UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

o 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 001-34187

Matson, 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.)

1411 Sand Island Parkway
Honolulu, HI 96819
(Address of principal executive offices and zip code)

(808) 848-1211
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, without par value	New York Stock Exchange

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

Number of shares of Common Stock outstanding at February 26, 2014:
42,935,493

Aggregate market value of Common Stock held by non-affiliates at June 30, 2013:
$1,054,012,599

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No **x**

Documents Incorporated By Reference

The following document is incorporated by reference in Part III of the Annual Report on Form 10-K: Proxy statement for the annual meeting of shareholders of Matson, Inc. to be held April 24, 2014.

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MATSON, INC.

FORM 10-K

Annual Report for the Fiscal Year Ended December 31, 2013

PART I

ITEM 1. BUSINESS

Matson, Inc., a holding company incorporated in January 2012, in the State of Hawaii, and its subsidiaries ("Matson" or the "Company"), is a leading provider of ocean transportation and logistics services.

Ocean Transportation: Matson's ocean transportation business is conducted through Matson Navigation Company, Inc. ("MatNav"), a wholly-owned subsidiary of Matson, Inc. Founded in 1882, MatNav is an asset-based business that provides a vital lifeline of ocean freight transportation services to the island economies of Hawaii, Guam and Micronesia, and also operates a premium, expedited service from China to Long Beach, California. In January 2013, Matson began providing ocean services to various islands in the South Pacific including New Zealand, Fiji, Samoa, American Samoa, Tonga and the Cook Islands, and later expanded service to include Australia to the Solomon Islands. Matson's fleet consists of 18 owned and three chartered vessels including containerships, combination container/roll-on/roll-off ships, and custom-designed barges.

Matson also provides container stevedoring, container equipment maintenance and other terminal services for MatNav and other ocean carriers through Matson Terminals, Inc. ("Matson Terminals"), a wholly-owned subsidiary of MatNav, on the islands of Oahu, Hawaii, Maui and Kauai.

Matson has a 35 percent ownership interest in SSA Terminals, LLC ("SSAT") through a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc. ("SSA"), a subsidiary of Carrix, Inc. SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the United States of America ("U.S.") Pacific Coast, including to MatNav at several of those facilities. Matson records its share of income in the joint venture in operating expenses within the ocean transportation segment due to the nature of SSAT's operations.

Logistics: Matson's logistics business is conducted through Matson Logistics, Inc. ("Matson Logistics" or "Logistics"), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides multimodal transportation, including domestic and international rail intermodal service ("Intermodal"); long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload services, expedited freight services (collectively "Highway"); and warehousing and distribution services. The warehousing and distribution services are provided in the U.S. by Matson Logistics Warehousing, Inc. ("Matson Logistics Warehousing"), a wholly-owned subsidiary of Matson Logistics.

Separation Transaction: On December 1, 2011, Alexander & Baldwin, Inc., the former parent company of MatNav (the "Former Parent Company"), announced that its Board of Directors unanimously approved a plan to pursue the separation (the "Separation") of the Former Parent Company to create two independent, publicly traded companies:

- Matson, Inc.; and
- Alexander & Baldwin, Inc. ("A&B"), a Hawaii-based land company with interests in real estate development, commercial real estate and agriculture.

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As part of the Separation, a holding company, Alexander & Baldwin, Holdings, Inc. ("Holdings") was formed to facilitate the organization and segregation of the assets of the two businesses. The Separation was completed on June 29, 2012. In the Separation, the shareholders of Holdings received one share of common stock of A&B for every share of Holdings held of record as of June 18, 2012. Immediately following the Separation, Holdings changed its name to Matson, Inc. For accounting purposes, Matson is the successor company to the Former Parent Company.

A. BUSINESS DESCRIPTION

(1) Ocean Transportation

Matson's Hawaii service provides ocean freight services (lift-on/lift-off, roll-on/roll-off and conventional services) between the ports of Long Beach, Oakland, Seattle, and the major ports in Hawaii on the islands of Oahu, Kauai, Maui and Hawaii. Matson is the principal carrier of ocean cargo between the U.S. Pacific Coast and Hawaii. Westbound cargo carried by Matson to Hawaii includes dry containers of mixed commodities, refrigerated commodities, packaged foods, building materials, automobiles and household goods. Matson's eastbound cargo from Hawaii includes automobiles, household goods, dry containers of mixed commodities, food and beverages, and livestock. The majority of Matson's Hawaii service revenue is derived from the westbound carriage of containerized freight and automobiles.

Matson's China service is part of an integrated Hawaii/Guam/China service. This service employs five of Matson's containerships in a weekly service that carries cargo from Long Beach to Honolulu and then to Guam. The vessels continue to the ports of Xiamen, Ningbo and Shanghai in China, where they are loaded with cargo to be discharged in Long Beach. These vessels also carry cargo destined to and originating from the Guam and Micronesia services.

Matson's Guam service provides weekly container and conventional freight services between the U.S. Pacific Coast and Guam. Additionally, Matson provides freight services from Guam to the Commonwealth of the Northern Mariana Islands.

Matson's Micronesia service provides container and conventional freight services between the U.S. Pacific Coast and the islands of Kwajalein, Ebeye and Majuro in the Republic of the Marshall Islands, the islands of Yap, Pohnpei, Chuuk and Kosrae in the Federated States of Micronesia, and the Republic of Palau. Cargo destined for these locations is transshipped through Guam.

In January 2013, Matson purchased the primary assets of the former Reef Shipping Limited, a South Pacific ocean freight carrier based in Auckland, New Zealand. Matson named this new business "Matson South Pacific," which currently transports freight between New Zealand, Australia and other South Pacific Islands such as Fiji, Samoa, American Samoa, Tonga, the Cook Islands, and the Solomon Islands. Conducting business in foreign shipping markets subjects the Company to certain risks.

See "Risk Factors — The Company is subject to risks associated with conducting business in a foreign shipping market" in Item 1A.

Matson's Vessel Information:

Matson's fleet includes 18 owned and three chartered vessels. The Matson-owned fleet represents an initial investment of approximately $1.3 billion and consists of: eleven containerships; three combination container/roll-on/roll-off ships; one roll-on/roll-off barge; and three container barges equipped with cranes. The majority of vessels in the Matson-owned fleet have been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act of 1936.

During the fourth quarter of 2013, MatNav and Aker Philadelphia Shipyard, Inc. ("APSI") entered into definitive agreements pursuant to which APSI will construct two new 3,600 twenty-foot equivalent unit ("TEU") Aloha-class container ships with dual-fuel capable engines, which are expected to be delivered during the third and fourth quarters of 2018 (the "Shipbuilding Agreements"), at a cost of approximately $418.0 million. In addition, MatNav has an option to contract with APSI for the construction of up to three additional Aloha-class vessels for which a price and delivery date will be negotiated at the time the option is exercised. APSI's obligations under the Shipbuilding Agreements are guaranteed by Aker Philadelphia Shipyard ASA.

As a complement to its fleet, as of December 31, 2013, Matson owns approximately 33,500 containers and 10,700 chassis, which represents an initial investment of approximately $290 million, and miscellaneous other equipment. Matson also leases approximately 6,400 containers and 5,900 chassis. Capital expenditures incurred by ocean transportation in 2013 for vessels, equipment and systems totaled approximately $33.8 million.

Matson's U.S. flagged vessels must meet specified seaworthiness standards established by U.S. Coast Guard rules and Classification society requirements. These standards require that our ships undergo two dry-docking inspections within a five-year period. However, all of Matson's U.S. flagged vessels are enrolled in the U.S. Coast Guard's Underwater Survey in Lieu of Dry-docking ("UWILD") program. The UWILD program allows eligible ships to have their intermediate dry-docking requirement to be met with a far less costly underwater inspection.

Matson operates four non-U.S. flag vessels (one owned; one under a bareboat charter arrangement; and the remaining two on time charter) in the Pacific Islands. Matson is responsible for ensuring that the owned and bareboat chartered ships meet international standards for seaworthiness, which among other requirements generally mandate that Matson perform two dry-docking inspections every five years. The dry-dockings of Matson's other chartered vessels are the responsibility of the ships' owners.

Vessels owned and chartered by Matson as of December 31, 2013 are as follows:

							Usable Cargo Capacity				
							Containers		Vehicles		Molasses (5)
Vessel Name	Owned/ Chartered	Official Number	Year Built	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Reefer Slots	TEUs(1)	Autos	Trailers	Short Tons
Diesel-Powered Ships											
MAUNALEI	Owned	1181627	2006	681' 1"	22.1	33,771	328	1,992	—	—	—
MANULANI	Owned	1168529	2005	712' 0"	23	29,517	284	2,378	—	—	—
MAUNAWILI	Owned	1153166	2004	711' 9"	23	29,517	284	2,378	—	—	—
MANUKAI	Owned	1141163	2003	711' 9"	23	29,517	326	2,378	—	—	—
OLOMANA (4)	Owned	1559	1999	381'0"	14	5,450	68	521	—	—	—
R.J. PFEIFFER	Owned	979814	1992	713' 6"	23	27,100	300	2,245	—	—	—
MOKIHANA	Owned	655397	1983	860' 2"	23	29,484	354	1,994	1,323	38	—
MANOA	Owned	651627	1982	860' 2"	23	30,187	408	2,824	—	—	3,000
MAHIMAHI	Owned	653424	1982	860' 2"	23	30,167	408	2,824	—	—	—
LILOA (4)	Chartered	4681	2002	360' 0"	15	6,029	30	513	—	—	—
IMUA (4)	Chartered	9193812	1998	328' 0"	14	6,288	50	360	—	—	—
MANA (4)	Chartered	4958	1997	330' 0"	13	4,580	60	384	—	—	—
Steam-Powered Ships											
KAUAI	Owned	621042	1980	720' 5-1/2"	22.5	26,308	276	1,644	44	—	2,600
MAUI	Owned	591709	1978	720' 5-1/2"	22.5	26,623	252	1,644	—	—	2,600
MATSONIA	Owned	553090	1973	760' 0"	21.5	22,501	258	1,727	450	85	4,300
LURLINE	Owned	549900	1973	826' 6"	21.5	22,213	246	1,646	761	55	2,100
LIHUE	Owned	530137	1971	787' 8"	21	38,656	188	2,018	—	—	—
Barges											
WAIALEALE (2)	Owned	978516	1991	345' 0"	—	5,621	36	—	230	45	—
MAUNA KEA (3)	Owned	933804	1988	372' 0"	—	6,837	70	379	—	—	—
MAUNA LOA (3)	Owned	676973	1984	350' 0"	—	4,658	78	335	—	—	2,100
HALEAKALA (3)	Owned	676972	1984	350' 0"	—	4,658	78	335	—	—	2,100

(1) "Twenty-foot Equivalent Units" (including trailers). TEU is a standard measure of cargo volume correlated to the volume of a standard 20-foot dry cargo container.
(2) Roll-on/roll-off barge.
(3) Container barges equipped with cranes.
(4) Except for these four foreign-flagged vessels, all vessels are U.S. flagged and are Jones Act qualified.
(5) Molasses operations were suspended during September 2013.

