the total number of shares at the time available for grant under the Plan not be sufficient for the automatic grants to be made at that particular time to the non-employee Board members, then the available shares shall be allocated proportionately among all the automatic grants to be made at that time.

D. In the event any change is made to the Common Stock issuable under the Plan by reason of any stock split, stock dividend, combination of shares or other change affecting the outstanding Common Stock as a class without receipt of consideration, then appropriate adjustments will be made to (i) the aggregate number and/or class of shares issuable under the Plan, (ii) the number and/or class of shares for which options subsequently are to be granted to each non-employee Board member in accordance with the provisions of Article Two below, and (iii) the number and/or class of shares and the exercise price per share of the stock subject to outstanding options in order to prevent the dilution or enlargement of benefits thereunder.

IV. VALUATION

For all valuation purposes under the Plan, the Fair Market Value per share of Common Stock on any relevant date shall be the mean between the highest and lowest selling prices per share of Common Stock on such date, as

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

V. SUBSIDIARIES

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

ARTICLE TWO

AUTOMATIC GRANTS

I. GRANT DATES

Commencing with the 1999 Annual Shareholders Meeting and continuing in effect for each subsequent Annual Shareholders Meeting, each individual who is at the time elected as a non-employee Board member shall automatically be granted, on the date of each such Annual Meeting, a non-qualified stock option to purchase 3,000 shares of Common Stock.

II. TERMS AND CONDITIONS OF GRANT

A. Each option granted in accordance with the automatic grant provisions of the Plan shall be evidenced by a non-qualified stock option agreement. Accordingly, each such automatic grant shall be subject to the following terms and conditions:

1. Option Price.

The option price per share shall be equal to the Fair Market Value per share of Common Stock on the grant date.

2. Term and Exercisability of Options.

a. Each option granted under this Article Two Program shall become exercisable in three (3) successive equal annual installments upon optionee's completion of each year of Board service over a three (3)-year period measured from the grant date; provided, however, that (i) each option held by the optionee at the time of his/her death, but not otherwise fully exercisable, shall automatically accelerate as described in paragraph 5.b. below, and (ii) each option held by the optionee at the time of his/her (a) disability, (b) retirement at or after age seventy-two (72), or (c) termination with five (5) or more years of Board service, but not otherwise fully exercisable, shall continue to become exercisable as described in paragraph 5.c. below. As the option becomes exercisable for one or more option shares, the option shall remain exercisable for those shares until the expiration or sooner termination of the option term.

b. Each granted option shall have a maximum term of ten (10) years measured from the automatic grant date.

3. Exercise of Option.

Upon exercise of the option, the option price for the purchased

shares shall, subject to the provisions of the documents evidencing the option, become immediately payable in one or more of the forms specified below:

(i) cash or cash equivalents (such as a personal check payable to the Corporation's order); or

(ii) shares of Common Stock held by the optionee for the requisite period necessary to avoid a charge to the Corporation's reported earnings and valued at Fair Market Value on the date of exercise.

4. Non-Transferability.

During the lifetime of the optionee, the option shall be exercisable only by the optionee and shall not be assignable or transferable by the optionee otherwise than by will or by the laws of descent and distribution following the optionee's death.

5. Effect of Termination of Board Membership.

a. Should an optionee cease to be a member of the Board for any reason (other than by reason of death, disability, retirement at or after age seventy-two (72), or termination with five (5) or more years of Board service) while holding one or more automatic grants under the Plan, then each such grant shall remain exercisable, for the number of option shares for which the grant is exercisable at the time of such cessation of Board service, for a six (6)-month period following the date of such cessation of Board service.

b. Should an optionee cease to be a member of the Board by reason of death, then each automatic grant at the time held by such optionee shall automatically accelerate and shall become immediately exercisable for all of the shares at the time subject to that option. Each such grant may be subsequently exercised by the personal representative of the optionee's estate or by the person or persons to whom the option is transferred pursuant to the optionee's will or in accordance with the laws of descent and distribution. Any such exercise must, however, occur within twelve (12) months after the date of the optionee's death.

c. Should an optionee cease to be a Board member by reason of (i) disability, (ii) retirement at or after age seventy-two (72), or (iii) termination with five (5) or more years of Board service, then each automatic grant at the time held by such optionee shall remain exercisable and continue to become exercisable for a thirty-six (36)-month period measured from the date of such cessation of Board service.

d. For all relevant purposes under this Article Two Program, disability shall mean the optionee's inability, by reason of any physical or mental injury or illness expected to result in death or to be of continuous duration of twelve (12) consecutive months or more, to perform his/her normal and usual duties as a Board member.

e. In no event shall any option remain exercisable after the specified expiration date of the ten (10)-year option term. Upon the expiration of the applicable exercise period specified in subparagraphs a., b. and c. above or (if earlier) upon the expiration of the ten (10)-year option term, the option shall terminate and cease to be exercisable.