(2) Capital Construction Fund

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

(3) Terminals

Matson Terminals provides container stevedoring, container equipment maintenance and other terminal services for Matson and another ocean carrier at a 105-acre marine terminal in Honolulu.

The terminal facility, which can accommodate three vessels at one time, is leased through September 2016 from the State of Hawaii. Matson Terminals owns and operates seven cranes at the terminal. Matson Terminals also provides container stevedoring and other terminal services to Matson and other vessel operators on the islands of Hawaii, Maui and Kauai. SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the U.S. Pacific Coast and to MatNav at several of those facilities. Matson records its share of income in the joint venture in operating expenses within the ocean transportation segment due to the nature of SSAT's operations.

(4) Logistics and Other Services

Matson Logistics is a transportation intermediary that provides Intermodal rail services, Highway, warehousing and distribution, and other third-party logistics services for North American customers and international ocean carrier customers, including MatNav. Through volume purchases of rail, motor carrier and ocean transportation services, augmented by such services as shipment tracking and tracing, and single-vendor invoicing, Matson Logistics is able to reduce transportation costs for its customers. Matson Logistics operates six customer service centers, including one in China (for supply chain services), and has sales offices throughout the United States.

Matson Logistics also provides freight forwarding, consolidation, customs brokerage, purchase order management and Non Vessel Operating Common Carrier services.

Matson Logistics Warehousing principally provides warehousing and distribution services in Northern and Southern California, and Savannah, Georgia. Through Matson Logistics Warehousing, Matson Logistics provides its customers with a full suite of rail, highway, warehousing and distribution services.

(5) Competition

Maritime Laws: All interstate and intrastate marine commerce within the U.S. falls under the Merchant Marine Act of 1920 (commonly referred to as the Jones Act).

The Jones Act is a long-standing cornerstone of U.S. maritime policy. Under the Jones Act, all vessels transporting cargo between covered U.S. ports must, subject to limited exceptions, be built in the U.S., registered under the U.S. flag, manned by predominantly U.S. crews, and owned and operated by U.S.-organized companies that are controlled and 75% owned by U.S. citizens. U.S.-flagged vessels are generally required to be maintained at higher standards than foreign-flagged vessels and are subject to rigorous supervision and inspections by, or on behalf of, the U.S. Coast Guard, which requires appropriate certifications and background checks of the crew members. Under Section 27 of the Jones Act, the carriage of cargo between the U.S. Pacific Coast and Hawaii on foreign-built or foreign-documented vessels is prohibited.

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During 2013, approximately 65% of Matson's revenues generated by ocean transportation services came from trades that were subject to the Jones Act. Matson's trade route between the U.S. Pacific Coast and Hawaii is included within the non-contiguous Jones Act market. As an island economy, Hawaii is highly dependent on ocean transportation. The Jones Act ensures frequent, reliable, roundtrip service to keep store shelves stocked, reduces inventory costs and help move local products to market. Matson's vessels operating on this trade route are fully qualified Jones Act vessels.

Matson is a member of the American Maritime Partnership, which supports the retention of the Jones Act and similar cabotage laws. Matson believes the Jones Act has broad support from President Obama and both major political parties in both houses of Congress. Matson also believes that the ongoing war on terrorism has further solidified political support for U.S. flagged vessels because a vital and dedicated U.S. merchant marine is a cornerstone for a strong homeland defense, as well as a critical source of trained U.S. mariners for wartime support. The American Maritime Partnership 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. Repeal of the Jones Act would allow foreign-flag vessel operators, which do not have to abide by U.S. laws and regulations, to sail between U.S. ports in direct competition with Matson and other U.S. domestic operators, which must comply with such laws and regulations.

Other U.S. maritime laws require vessels operating between Guam, a U.S. territory, and U.S. ports to be U.S.-flagged and predominantly U.S.-crewed, but not U.S.-built.

Cabotage laws are not unique to the United States, and similar laws exist around the world in over 50 countries including regions in which Matson provides ocean transportation services. Any changes in such laws may have an impact on the services provided by Matson in those regions.

Hawaii Service: Matson's Hawaii service has one major containership competitor, Horizon Lines, Inc. ("Horizon"), which serves Long Beach and Oakland, California, Tacoma, Washington, and Honolulu, Hawaii. The Hawaii service also has one additional liner competitor, Pasha Hawaii Transport Lines, LLC ("Pasha") that operates a roll-on/roll-off ship, specializing in the carriage of automobiles, large pieces of rolling stock, such as trucks and buses, as well as a limited amount of household goods and containers. Pasha is also expected to launch a new combination container/ roll-on/roll off vessel in mid-2014, which will increase competition to Matson's Hawaii service.

Foreign-flag vessels carrying cargo to Hawaii from non-U.S. locations also provide competition for Matson's Hawaii service. Asia, Australia, New Zealand, and the South Pacific islands have direct foreign-flag services to Hawaii. Mexico, South America and Europe have indirect foreign-flag services to Hawaii. Other competitors in the Hawaii service include two common carrier barge services, unregulated proprietary and contract carriers of bulk cargoes. Air freight competition for time-sensitive and perishable cargoes exists; however, inroads by such competition in terms of cargo volume are limited by the amount of cargo space available in passenger aircrafts and by relatively high air freight rates. Over the years, additional barge competitors periodically have entered and left the U.S.-Hawaii trades, mostly from the Pacific Northwest.

Matson vessels are operated on schedules that provide shippers and consignees regular day-of-the-week sailings from the U.S. Pacific Coast and day-of-the-week arrivals in Hawaii. Matson generally offers an average of three westbound sailings per week, though this amount may be adjusted according to seasonal demand and market conditions. Matson provides over 150 westbound sailings per year, which is greater than its domestic ocean competitors' sailings combined. One westbound sailing each week continues on to Guam and China, so the number of eastbound sailings from Hawaii to the U.S. Mainland averages two per week. This service is attractive to customers because more frequent arrivals permit customers to reduce inventory costs. Matson also competes by offering a more comprehensive service to customers, supported by the scope of its container equipment, its efficiency and experience in handling cargoes of all types, and competitive pricing.

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China Service: Major competitors to Matson's China service include large international carriers such as Maersk, COSCO, Evergreen, Hanjin, APL, China Shipping, Hyundai, MSC, OOCL, "K" Line and NYK Line. Matson competes by offering fast and reliable freight availability from the ports of Xiamen, Ningbo and Shanghai in China to Long Beach, California using its newest and most fuel efficient ships, providing fixed day arrivals in Long Beach and next-day cargo availability. Matson's service is further differentiated by offering a dedicated Long Beach terminal providing fast truck turn times, an off-dock container yard, one-stop intermodal connections, and providing state-of-the-art technology and world-class customer service. Matson has offices in Hong Kong, Xiamen, Ningbo and Shanghai, and has contracted with terminal operators in Xiamen, Ningbo and Shanghai.

Guam Service: Matson's Guam service had one major competitor until November 2011 when Horizon ended its service to that area. Several foreign carriers also serve Guam with less frequent service, along with Waterman Steamship Corporation, a U.S.-flagged carrier, which periodically calls at Guam.

Micronesia and the South Pacific Services: Matson's Micronesia and South Pacific services have competition from a variety of local and international carries that provide freight services to the area.

Logistics: Matson Logistics competes with hundreds of local, regional, national and international companies that provide transportation and third-party logistics services. The industry is highly fragmented and, therefore, competition varies by geography and areas of service. Matson Logistics competes most directly with C.H. Robinson Worldwide, the Hub Group, and other large and smaller freight brokers and intermodal marketing companies, and asset-invested market leaders like JB Hunt. Competition is differentiated by the depth, scale and scope of customer relationships; vendor relationships and rates; network capacity; and real-time visibility into the movement of customers' goods and other technology solutions. Additionally, while Matson Logistics primarily provides surface transportation brokerage, it also competes to a lesser degree with other forms of transportation for the movement of cargo, including air services.

(6) Rate Regulation

Matson is subject to the jurisdiction of the Surface Transportation Board with respect to its domestic rates. A rate in the noncontiguous domestic trade is presumed reasonable and will not be subject to investigation if the aggregate of increases and decreases is not more than 7.5 percent above, or more than 10 percent below, the rate in effect one year before the effective date of the proposed rate, subject to increase or decrease by the percentage change in the U.S. Producer Price Index.

Matson raised rates in its Hawaii service, effective January 1, 2013 and again on January 5, 2014, by $175 per westbound container and $85 per eastbound container, and its terminal handling charges by $50 per westbound container and $25 per eastbound container. Matson raised its rates in its Guam service, effective January 26, 2014, by $275 for both eastbound and westbound containers, and increased its U.S. Pacific Coast terminal handling charge by $75 for both east and westbound containers. Matson did not implement a general rate increase in its Guam service in 2013, but did raise the Guam terminal handling charge effective January 20, 2013, by $50 for both westbound and eastbound containers.

With declining fuel-related costs, Matson lowered its fuel-related surcharge from 43.5 percent to 40.0 percent effective March 17, 2013, to 36.5 percent effective April 28, 2013 and to 34.5 percent on July 7, 2013, in its Hawaii service. Also effective March 17, 2013, Matson lowered the fuel-related surcharge in its Guam and Micronesia services from 40.0 percent to 36.5 percent.

Matson's ocean transportation services that are engaged in U.S. foreign commerce are subject to the jurisdiction of the Federal Maritime Commission ("FMC"). The FMC is an independent regulatory agency that is responsible for the regulation of ocean-borne international transportation of the U.S.

(7) Seasonality

Matson's ocean transportation services typically experience seasonality in volume, generally following a pattern of increasing volumes starting in the second quarter of each year, culminating in a peak season throughout the third quarter, with subsequent weakening of demand in the fourth and first quarters. As a result, earnings tend to follow a similar pattern. In addition, the China trade volume is driven primarily by U.S. consumer demand for goods during key retail selling seasons while freight rates are impacted mainly by macro supply and demand variables. Matson's Logistics services are not significantly impacted by seasonality factors.

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B. Employees and Labor Relations

As of December 31, 2013, Matson and its subsidiaries had 1,036 employees, of which 272 employees were covered by collective bargaining agreements with unions. Of these covered employees, 249 are subject to collective bargaining agreements that expire in 2014. At December 31, 2013, the active Matson fleet employed seagoing personnel in 204 billets. Each billet corresponds to a position on a ship that typically is filled by two or more employees because seagoing personnel rotate between active sea duty and time ashore.

Matson's seagoing employees are represented by six unions, three representing unlicensed crew members and three representing licensed crew members. Matson negotiates directly with these unions. Matson's unlicensed union contracts with the Seafarer's International Union, the Sailors Union of the Pacific and the Marine Firemen's Union were renewed in mid-2013 and extend through June 30, 2017. Matson's contracts with the American Radio Association were renewed in mid-2013 and extend through August 15, 2016. Matson's contracts with the Masters, Mates & Pilots will expire on June 15, 2023 for thirteen vessels and on August 15, 2023 for one managed vessel, and Matson's contract with the Marine Engineers Beneficial Association will expire on August 15, 2018.

The absence of strikes and the availability of labor through hiring halls are important to the maintenance of profitable operations by Matson. Over the past 40 years, Matson's operations have been only been significantly disrupted by one labor dispute in 2002 when International Longshore and Warehouse Union ("ILWU") workers were locked out for ten days on the U.S. Pacific Coast.

Matson, SSA and SSAT are members of the Pacific Maritime Association ("PMA"), which on behalf of its members, negotiates collective bargaining agreements with the ILWU on the U.S. Pacific Coast. A six-year PMA/ILWU Master Contract, which covers all U.S. Pacific Coast longshore labor, was negotiated in 2008 and will expire on July 1, 2014. Matson Terminals is a member of the Hawaii Stevedore Industry Committee, which negotiates with the ILWU in Hawaii on behalf of its members. In 2008, Matson Terminals signed six-year agreements with each of the ILWU units, which will expire on

June 30, 2014. Matson's collective bargaining agreements with the ILWU clerical workers in Honolulu and Oakland are effective through June 30, 2014. Matson expects that new agreements will be reached without significant disruption to its operations. Matson's collective bargaining agreement with ILWU clerical workers in Long Beach is effective until June 30, 2016.

During 2013, Matson contributed to multiemployer pension plans for vessel crews. If Matson were to withdraw from or significantly reduce its obligation to contribute to any one of the plans, Matson would review and evaluate data, actuarial assumptions, calculations and other factors used in determining its withdrawal liability, if any. If any third parties materially disagree with Matson's determination, Matson would pursue the various means available to it under federal law for the adjustment or removal of its withdrawal liability. Matson also participates in a multiemployer pension plan for its office clerical workers in Long Beach. Matson Terminals participates in two multiemployer pension plans for its Hawaii ILWU non-clerical employees. See Note 10 to the consolidated financial statements in Item 8 of Part II below for a discussion of withdrawal liabilities under the Hawaii longshore and seagoing plans.

C. Energy

Matson purchases residual fuel oil, lubricants, gasoline and diesel fuel for its operations, and also pays fuel surcharges to drayage providers and rail carriers. Residual fuel oil is by far Matson's largest energy-related expense. In 2013, Matson used approximately 1.7 million barrels of residual fuel oil for its vessels, compared with 1.9 million barrels in 2012 at an average price per-barrel of $103 and $109 for the years ended December 31, 2013 and 2012, respectively.

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D. Available Information

Matson makes available, free of charge on or through its Internet website, Matson's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the U.S. Securities and Exchange Commission ("SEC"). The address of Matson's Internet website is www.matson.com.

ITEM 1A. RISK FACTORS

The Company's business faces the risks set forth below, which may adversely affect our business, financial condition and operating results. All forward-looking statements made by the Company or on the Company's behalf are qualified by the risks described below.

Risks Relating To Operations

Changes in U.S., global, or regional economic conditions that result in a decrease in consumer confidence or market demand for the Company's services and products in Hawaii, the U.S. Mainland, Guam, Asia or South Pacific may adversely affect the Company's financial position, results of operations, liquidity, or cash flows.

A continuation or further weakening of the U.S., Guam, Asian, South Pacific or global economies may adversely impact the level of freight volumes and freight rates. Within the U.S., a weakening of economic drivers in Hawaii, which include tourism, military spending, construction starts, personal income growth, and employment, or the further weakening of consumer confidence, market demand or the economy in the U.S. Mainland, may further reduce the demand for goods to and from Hawaii and Asia, travel to Hawaii and domestic transportation of goods, adversely affecting inland and ocean transportation volumes or rates. We are unable to determine the full impact of sequestration on our carriage of military cargo, but we believe it continues to negatively impact us, and we could continue to be impacted by future cuts to federal programs, including Defense Department programs as a result of federal sequestration. In addition, overcapacity in the global or transpacific ocean transportation markets or a change in the cost of goods or currency exchange rates may adversely affect freight volumes and rates in the Company's China service.

The Company may face new or increased competition.

The Company may face new competition by established or start-up shipping operators that enter the Company's markets. The entry of a new competitor or the addition of ships or capacity by existing competition on any of the Company's routes could result in a significant increase in available shipping capacity that could have an adverse effect on volumes and rates.

One current competitor, Pasha, announced that it intends to place a second ship into its Hawaii service in the second half of 2014. We expect there to be a period of competitive disruption impacting rates and volumes following this market entry that would impact all carriers in the Hawaii trade, including Matson.

The loss of or damage to key vendor, agent and customer relationships may adversely affect the Company's business.

The Company's businesses are dependent on their relationships with key vendors, agents and customers, and derive a significant portion of their revenues from the Company's largest customers. The Company's business relies on its relationships with the military, freight forwarders, large retailers and consumer goods and automobile manufacturers, as well as other larger customers. Relationships with railroads and shipping companies and agents are important in the Company's intermodal business. For 2013, the Company's ocean transportation business' ten largest customers accounted for approximately 24 percent of the business' revenue. For 2013, the Company's logistics business' ten largest customers accounted for approximately 23 percent of the business' revenue. The loss of or damage to any of these key relationships may adversely affect the Company's business and revenue.

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An increase in fuel prices, or changes in the Company's ability to collect fuel surcharges, may adversely affect the Company's profits.

Fuel is a significant operating expense for the Company's ocean transportation business. The price and supply of fuel are unpredictable and fluctuate based on events beyond the Company's control. Increases in the price of fuel may adversely affect the Company's results of operations based on market and competitive conditions. Increases in fuel costs also can lead to other expense increases, for example, increased costs of energy and purchased transportation services. In the Company's ocean transportation and logistics services segments, the Company is able to utilize fuel surcharges to partially recover increases in fuel expense, although increases in the fuel surcharge may adversely affect the Company's competitive position and may not correspond exactly with the timing of increases in fuel expense. Changes in the Company's ability to collect fuel surcharges also may adversely affect its results of operations.

Work stoppages or other labor disruptions by the unionized employees of the Company or other companies in related industries may adversely affect the Company's operations.

As of December 31, 2013, the Company had 1,036 regular full-time employees, of which 272 employees were covered by collective bargaining agreements with unions. Of these covered employees, 249 are subject to collective bargaining agreements that expire in 2014, and include ILWU contracts on the U.S. Pacific Coast and in Hawaii. In addition, the Company relies on the services of third-parties who employ persons covered by collective bargaining agreements, including SSAT. The Company could be adversely affected by actions taken by employees of the Company or other companies in related industries against efforts by management to control labor costs, restrain wage or benefits increases or modify work practices. Strikes and disruptions may occur as a result of the failure of the Company or other companies in its industry to negotiate collective bargaining agreements with such unions successfully.

The Company is susceptible to weather and natural disasters.

The Company's operations are vulnerable to disruption as a result of weather and natural disasters such as bad weather at sea, hurricanes, typhoons, tsunamis, floods and earthquakes. Such events will interfere with the Company's ability to provide on-time scheduled service, resulting in increased expenses and potential loss of business associated with such events. In addition, severe weather and natural disasters can result in interference with the Company's terminal operations, and may cause serious damage to its vessels, loss or damage to containers, cargo and other equipment, and loss of life or physical injury to its employees, all of which could have an adverse effect on the Company's business.

The Company maintains casualty and liability insurance policies. These policies are generally subject to large retentions and deductibles. Some types of losses, such as losses resulting from a port blockage, generally are not insured. In some cases the Company retains the entire risk of loss because it is not economically prudent to purchase insurance coverage or because of the perceived remoteness of the risk. Other risks are uninsured because insurance coverage may not be commercially available. Finally, the Company retains all risk of loss that exceeds the limits of its insurance.

The Company's significant operating agreements and leases could be replaced on less favorable terms or may not be replaced.

The significant operating agreements and leases of the Company in its various businesses expire at various points in the future and may not be replaced or could be replaced on less favorable terms, thereby adversely affecting the Company's future financial position, results of operations and cash flows.

Interruption or failure of the Company's information technology and communications systems could impair the Company's ability to operate and adversely affect its business.

The Company is highly dependent on information technology systems. These dependencies include accounting, billing, disbursement, cargo booking and tracking, vessel scheduling and stowage, equipment tracking, customer service, banking, payroll and employee communication systems. All information technology and communication

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systems are subject to reliability issues, integration and compatibility concerns, and security-threatening intrusions. The Company may experience failures caused by the occurrence of a natural disaster, computer hacking or viruses or other unanticipated problems at the Company's facilities, aboard its vessels or at third-party locations. Any failure of the Company's or third-party systems could result in interruptions in its service or production, reductions in its revenue and profits, damage to its reputation or liability for the release of confidential information.

Loss of the Company's key personnel could adversely affect its business.

The Company's future success will depend, in significant part, upon the continued services of its key personnel, including its senior management and skilled employees. The loss of the services of key personnel could adversely affect the Company's future operating results because of such employees' experience and knowledge of the Company's business and customer relationships. If key employees depart, the Company may have to incur significant costs to replace them, and the Company's ability to execute its business model could be impaired if it cannot replace them in a timely manner. The Company does not expect to maintain key person insurance on any of its key personnel.

The Company is involved in a joint venture and is subject to risks associated with joint venture relationships.

The Company is involved in the SSAT joint venture, and may initiate future joint venture projects. A joint venture involves certain risks such as:

- The Company may not have voting control over the joint venture;
- The Company may not be able to maintain good relationships with its joint venture partner;
- The joint venture partner at any time may have economic or business interests that are inconsistent with the Company's;
- The joint venture partner may fail to fund its share of capital for operations or to fulfill its other commitments, including providing accurate and timely accounting and financial information to the Company;
- The joint venture may experience operating difficulties and financial losses, which may lead to asset write-downs or impairment charges that could negatively impact the operating results of the joint venture and the Company;
- The joint venture or venture partner could lose key personnel; and
- The joint venture partner could become bankrupt requiring the Company to assume all risks and capital requirements related to the joint venture project, and the related bankruptcy proceedings could have an adverse impact on the operation of the partnership or joint venture.

In addition, the Company relies on the SSAT joint venture for its stevedoring services on the West Coast of the U.S. market.

The Company is subject to risks associated with conducting business in a foreign shipping market.

Matson's China, Micronesia and South Pacific services are subject to risks associated with conducting business in a foreign shipping market, which include:

- Challenges associated with operating in foreign countries and doing business and developing relationships with foreign companies;
- Challenges in working with and maintaining good relationships with joint venture partners in our foreign operations;
- Difficulties in staffing and managing foreign operations;
- U.S. and foreign legal and regulatory restrictions, including compliance with the Foreign Corrupt Practices Act and foreign laws that prohibit corrupt payments to government officials;
- Global vessel overcapacity that may lead to decreases in volumes and shipping rates;
- Competition with established and new carriers;

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- Currency exchange rate fluctuations;
- Political and economic instability;
- Protectionist measures that may affect the Company's operation of its wholly-owned foreign enterprise; and
- Challenges caused by cultural differences.