6. Shareholder Rights.

An option holder shall have none of the rights of a shareholder with respect to any shares covered by the automatic grant until such individual shall have exercised the option, paid the option price and been issued a stock certificate for the purchased shares.

III. CHANGE IN CONTROL

A. Each option outstanding at the time of a Change in Control, as defined below, but not otherwise fully exercisable shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. A Change in Control shall mean:

(i) a merger or consolidation approved by the Corporation's stockholders in which securities possessing 35% or more of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction,

(ii) any approval by the stockholders of the Corporation of a plan of complete liquidation or dissolution of the Corporation, or any sale, transfer or other disposition of all or substantially all of the Corporation's assets, other than a sale, transfer or other disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale, or

(iii) any other change in control of a nature required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A under the 1934 Act, whether or not the Corporation is at the time required to comply with such Regulation 14A, provided that, without limitation, a change in control shall in all events be deemed to have occurred if (a) any person (as defined in Rule 13d-3 of the 1934 Act) becomes the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing 35% or more of the total combined voting power of the Corporation's outstanding securities, or (b) there is a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases to consist of individuals who either (I) have served continuously as Board members since the beginning of such period or (II) have been elected or nominated for election as Board members during such period by a vote of at least two-thirds of the Board members described in clause (I) who were still in office at the time the Board approved such election or nomination, other than, in the case of either (I) or (II) above, a Board member whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Corporation.

B. The outstanding options shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

I. AMENDMENT OF THE PLAN

The Plan may be amended at any time by the Board, subject to any shareholder approval required under applicable law or regulation.

II. EFFECTIVE DATE AND TERM OF PLAN

A. The Plan shall become effective on the date of its adoption by the Board; provided, however, that no automatic grants shall be made under the Plan until the Plan shall have been approved by the shareholders at the 1998 Annual Meeting.

B. The Plan shall terminate upon the earliest to occur of (i) the tenth anniversary of the date of its initial adoption by the Board, (ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the exercise of the automatic grants made hereunder or (iii) the date on which all outstanding options are terminated in connection with the Change in Control provisions of the Plan. If the date of termination is determined under clause (i) above, then any option grants outstanding on such date shall not be affected by the termination of the Plan and shall continue to have force and effect in accordance with the provisions of the instruments evidencing such grants or issuances.

III. CASH PROCEEDS

All cash proceeds received by the Corporation from the sale of

shares pursuant to the automatic grants made under the Plan shall be used for general corporate purposes.

IV. REGULATORY APPROVALS

The implementation of the Plan, the granting of any option hereunder, and the issuance of Common Stock upon the exercise of any such option shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the options granted under it and the Common Stock issued pursuant to it.

V. NO IMPAIRMENT OF RIGHTS

Nothing in this Plan or any automatic grant made pursuant to the Plan shall be construed or interpreted so as to affect adversely or otherwise impair the Corporation's right to remove any optionee from service on the Board at any time in accordance with the provisions of applicable law.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Plan to be executed by its duly authorized officers effective this 23rd day of April, 1998.

ALEXANDER & BALDWIN, INC.

By /s/ Miles B. King
Its Vice President

By /s/ Alyson J. Nakamura
Its Assistant Secretary

ALEXANDER & BALDWIN, INC.
 COMPUTATION OF EARNINGS PER SHARE
 FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1997
 (In thousands, except per share amounts)

	1998	1997
<hr style="border-top: 1px dashed black;"/>		
Basic Earnings Per Share		
<hr style="border-top: 1px dashed black;"/>		
Net income	\$ 13,774 =====	\$21,225 =====
Average number of shares outstanding	44,842 =====	45,311 =====
Basic earnings per share	\$ 0.31 =====	\$ 0.47 =====
Diluted Earnings Per Share		
<hr style="border-top: 1px dashed black;"/>		
Net income	\$ 13,774 =====	\$21,225 =====
Average number of shares outstanding	44,842	45,311
Effect of assumed exercise of outstanding stock options	289 -----	132 -----
Average number of shares outstanding after assumed exercise of outstanding stock options	45,131 =====	45,443 =====
Diluted earnings per share	\$ 0.31 =====	\$ 0.47 =====

The schedule contains summary financial information extracted from the condensed balance sheet as of March 31, 1998 and the condensed statement of income for the three months ended March 31, 1998 and is qualified in its entirety by reference to such financial statements.

	1000
	3-MOS
DEC-31-1998	
MAR-31-1998	
	1,045
	10,000
	176,982
	17,991
	85,549
	276,704
	2,001,271
	959,950
	1,705,328
174,926	
	296,498
0	
	0
	36,723
	685,162
1,705,328	
	284,267
	291,407
	237,208
	237,208
	0
	0
	6,080
	22,038
	8,264
13,774	
	0
	0
	0
	13,774
	0.31
	0.31