Any of these risks has the potential to adversely affect the Company's operating results.

The Company's logistics segment is dependent upon third parties for equipment, capacity and services essential to operate the Company's logistics business, and if the Company fails to secure sufficient third party services, its business could be adversely affected.

The Company's logistics segment is dependent upon rail, truck and ocean transportation services provided by independent third parties. If the Company cannot secure sufficient transportation equipment, capacity or services from these third parties at reasonable rates to meet its customers' needs and schedules, customers may seek to have their transportation and logistics needs met by other third parties on a temporary or permanent basis. As a result, the Company's business, consolidated results of operations and financial condition could be adversely affected.

The Company is subject to risks related to a marine accident or spill event.

The Company's vessel and terminal operations could be faced with a maritime accident, oil or other spill, or other environmental mishap. Such event may lead to personal injury, loss of life, damage of property, pollution and suspension of operations. As a result, such event could have an adverse effect on the Company's business.

Acquisitions may have an adverse effect on the Company's business.

The Company's growth strategy includes expansion through acquisitions. Acquisitions may result in difficulties in assimilating acquired assets or companies, and may result in the diversion of the Company's capital and its management attention from other business issues and opportunities. The Company may not be able to integrate companies that it acquires successfully, including their personnel, financial systems, distribution, operations and general operating procedures. The Company may also encounter challenges in achieving appropriate internal control over financial reporting in connection with the integration of an acquired company. The Company may pay a premium for an acquisition, resulting in goodwill that may later be determined to be impaired, adversely affecting the Company's financial condition and results of operations.

The Company's Shipbuilding Agreements with Aker Philadelphia Shipyard, Inc. are subject to risks.

On November 6, 2013, MatNav and APSI entered into definitive agreements pursuant to which APSI will construct two new 3,600-TEU Aloha-class dual-fuel capable containerships, with expected delivery dates during the third and fourth quarters of 2018. Failure of either party to the shipbuilding agreement to fulfill its obligations under the agreement could have an adverse effect on the Company's financial position and results of operations.

Heightened security measures, war, actual or threatened terrorist attacks, efforts to combat terrorism and other acts of violence may adversely impact the Company's operations and profitability.

War, terrorist attacks and other acts of violence may cause consumer confidence and spending to decrease, or may affect the ability or willingness of tourists to travel to Hawaii, thereby adversely affecting Hawaii's economy and the Company. Additionally, future terrorist attacks could increase volatility in the U.S. and worldwide financial markets. Acts of war or terrorism may be directed at the Company's shipping operations, or may cause the U.S. government to take control of Matson's vessels for military operation. Heightened security measures potentially slow the movement and increase the cost of freight through U.S. or foreign ports, across borders or on U.S. or foreign railroads or highways and could adversely affect the Company's business and results of operations.

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The effects of the Company's Separation from Alexander & Baldwin, Inc. may expose us or our shareholders to significant liabilities, or prevent us from undertaking certain desirable transactions during the two-year period following the Separation.

The Company and A&B entered into a number of agreements in connection with the Separation that set forth certain rights and obligations of the parties' post-Separation, including a Separation and Distribution Agreement, a Tax Sharing Agreement, an Employee Matters Agreement and a Transition Services Agreement. The Company possesses certain rights under those agreements, including indemnification rights from certain liabilities allocated to A&B. The failure of A&B to perform its obligations under the Separation-related agreements could have an adverse effect on the Company's financial condition, results of operations and cash flows. In addition, the Company received a private letter ruling from the Internal Revenue Service ("IRS"), as well as an opinion from

Skadden, Arps, Slate, Meagher & Flom LLP (which opinion relies on the effectiveness of the IRS ruling), substantially to the effect that, among other things, the Separation and the distribution of shares, taken together, will qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code. If there is a determination that the Separation and the distribution is taxable for U.S. federal income tax purposes, we, A&B, and their respective investors could become subject to significant tax and other liabilities and costs. In addition, in order to preserve the tax free nature of the Separation, the parties have agreed not to issue equity securities representing 50 percent or more of their equity interests, acquire businesses or assets by issuing securities representing 50 percent or more of their equity interests or become parties to mergers or asset transfers that could jeopardize the tax-free status of the Separation, in each case, during the two-year period following the Separation.

Risks Relating to Financial Matters

A deterioration of the Company's credit profile or disruptions of the credit markets could restrict its ability to access the debt capital markets or increase the cost of debt.

Deterioration in the Company's credit profile may have an adverse effect on the Company's ability to access the private or public debt markets and also may increase its borrowing costs. If the Company's credit profile deteriorates significantly, its access to the debt capital markets or its ability to renew its committed lines of credit may become restricted, or the Company may not be able to refinance debt at the same levels or on the same terms. Because the Company relies on its ability to draw on its revolving credit facilities to support its operations, when required, any volatility in the credit and financial markets that prevents the Company from accessing funds (for example, a lender that does not fulfill its lending obligation) could have an adverse effect on the Company's financial condition and cash flows. Additionally, the Company's credit agreements generally include an increase in borrowing rates if the Company's credit profile deteriorates. Furthermore, the Company incurs interest under its revolving credit facilities based on floating rates. Floating rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Company's cash flow and results of operations.

Failure to comply with certain restrictive financial covenants contained in the Company's credit facilities could preclude the payment of dividends, impose restrictions on the Company's business segments, capital resources or other activities or otherwise adversely affect the Company.

The Company's credit facilities contain certain restrictive financial covenants, the most restrictive of which include the maintenance of minimum shareholders' equity levels, a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization, and the maintenance of no more than a maximum amount of priority debt as a percentage of consolidated tangible assets. If the Company does not maintain the required covenants, and that breach of covenants is not cured timely or waived by the lenders, resulting in default, the Company's access to credit may be limited or terminated, dividends may be suspended, and the lenders could declare any outstanding amounts due and payable. The Company's continued ability to borrow under its credit facilities is subject to compliance with these financial and other non-financial covenants.

The Company's effective income tax rate may vary.

Various internal and external factors may have favorable or unfavorable, material or immaterial effects on the Company's effective income tax rate and, therefore, the Company's net income and earnings per share. These factors include, but are not limited to changes in tax rates; changes in tax laws, regulations, and rulings; changes in

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interpretations of existing tax laws, regulations and rulings; changes in the Company's evaluation of collectability of deferred tax assets and uncertain tax positions; changes in accounting principles; changes in current pre-tax income as well as changes in forecasted pre-tax income; changes in the level of CCF deductions, non-deductible expenses, and expenses eligible for tax credits; changes in the mix of earnings among countries with varying tax rates; acquisitions and changes in the Company's corporate structure. These factors may result in periodic revisions to our effective income tax rate, which could affect the Company's cash flow and results of operations.

Changes in the value of pension assets, or a change in pension law or key assumptions, may adversely affect the Company's financial performance.

The amount of the Company's employee pension and post-retirement benefit costs and obligations are calculated on assumptions used in the relevant actuarial calculations. Adverse changes in any of these assumptions due to economic or other factors, changes in discount rates, higher health care costs, or lower actual or expected returns on plan assets, may adversely affect the Company's operating results, cash flows, and financial condition. In addition, a change in federal law, including changes to the Employee Retirement Income Security Act or Pension Benefit Guaranty Corporation premiums, may adversely affect the Company's single-employer and multiemployer pension plans and plan funding. These factors, as well as a decline in the fair value of pension plan assets, may put upward pressure on the cost of providing pension and medical benefits and may increase future pension expense and required funding contributions. There can be no assurance that it will be successful in limiting future cost and expense increases, and continued upward pressure in costs and expenses could further reduce the profitability of the Company's businesses.

The Company may have exposure under its multiemployer pension and post-retirement plans in which it participates that extends beyond its funding obligation with respect to the Company's employees.

The Company contributes to various multiemployer pension plans. In the event of a partial or complete withdrawal by the Company from any plan that is underfunded, the Company would be liable for a proportionate share of such plan's unfunded vested benefits. Based on the limited information available from plan administrators, which the Company cannot independently validate, the Company believes that its portion of the contingent liability in the case of a full withdrawal or termination may be material to its financial position and results of operations. If any other contributing employer withdraws from any plan that is underfunded, and such employer (or any member in its controlled group) cannot satisfy its obligations under the plan at the time of withdrawal, then the Company, along with the other remaining contributing employers, would be liable for its proportionate share of such plan's unfunded vested benefits. In addition, if a multiemployer plan fails to satisfy the minimum funding requirements, the IRS will impose certain penalties and taxes.

Risks Relating to Legal and Legislative Matters

The impact of the molasses release in September 2013 may have an adverse effect on the Company's financial position, results of operations, or cash flows.

The Company could be faced with regulatory compliance obligations, third party or governmental agency claims, disputes, legal or other proceedings, fines, penalties, natural resource damages, inquiries or investigations or other regulatory actions, including debarment, in connection with the release of molasses into Honolulu Harbor in September 2013. The Company cannot currently estimate the potential impact of any such events, but such events could involve or result in significant expenditures or losses by the Company, or result in significant changes to Matson's tariffs, rates, rules and practices in dealing with its customers, all of which could have an adverse effect on the Company's financial position, results of operations, or cash flows. See "Legal Proceedings" below.

The Company is subject to, and may in the future be subject to, disputes, legal or other proceedings, or government inquiries or investigations, that could have an adverse effect on the Company.

The nature of the Company's business exposes it to the potential for disputes, legal or other proceedings, or government inquiries or investigations, relating to antitrust matters, labor and employment matters, personal injury and property damage, environmental and other matters, as discussed in the other risk factors disclosed in this section or in other Company filings with the SEC. For example, Matson is a common carrier, whose tariffs, rates, rules and

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practices in dealing with its customers are governed by extensive and complex foreign, federal, state and local regulations, which may be the subject of disputes or administrative or judicial proceedings. If these disputes develop into proceedings, these proceedings, individually or collectively, could involve or result in significant expenditures or losses by the Company, or result in significant changes to Matson's tariffs, rates, rules and practices in dealing with its customers, all of which could have an adverse effect on the Company's future operating results, including profitability, cash flows, and financial condition. For a description of significant legal proceedings involving the Company, see "Legal Proceedings" below.

Repeal, substantial amendment, or waiver of the Jones Act or its application could have an adverse effect on the Company's business.

If the Jones Act was to be repealed, substantially amended, or waived and, as a consequence, competitors were to enter the Hawaii market with lower operating costs by utilizing their ability to acquire and operate foreign-flag and foreign-built vessels, the Company's business would be adversely affected. In addition, the Company's advantage as a U.S.-citizen operator of Jones Act vessels could be eroded by periodic efforts and attempts by foreign interests to circumvent certain aspects of the Jones Act. If maritime cabotage services were included in the General Agreement on Trade in Services, the North American Free Trade Agreement or other international trade agreements, or if the restrictions contained in the Jones Act were otherwise altered, the shipping of cargo between covered U.S. ports could be opened to foreign-flag or foreign-built vessels.

Noncompliance with, or changes to, federal, state or local law or regulations, including passage of climate change legislation or regulation, may adversely affect the Company's business.

The Company is subject to federal, state and local laws and regulations, including cabotage laws, government rate regulations, and environmental regulations including those relating to air quality initiatives at port locations, including, but not limited to, the Oil Pollution Act of 1990, the Comprehensive Environmental Response Compensation & Liability Act of 1980, the Rivers and Harbors Act of 1899, the Clean Water Act, the Invasive Species Act and the Clean Air Act. Continued compliance with these laws and regulations may result in additional costs and changes in operating procedures that may adversely affect the Company's business. Noncompliance with, or changes to, the laws and regulations governing the Company's business could impose significant additional costs on the Company and adversely affect the Company's financial condition and results of operations. In addition, changes in environmental laws impacting the business, including passage of climate change legislation or other regulatory initiatives that restrict emissions of greenhouse gasses, may require costly vessel modifications, the use of higher-priced fuel and changes in operating practices that may not be recoverable through increased payments from customers. Further changes to these laws and regulations could adversely affect the Company. Climate change legislation, such as limiting and reducing greenhouse gas emissions through a "cap and trade" system of allowances and credits, if enacted, may have an adverse effect on the Company's business.

Risks Related to Capital Structure

The Company's business could be adversely affected if the Company were determined not to be a U.S. citizen under the Jones Act.

Certain provisions of the Company's articles of incorporation protect the Company's ability to maintain its status as a U.S. citizen under the Jones Act. Although the Company believes it currently is a U.S. citizen under the Jones Act, if non-U.S. citizens were able to defeat such articles of incorporation restrictions and own in the aggregate more than 25 percent of the Company's common stock, the Company would no longer be considered a U.S. citizen under the Jones Act. Such an event could result in the Company's ineligibility to engage in coastwise trade and the imposition of substantial penalties against it, including seizure or forfeiture of its vessels, which could have an adverse effect on the Company's financial condition and results of operation.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company leases a 105-acre marine terminal at Honolulu, Hawaii. The Company's other primary terminal facilities located at the Port of Seattle, Washington, and the Ports of Oakland and Long Beach, California, are leased by the Company's joint venture partner, SSA Terminals, LLC. The Company leases seven acres at West Oahu, Hawaii, and thirty acres at Polaris Point, Guam that are used as container depots. The following is a summary of the Company's other significant facilities:

Location	Description of Facility	Square Footage
Honolulu, Hawaii	Corporate headquarters	16,444
Oakland, California	Office	47,580
Phoenix, Arizona	Office	22,808
Oakbrook Terrace, Illinois	Office	17,004
Concord, California	Office	7,974
Auckland, New Zealand	Office	7,481
Shanghai, China	Office	7,240
Pooler, Georgia	Warehouse facility	710,844
Oakland, California	Warehouse facility	400,000
Black Creek, Georgia	Warehouse facility	367,265
Pooler, Georgia	Warehouse facility	324,832
Hayward, California	Warehouse facility	214,000
Rancho Dominguez, California	Warehouse facility	141,000
Oakland, California	Warehouse facility	132,000
Alameda, California	Storage facility	47,500

For additional information about the Company's properties, refer to "Business" in Item 1 of Part 1 above.

ITEM 3. LEGAL PROCEEDINGS

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

Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in early September 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the release. On September 20, 2013, the Hawaii Department of Health ("DOH") and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena seeking documents in connection with a criminal investigation into the release of molasses into Honolulu Harbor. In addition, the Company has received written requests for information regarding the release from the following governmental agencies: (i) the DOH; (ii) the State of Hawaii Office of Hawaiian Affairs; and (iii) the United States Environmental Protection Agency (Region IX).

As of December 31, 2013, the Company has incurred $3.0 million in response costs, legal expenses, and third party claims related to the release of molasses.

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As of February 28, 2014, the Company has resolved all third-party claims that have been received. However, government agencies have not: (i) initiated any legal proceedings; (ii) presented the Company with an accounting of their response costs; (iii) provided an assessment of natural resource damages; or (iv) imposed any penalties in connection with the release of molasses. Therefore, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations or cash flows will not be material.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

On June 10, 2013, Matson was served with a complaint filed in the United States District Court for the Central District of California by an individual plaintiff as relator on behalf of the United States asserting claims against Matson and certain other ocean carriers and freight forwarders for violations of the False Claims Act. The case is entitled United States of America, ex rel. Mario Rizzo v. Horizon Lines, LLC et al. The qui tam complaint alleges that Matson and the other defendants submitted or created records supporting false claims for payment of fuel surcharges assessed on the shipment of military household goods for the Department of Defense. The federal government has declined to intervene in this qui tam suit. The individual plaintiff in the suit seeks damages and penalties on behalf of the federal government, and may be entitled to a portion of any recovery or settlement resulting from the suit. The plaintiff filed a Second Amended Complaint on August 23, 2013. Matson filed a motion to dismiss the complaint on September 16, 2013. On October 31, 2013, the court denied Matson's motion. Discovery has commenced and a jury trial is scheduled to begin on October 7, 2014. On February 14, 2014, Matson and the plaintiff engaged in non-binding mediation. On February 23, 2014, Matson's Board of Directors approved a settlement of $9.0 million in full settlement of all claims, and $0.95 million for plaintiff's legal expenses. The settlement is contingent upon approval of the United States government, and the dismissal of the case with prejudice by the District Court.

Matson 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 effect on Matson's financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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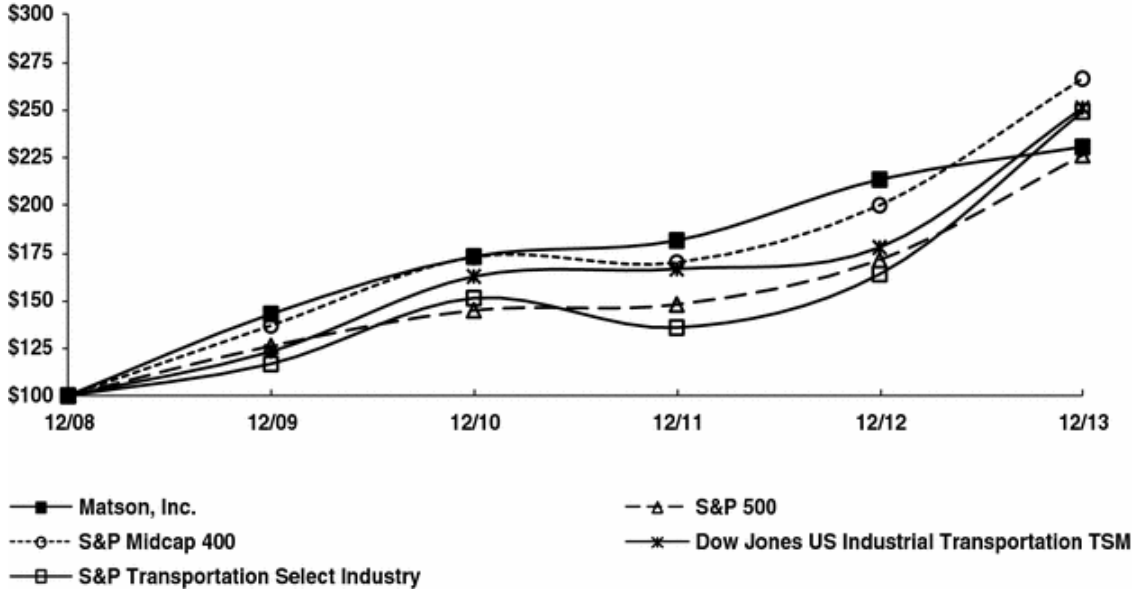
PART II

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

Matson's common stock is traded on the New York Stock Exchange under the ticker symbol "MATX". Prior to the completion of the Separation, common stock had traded on the New York Stock Exchange under the ticker symbol "ALEX". As of February 26, 2014, there were 2,609 shareholders of record of Matson common stock. In addition, Cede & Co., which appears as a single record holder, represents the holdings of thousands of beneficial owners of Matson common stock.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*
Among Matson, Inc., the S&P 500 Index, the S&P Midcap 400 Index,
the Dow Jones US Industrial Transportation TSM Index,
and the S&P Transportation Select Industry Index



*$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.

In the prior year annual report, the Comparison of Five-Year Cumulative Total Return graph compared the five-year total shareholder return of Matson's stock to the S&P 500 and the Dow Jones U.S. Industrial Transportation TSM indices. In this annual report, Matson has changed the comparative indices to include the S&P MidCap 400 Index and the S&P Transportation Select Industry Index. These indices are viewed by management to be better indicators to be used as comparison of the Company's stock performance. The Company appeals to a broader base of investor capital than transportation investors given its Jones Act status, and given the size of the companies included on the S&P 500, the Company believes that there are more comparable companies listed on the S&P MidCap 400 Index. The long-term stability and reliability of the Company's Jones Act market position makes it comparable to a broader set of companies in more stable businesses. The S&P Transportation Select Industry Index includes a broader set of companies with greater similarities to Matson (in size and business mix) as compared to the Dow Jones U.S. Industrial Transportation TSM Index and therefore is a better benchmark.

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Trading volume averaged 228,479 shares a day in 2013 compared with 245,085 shares a day in 2012 and 254,081 shares a day in 2011.

The quarterly intra-day high and low sales prices and end of quarter closing prices, as reported by the New York Stock Exchange, and cash dividends paid per share of common stock, for each fiscal quarter during 2013 and 2012, were as follows:

	Dividends Paid	Market Price		
		High	Low	Close
2013				
First Quarter	$ 0.150	$ 27.69	$ 23.92	$ 24.60
Second Quarter	$ 0.150	$ 26.44	$ 21.51	$ 25.00
Third Quarter	$ 0.160	$ 29.47	$ 25.00	$ 26.23
Fourth Quarter	$ 0.160	$ 27.85	$ 23.46	$ 26.11
2012				
First Quarter	$ 0.315	$ 49.49	$ 40.64	$ 48.45
Second Quarter	$ 0.315	$ 53.71	$ 47.22	$ 53.25
Third Quarter	$ 0.150	$ 30.30	$ 19.96	$ 20.91
Fourth Quarter	$ 0.150	$ 25.23	$ 20.00	$ 24.72

On June 29, 2012, the Company completed the Separation, which included the distribution of all shares of A&B to the Company's shareholders. In the table above, market prices include the value of A&B through June 29, 2012. Although Matson expects to continue paying quarterly cash dividends on its common

stock, the declaration and payment of dividends are subject to the discretion of the Board of Directors and will depend upon Matson's financial condition, results of operations, cash requirements and other factors deemed relevant by the Board of Directors.

The Company did not repurchase any of its common stock in 2013, 2012 or 2011.

See Item 12 of Part III of this report for information regarding securities authorized for issuance under the Company's equity compensation plans.

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ITEM 6. SELECTED FINANCIAL DATA

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

	2013	2012	2011	2010	2009
Operating Revenue:					
Ocean transportation	**$ 1,229.4**	$ 1,189.8	$ 1,076.2	$ 1,015.0	$ 888.2
Logistics	**407.8**	370.2	386.4	355.6	320.9
Total operating revenue	**$ 1,637.2**	$ 1,560.0	$ 1,462.6	$ 1,370.6	$ 1,209.1
Operating Income:					
Ocean transportation(1)	**$ 94.3**	$ 96.6	$ 73.7	$ 118.3	$ 57.8
Logistics	**6.0**	0.1	4.9	7.1	6.7
Operating Income	**100.3**	96.7	78.6	125.4	64.5
Interest expense	**(14.4)**	(11.7)	(7.7)	(8.2)	(9.0)
Income from Continuing Operations Before Income Taxes	**85.9**	85.0	70.9	117.2	55.5
Income tax expense	**(32.2)**	(33.0)	(25.1)	(46.7)	(22.5)
Income From Continuing Operations	**53.7**	52.0	45.8	70.5	33.0
(Loss) Income From Discontinued Operations (net of income taxes)	**—**	(6.1)	(11.6)	21.6	11.2
Net Income	**$ 53.7**	$ 45.9	$ 34.2	$ 92.1	$ 44.2
Identifiable Assets:					
Ocean transportation(2)	**$ 1,168.6**	$ 1,097.2	$ 1,083.9	$ 1,084.7	$ 1,095.2
Logistics	**79.7**	77.1	76.4	73.8	72.4
Other(3)	**—**	—	1,384.0	1,336.1	1,212.0
Total assets	**$ 1,248.3**	$ 1,174.3	$ 2,544.3	$ 2,494.6	$ 2,379.6
Capital Expenditure from Continuing Operations(4):					
Ocean transportation	**$ 33.8**	$ 37.0	$ 44.2	$ 69.4	$ 12.7
Logistics	**1.4**	1.1	3.0	1.8	0.6
Total capital expenditures	**$ 35.2**	$ 38.1	$ 47.2	$ 71.2	$ 13.3
Depreciation and Amortization from Continuing Operations:					
Ocean transportation	**$ 66.4**	$ 69.1	$ 68.4	$ 67.6	$ 67.1
Logistics	**3.3**	3.4	3.2	3.2	3.5
Total depreciation and amortization	**$ 69.7**	$ 72.5	$ 71.6	$ 70.8	$ 70.6
Earnings Per Share in Income from continuing operations:					
Basic	**$ 1.26**	$ 1.23	$ 1.10	$ 1.71	$ 0.80
Diluted	**$ 1.25**	$ 1.22	$ 1.09	$ 1.70	$ 0.80
Earnings Per Share in Net Income:					
Basic	**$ 1.26**	$ 1.09	$ 0.82	$ 2.23	$ 1.08
Diluted	**$ 1.25**	$ 1.08	$ 0.81	$ 2.22	$ 1.08
Cash dividends per share declared	**$ 0.62**	$ 0.93	$ 1.26	$ 1.26	$ 1.26
As of December 31:					
Shareholders of record	**2,607**	2,729	2,923	3,079	3,197
Shares outstanding	**42.8**	42.6	41.7	41.3	41.0
Long-term debt — non-current	**$ 273.6**	$ 302.7	$ 180.1	$ 136.6	$ 148.1

(1) The ocean transportation segment includes $(2.0) million, $3.2 million, $8.6 million, $12.8 million, and $6.2 million of equity in (loss) income from its Terminal Joint Venture investment in SSAT for 2013, 2012, 2011, 2010, and 2009, respectively.

(2) The ocean transportation segment includes $57.6 million, $59.6 million, $56.5 million, $52.9 million, and $47.2 million related to its investment in SSAT as of December 31, 2013, 2012, 2011, 2010, and 2009, respectively.

(3) Other identifiable assets related to discontinued operations from A&B and the Company's second China Long Beach Express Service ("CLX2") of $1.4 billion, $1.3 billion, and $1.2 billion as of December 31, 2011, 2010, and 2009, respectively.

(4) Excludes expenditures related to Matson's acquisitions, which are classified as payments for acquisitions in Cash Flows used in Investing Activities from Continuing Operations within the Consolidated Statements of Cash Flows.

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

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

The Company, from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, SEC filings, such as the Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. These include, for example, all references to 2014 or future years. New risk factors emerge from time to time and it is not possible for the Company to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements cannot be relied upon as a guarantee of future results and involve a number of risks and uncertainties that could cause actual results to differ materially from those projected in the statements, including, but not limited to the factors that are described in Part I, Item 1A under the caption of "Risk Factors" of this Form 10-K, which section is incorporated herein by reference. The Company is not required, and undertakes no obligation, to revise or update forward-looking statements or any factors that may affect actual results, whether as a result of new information, future events, or circumstances occurring after the date of this report.

OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a discussion of the Company's financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company's consolidated financial statements from year to year, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company's consolidated financial statements. MD&A is provided as a supplement to, and should be read in conjunction with, the consolidated financial statements and the accompanying notes to the consolidated financial statements in Item 8 of Part II below. MD&A is presented in the following sections:

- Business Outlook
- Consolidated Results of Operations
- Analysis of Operating Revenue and Income by Segment
- Liquidity and Capital Resources
- Contractual Obligations, Commitments, Contingencies and Off-Balance Sheet Arrangements
- Critical Accounting Estimates
- Other Matters

BUSINESS OUTLOOK

The Business Outlook provides the Company's views on current conditions and trends in the various markets it serves, recent Company performance and its near-term prospects. The following information updates the quarterly filings made by the Company throughout 2013. All forward-looking statements made herein are qualified by the inherent risks of the Company's operations and the markets it serves, as more fully described in the Risk Factors set out in Item 1A.

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The Company serves multiple domestic and international transportation markets and its operations are therefore impacted by regional, national and international economic conditions. Given its large operational presence in Hawaii, the Company's volumes in the Hawaii trade are highly dependent on the future results of the overall Hawaii economy, competitive activity related to capacity and pricing, and to specific economic sub-categories including construction. In addition, the timing of fuel surcharge collections can lead to fluctuations in quarterly operating income performance on a comparable year over year basis, but does not typically lead to a material annual year over year fluctuation in operating income performance.

In the China trade, volume is driven primarily by U.S. consumer demand for manufactured goods around key retail selling seasons while freight rates are impacted mainly by macro supply-demand balances. As a result, this trade has historically experienced significant volatility and seasonality in freight rates. Currently, there is a global surplus of container vessel capacity, and a recent market survey conducted by Alphaliner estimates that a record 1.65 million TEUs of new vessel capacity will be delivered in 2014. While excess vessel capacity may be mitigated through vessel scrapping, deferral of new vessel deliveries, vessel lay-ups and slow steaming, transpacific freight rates depend primarily upon rational carrier management of industry capacity.

In the Guam trade, the competitive environment has historically impacted financial results, and to a lesser degree, overall market volume. Currently, the Company is the sole carrier of containerized freight from the West Coast of the U.S. to Guam following the departure of its major competitor from the trade lane in mid-November of 2011.

All trade lanes typically experience seasonality in volume and generally follow a pattern of increasing volumes starting in the second quarter of each year culminating in a peak season throughout the third quarter, with subsequent weakening of demand thereafter in the fourth and first quarters. As a result,

earnings tend to follow a similar pattern, offset by periodic vessel dry-docking and other episodic cost factors, which can lead to earnings variability.

Ocean Transportation: Following year over year volume growth in the first half of 2013, Hawaii container volume contracted in the third and fourth quarters. Despite the lull in container volume that has continued into early 2014, the Company believes that the Hawaii economy is in a multi-year recovery and is anticipating modest market growth in the trade in 2014. Containership capacity is projected to increase in the second half of 2014 as a competitor is expected to launch an additional, new vessel into the trade. Overall, the Company anticipates a slight year over year increase in its Hawaii container volume for 2014.

In the China trade, freight rates eroded in the fourth quarter 2013, a reflection of the ongoing vessel overcapacity in the market and the international carriers' inability to sustain general rate increases. In 2014, overcapacity is expected to continue, with vessel deliveries outpacing demand growth, leading to modest freight rate erosion. However, the Company expects its ships will remain at high utilization levels, and its service will continue to realize a premium to market rates for its expedited service in 2014.

In Guam, the Company's container volume contracted in the fourth quarter due to general market conditions. Muted growth is expected in Guam for 2014 and therefore the Company expects its volume to be relatively flat compared to 2013, assuming no new competitors enter the market.

The Company plans to maintain its core nine-ship fleet deployment throughout 2014 for the trade lanes referenced above.

Additionally, in 2013 the Company incurred start-up costs and service reconfiguration expenses in the South Pacific trade. The Company expects performance improvement in the trade as these costs are not expected to recur in 2014.

The Company's terminal operations joint venture, SSAT, had year over year improvement in operating results during the fourth quarter, primarily due to new customer activity and improved lift volume at its expanded Oakland terminal. The Company expects modest profit at SSAT for 2014.

In addition to its Ocean Transportation service lines, Matson incurred response costs, legal expenses and third party claims of $1.7 million and $3.0 million in the fourth quarter and second half of 2013, respectively, in connection with the molasses incident at Honolulu Harbor that occurred in September 2013. At this stage in the proceedings, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident.

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The Company accrued $9.95 million for a proposed litigation settlement in the case entitled *United States of America, ex rel. Mario Rizzo v. Horizon Lines, LLC et al.* (the "Litigation Charge"). The full settlement of all of plaintiff's claims was reached at a non-binding mediation and was approved by the Company's Board of Directors on February 23, 2014. The settlement is contingent upon approval of the United States government, and the dismissal of the case with prejudice by the District Court.

The Company's outlook for 2014 excludes any future impact of the molasses incident and is being provided relative to the prior year's operating income excluding the Litigation Charge. For the full year 2014, Ocean Transportation operating income is expected to be near or slightly above levels achieved in 2013, which was $104.3 million, excluding the Litigation Charge. Operating income for the first quarter of 2014 is expected to be approximately one half the prior year's level of $18.5 million due to the timing of fuel surcharge collections, lower Hawaii volume, and lower China freight rates.

Logistics: Volume growth in Logistics' intermodal and highway businesses extended into the fourth quarter 2013, and combined with continued cost cutting measures, operating income margin improved to 1.9 percent of revenues. The Company expects 2014 operating income to modestly exceed the 2013 levels of $6.0 million, driven by continued volume growth, expense control and improvements in warehouse operations.

Interest Expense: The Company expects its interest expense in 2014 to increase over the 2013 amount by approximately $3.5 million due primarily to the Notes financing transaction that closed on January 28, 2014.

Income Tax Expense: Net income and earnings per share in the fourth quarter 2013 were adversely impacted by an effective tax rate of 49.3 percent as compared to 21.9 percent in the fourth quarter 2012. The rate for the fourth quarter 2013 was higher primarily due to the impact of the Litigation Charge, and a change in timing of CCF deposits that led to a corresponding increase in tax expense. The rate for fourth quarter 2012 was unusually low primarily due to a favorable, non-recurring change to state tax law that required the Company re-value its deferred tax liabilities. The Company expects its 2014 effective tax rate to be approximately 38.5% percent.

Other: The Company expects maintenance capital expenditures for 2014 to be approximately $40.0 million. Additionally, while the Company does not have any scheduled contract payments in 2014 relating to its two vessels under construction, it does expect to make additional contributions to its CCF.

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CONSOLIDATED RESULTS OF OPERATIONS

The following analysis of the financial condition and results of operations of Matson should be read in conjunction with the consolidated financial statements in Item 8 of Part II below.

Consolidated Results: 2013 compared with 2012

	Years Ended December 31,		
(dollars in millions, except per share amounts)	2013	2012	Change
Operating revenue	$ 1,637.2	$ 1,560.0	4.9%
Operating costs and expenses	(1,536.9)	(1,463.3)	5.0%
Operating income	100.3	96.7	3.7%
Interest expense	(14.4)	(11.7)	23.1%

Income from continuing operations before income taxes	85.9	85.0	1.1%
Income tax expense	(32.2)	(33.0)	-2.4%
Income from continuing operations	53.7	52.0	3.3%
Loss from discontinued operations (net of income taxes)	—	(6.1)	
Net income	$ 53.7	$ 45.9	17.0%
Basic earnings per share	$ 1.26	$ 1.09	15.6%
Diluted earnings per share	$ 1.25	$ 1.08	15.7%

Consolidated Operating Revenue for the year ended December 31, 2013 increased $77.2 million, or 4.9 percent, compared to the prior year. This increase was due to $39.6 million and $37.6 million higher revenues for ocean transportation and logistics, respectively. The reasons for the operating revenue changes are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

Operating Costs and Expenses for the year ended December 31, 2013 increased $73.6 million, or 5.0 percent, compared to the prior year. The increase was due to increases of $41.9 million and $31.7 million in costs for ocean transportation and logistics, respectively. The reasons for the operating expense changes are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

Income Tax Expense during the year ended December 31, 2013 was $32.2 million, or 37.5 percent of income from continuing operations before income tax as compared to $33.0 million, or 38.8 percent, in the prior year. The change in tax rate percent is due principally to a tax benefit in 2013 from the re-measurement of uncertain tax positions and a non-recurring tax increase in the prior year from non-deductible charges related to the Separation.

Loss from Discontinued Operations was $6.1 million for the year ended December 31, 2012 related to the Separation and the shutdown of the Company's second China Long Beach Express service ("CLX2") operations. There were no discontinued operations during 2013.

Consolidated Results: 2012 compared with 2011

	Years Ended December 31,		
(dollars in millions, except per share amounts)	**2012**	**2011**	**Change**
Operating revenue	$ 1,560.0	$ 1,462.6	6.7%
Operating costs and expenses	(1,463.3)	(1,384.0)	5.7%
Operating income	96.7	78.6	23.0%
Interest expense	(11.7)	(7.7)	51.9%
Income from continuing operations before income taxes	85.0	70.9	19.9%
Income tax expense	(33.0)	(25.1)	31.5%
Income from continuing operations	52.0	45.8	13.5%
Loss from discontinued operations (net of income taxes)	(6.1)	(11.6)	
Net income	$ 45.9	$ 34.2	34.2%
Basic earnings per share	$ 1.09	$ 0.82	32.9%
Diluted earnings per share	$ 1.08	$ 0.81	33.3%

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Consolidated Operating Revenue for the year ended December 31, 2012 increased $97.4 million, or 6.7 percent, compared to the prior year. This increase was due to $113.6 million in higher revenue for ocean transportation, partially offset by $16.2 million in lower revenue from logistics. The reasons for the operating revenue changes are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

Operating Costs and Expenses for the year ended December 31, 2012 increased $79.3 million, or 5.7 percent, compared to the prior year. The increase was due to a $90.7 million increase in costs for the ocean transportation segment, which is inclusive of $8.6 million in Separation costs, partially offset by a reduction of cost in logistics of $11.4 million. The reasons for the operating expense changes are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

Income Tax Expense during the year ended December 31, 2012 was $33.0 million, or 38.8 percent of income from continuing operations before income tax as compared to $25.1 million, or 35.4 percent, in 2011. The change in the tax rate percentage is due principally to certain non-recurring and non-deductible Separation related transaction costs and the re-measurement of uncertain tax positions in 2012 as required as part of the Separation tax accounting treatment.

Loss from Discontinued Operations during the year ended December 31, 2012 decreased $5.5 million compared to prior year. Due to the completion of the Separation on June 29, 2012, Matson has restated the operations for the six and twelve months ended June 30, 2012 and December 31, 2011, respectively, as discontinued operations from A&B. The loss from discontinued operations, net of tax, decreased primarily due to the reduction in losses related to the shutdown of CLX2 offset by the increase in the net loss related to A&B and the recognition of additional tax expense related to the Separation.

ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT

Additional detailed information related to the operations and financial performance of the Company's Reportable Segments is included in Part II Item 6 and Note 15 to the consolidated financial statements in Item 8 of Part II below. The following information should be read in relation to the information contained in those sections.

Ocean Transportation: 2013 compared with 2012

	Years Ended December 31,		
(dollars in millions)	**2013**	**2012**	**Change**
Ocean transportation revenue	$ 1,229.4	$ 1,189.8	3.3%
Operating costs and expenses	1,135.1	1,093.2	3.8%

Operating income	$ 94.3	$ 96.6	-2.4%
Operating income margin	7.7%	8.1%	
Volume (Units) (1)			
Hawaii containers	138,500	137,200	0.9%
Hawaii automobiles	81,500	78,800	3.4%
China containers	61,300	60,000	2.2%
Guam containers (2)	24,100	24,500	(1.6)%
Micronesia/South Pacific Containers (2)	12,800	5,600	128.6%

(1) Approximate container volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages that straddle the beginning or end of each reporting period.

(2) In January 2013, the Company purchased the assets of Reef Shipping Limited. Accordingly, given new route configurations in the South Pacific service, the Company reclassified 2012 volume related to Yap and Palau from the Guam containers total to the Micronesia/South Pacific containers total.

Ocean Transportation revenue increased $39.6 million, or 3.3 percent, during the year ended December 31, 2013 compared to the prior year. The increase was primarily due to new volume associated with the Company's Micronesia/South Pacific service and improved freight rates and favorable cargo mix changes in Hawaii, partially offset by lower fuel surcharges resulting from lower fuel prices.

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During the year ended December 31, 2013, Hawaii container and automobile volume increased 0.9 percent and 3.4 percent, respectively, due to modest market growth; China volume was 2.2 percent higher primarily the result of an additional sailing in 2013; Guam volume was slightly lower due to general market conditions; and Micronesia/South Pacific volume increased due to the acquisition of the assets of Reef Shipping Limited, a South Pacific ocean freight carrier based in Auckland, New Zealand, early in the year.

Ocean Transportation operating income decreased $2.3 million, or 2.4 percent, during the year ended December 31, 2013. The decrease in operating income was principally due to the Litigation Charge of $9.95 million, start-up costs and service reconfiguration expenses in the South Pacific trade, higher general and administrative expenses, and other non-recurring unfavorable items. In addition, the Company incurred $3.0 million in response costs, legal expenses and third party claims related to the molasses released into Honolulu Harbor. The decrease in operating income was partially offset by freight rate and cargo mix improvements in Hawaii, lower vessel expenses from the full year deployment of a nine-ship fleet, lower outside transportation costs due to barge dry-dockings in the prior year, and the absence of Separation costs.

Losses attributable to the Company's SSAT Terminal Joint Venture investment were $2.0 million during the year ended December 31, 2013, compared to an income contribution of $3.2 million in the prior year. The loss reflected past customer losses that resulted in lower lift volume and higher than expected transition costs related to the expansion of its terminal operations in Oakland, partially offset by new customers and volumes at the expanded Oakland terminal in the fourth quarter 2013.

Ocean Transportation: 2012 compared with 2011

	Years Ended December 31,		
(dollars in millions)	**2012**	**2011**	**Change**
Ocean transportation revenue	$ 1,189.8	$ 1,076.2	10.6%
Operating costs and expenses	1,093.2	1,002.5	9.0%
Operating income (1)	$ 96.6	$ 73.7	31.1%
Operating income margin	8.1%	6.8%	
Volume (Units) (2)			
Hawaii containers	137,200	140,000	(2.0)%
Hawaii automobiles	78,800	81,000	(2.7)%
China containers	60,000	59,000	1.7%
Guam containers (3)	24,500	13,800	77.5%
Micronesia Containers (3)	5,600	5,500	1.8%

(1) The Company incurred additional costs related to the shutdown of CLX2 that did not meet the criteria to be classified as discontinued operations of $7.1 million and therefore reduced operating income for the year ended December 31, 2011.

(2) Approximate container volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages that straddle the beginning or end of each reporting period.

(3) In January 2013, the Company purchased the assets of Reef Shipping Limited. Accordingly, given new route configurations in the South Pacific service, the Company reclassified 2012 and 2011 volume related to Yap and Palau from the Guam containers total to the Micronesia containers total.

Ocean transportation revenue increased $113.6 million, or 10.6 percent, in the year ended December 31, 2012 compared with the prior year. The increase was due principally to significantly higher volume in the Guam service that resulted from the exit of a major competitor in that trade in late 2011, an increase in China freight rates and increased fuel surcharges resulting from higher fuel prices, partially offset by reduced volumes in the Hawaii service.

Container and automobile volume decreased in the Hawaii service in the year ended December 31, 2012 compared with the prior year: Hawaii container volume decreased 2.0 percent due to market weakness, competitive pressures, and a modest market contraction resulting from direct foreign sourcing of cargo; Hawaii automobile volume decreased 2.7 percent due primarily to the timing of automobile rental fleet replacement. Container volume in the China and Guam services increased during the year ended December 31, 2012 as compared to the year ended December 31, 2011: China container volume increased 1.7 percent due to increased demand and a shift in direct foreign sourcing of cargo destined to Hawaii; Guam volume was substantially higher, increasing 77.5 percent in the year due to gains related to the departure of a major competitor from the trade in mid-November 2011.

Ocean transportation operating income increased $22.9 million, or 31.1 percent, in the year ended December 31, 2012 compared with the prior year. The increase in operating income was principally due to higher volume in the Guam service and increased freight rates and volume in the China service, partially offset by decreased volume in the Hawaii service, increased costs related to vessel and barge dry-docking, and higher outside transportation costs. The Company also incurred higher terminal handling costs due primarily to increased wharfage and container handling rates, higher general and administrative expenses, including Separation costs, and higher vessel expenses.

The Company's SSAT joint venture contributed $3.2 million to operating income during the year ended December 31, 2012 compared with $8.6 million contributed in the prior year. The decline was primarily due to the loss of volume from several major customers.

Logistics: 2013 compared with 2012

	Years Ended December 31,		
(dollars in millions)	2013	2012	Change
Intermodal revenue	$ 244.2	$ 229.1	6.6%
Highway revenue	163.6	141.1	15.9%
Total Logistics Revenue	407.8	370.2	10.2%
Operating income	$ 6.0	$ 0.1	
Operating income margin	1.5%	0.0%	

Logistics revenue for the year ended December 31, 2013, increased $37.6 million, or 10.2 percent, compared to the prior year. This increase was the result of higher intermodal and highway volume.

Logistics operating income for the year ended December 31, 2013, increased by $5.9 million compared to the prior year. The increase was primarily due to the absence of a $3.9 million charge taken in 2012 related to intangible asset impairment and a warehouse lease restructuring charge. In addition, Logistics operating income in 2013 benefited from lower general and administrative expenses and higher intermodal volume than in 2012.

Logistics: 2012 compared with 2011

	Years Ended December 31,		
(dollars in millions)	2012	2011	Change
Intermodal revenue	$ 229.1	$ 234.5	(2.3)%
Highway revenue	141.1	151.9	(7.1)%
Total Logistics Revenue	370.2	386.4	(4.2)%
Operating income	$ 0.1	$ 4.9	
Operating income margin	0.0%	1.3%	

Logistics revenue for the year ended December 31, 2012, decreased $16.2 million, or 4.2 percent, compared with the prior year. This decrease was primarily due to lower international intermodal and highway volumes. Intermodal volume declined primarily due to the shutdown of CLX2 and the loss of a major ocean carrier customer, partially offset by an increase in domestic volumes. Highway volume decreased due to the loss of certain full truckload customers.

Logistics operating income for the year ended December 31, 2012, decreased $4.8 million compared with the prior year. The reduction in operating income was due to the impairment charge of an intangible asset, restructuring of a lease at its Northern California warehousing operation totaling $3.9 million and lower volume in international intermodal and highway, partially offset by lower general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Overview:

Additional sources of liquidity for the Company, consisting of cash and cash equivalents, and receivables totaled $296.8 million at December 31, 2013, an increase of $102.2 million from December 31, 2012. The increase was due to a $94.6 million increase in cash and cash equivalents, and an increase in accounts receivable of $7.6 million.

Cash Flows:

Net cash flows provided by operating activities from continuing operations continue to be the Company's most significant source of liquidity, and were $195.7 million in 2013, compared with $94.0 million and $104.1 million provided in 2012 and 2011, respectively. The increase in 2013 over 2012 was due principally to changes in deferred income taxes of $66.3 million as a result of increased contributions to the Capital Construction Fund, and lower cash outflows related to the dry-docking of vessels during 2013, and accounts payable and accrued liabilities. The decrease in 2012 over 2011 was due principally to decreases in accounts payable and accrued liabilities, as well as higher cash outflows related to the dry-dockings of vessels during 2012, which were partially offset by the increase in other liabilities.

Net cash flows used in investing activities from continuing operations were $40.0 million for 2013, compared with $6.3 million and $4.6 million used in 2012 and 2011, respectively. The increase in 2013 over 2012 was due principally to the reduction in contribution from the Former Parent Company, and payment for acquisitions, partially offset by a reduction of capital expenditures. No contributions were received from the Former Parent Company during 2013 as compared to $25.0 million and $40.3 million in 2012 and 2011, respectively. These contributions represent dividends paid by the Former Parent Company to its shareholders prior to the Separation offset by distributions to the Former Parent Company for the issuance of capital stock and stock based compensation, which are reflected in the Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes.

Capital expenditures were $35.2 million for 2013, compared with $38.1 million and $47.2 million for 2012 and 2011, respectively. The 2013 capital expenditures included $33.8 million for the purchase of ocean transportation-related assets and $1.4 million related to the purchase of logistics-related assets. Capital expenditures for the year ended December 31, 2012 included $37.0 million for the purchase of ocean transportation-related assets and $1.1 million related to the purchase of logistics-related assets. Capital expenditures for the year ended December 31, 2011 included $44.2 million for the purchase of ocean transportation-related assets and $3.0 million related to the purchase of logistics-related assets.

During the fourth quarter of 2013, the Company entered into agreements with a shipyard for the construction of two new 3,600 twenty-foot equivalent units (TEU) Aloha-class container ships at a cost of $418.0 million. The container ships are expected to be delivered during 2018. The Company made an initial payment of $8.4 million to the shipyard during 2013, which is included in 2013 ocean transportation related capital expenditure above. Additional payments totaling $92.0 million are payable in 2015 and 2016, with the remaining balance payable in 2017 and 2018, and will be funded by cash and other available sources of liquidity as described below.

Net cash flows used in financing activities from continuing operations were $61.1 million for 2013, compared with $74.5 million and $70.2 million used in 2012 and 2011, respectively. The decrease in 2013 was due principally to reductions in payments of long-term debt and dividends, and the net change in proceeds from the issuance of long-term debt less contributions and other distributions to A&B as part of the Separation, offset by the increase in payments of line credit agreements, and a reduction in proceeds from the issuance of capital stock. Net cash flows used in financing activities from continuing operations were higher in 2012 compared to prior year, primarily due to

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the contribution of $155.7 million to A&B upon Separation, offset by an increase from net borrowings of $88.3 million during 2012, which were primarily used to fund the contribution. Also there was an increase in proceeds from the issuance of capital stock of $15.1 million, and a reduction in the payment of dividends to the Company's shareholders and distributions to the Former Parent Company of $49.4 million, of which $26.7 million was paid to the Former Parent Company's shareholders in the first and second quarter of 2012, which have been included in the Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. Subsequent to the Separation, the Company lowered its quarterly dividend, resulting in lower cash payouts during 2012 as compared to 2011. Also during 2012, the Company saw increased stock option exercises.

Other Sources of Liquidity:

Term Debt: During the second quarter of 2012, Matson executed new unsecured, fixed rate, amortizing long-term debt of $170.0 million, which was funded in three tranches, $77.5 million at an interest rate of 3.66% maturing in 2023, $55.0 million at an interest rate of 4.16% maturing in 2027, and $37.5 million at an interest rate of 4.31% maturing in 2032. Interest is payable semi-annually. The weighted average coupon and average life of the three tranches of debt are 3.97% and 9.2 years, respectively. The notes will begin to amortize in 2015, with aggregate semi-annual payments of $4.6 million through 2016, $8.4 million in 2017 through mid-year 2023, $3.8 million through mid-year 2027, and $1.2 million thereafter. The cash received from the issuance of the three tranches of debt was partially utilized for the contribution of cash to A&B during the Separation.

In May 2005, the Company partially financed the delivery of the MV *Manulani* by issuing $105.0 million of Series B Notes with a coupon of 4.79% and 15-year final maturity. The notes amortize by semi-annual principal payments of $3.5 million plus interest. The Company negotiated the release of the MV *Manulani* as security for the remaining long-term debt of $56.0 million as part of the Company's debt restructuring completed during the Separation, resulting in an increase in the interest rate to 5.79%.

In January 2014, Matson issued $100 million of 30-year senior unsecured notes (the "Notes"). The Notes have a weighted average life of 14.5 years and bear interest at a rate of 4.35%, payable semi-annually. The proceeds are expected to be used for general corporate purposes. The Notes will begin to amortize in 2021, with annual principal payments of $5.0 million in 2021, $7.5 million in 2022 and 2023, $10.0 million from 2024 to 2027, and $8.0 million in 2028. Starting in 2029, and in each year thereafter until 2044, annual principal payments will be $2.0 million.

Revolving Credit Facility: During the second quarter of 2012, the Company entered into a $375.0 million, five-year unsecured revolving credit facility with a syndicate of banks to provide the Company with additional sources of liquidity for working capital requirements and investment opportunities. As of December 31, 2013, the used portion of the Company's revolving credit facility was $5.8 million, all of which was from letters of credit.

Title XI Bonds: In September 2003, the Company issued $55.0 million in U.S. Government guaranteed ship finance bonds (Title XI) to partially finance the delivery of the MV *Manukai*. The secured bonds have a final maturity in September 2028 with a coupon of 5.34%. The bonds are amortized by fifty semi-annual payments of $1.1 million plus interest. In August 2004, the Company issued $55.0 million of U.S. Government guaranteed ship finance bonds (Title XI) to partially finance the delivery of the MV *Maunawili*. The secured bonds have a final maturity in July 2029, with a coupon of 5.27%. The bonds are amortized by fifty semi-annual payments of $1.1 million plus interest.

Capital Leases: As of December 31, 2013, Matson had obligations under its capital leases of $2.4 million consisting of specialized and standard containers used in the Company's South Pacific service. Capital leases have been classified as current and long-term debt in the Company's Consolidated Balance Sheet.

Total debt was $286.1 million as of December 31, 2013, compared with $319.1 million as of December 31, 2012. All of the Company's outstanding debt was unsecured, except for $68.2 million as of December 31, 2013, which is guaranteed by the Company's significant subsidiaries.

Principal financial covenants as defined in Matson's five-year revolving credit facility ("Credit Agreement") and long term fixed rate debt include, but are not limited to:

- The ratio of debt to consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") cannot exceed 3.25 to 1.00 for each fiscal four quarter period;
- The ratio of consolidated EBITDA to interest expense as of the end of any fiscal four quarter period cannot be less than 3.50 to 1.00; and
- The principal amount of priority debt at any time cannot exceed 20% of consolidated tangible assets; and the principal amount of priority debt that is not Title XI priority debt at any time cannot exceed 10% of consolidated tangible assets. Priority debt, as further defined in the Credit Agreement, is all debt secured by a lien on the Company's assets or subsidiary debt.

The Company was in compliance with these covenants as of December 31, 2013, with a debt to consolidated EBITDA ratio of 1.61, consolidated EBITDA to interest expense ratio of 12.28, and priority debt to consolidated tangible assets ratio of 5.8%.

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

Contractual Obligations:

At December 31, 2013, the Company had the following estimated contractual obligations (in millions):

	Payment due by period				
Contractual Obligations	**2014**	**2015-2016**	**2017-2018**	**Thereafter**	**Total**
Construction of new vessels (1)	$ —	$ 92.0	$ 317.6	$ —	$ 409.6
Long-term debt obligations (including current portion) (2)	12.5	42.3	56.4	174.9	286.1
Estimated interest on debt (3)	12.8	23.2	18.9	36.1	91.0
Purchase obligations (4)	12.0	—	—	—	12.0
Post-retirement obligations (5)	2.4	5.2	5.4	15.0	28.0
Non-qualified benefit obligations (6)	2.6	2.3	1.1	2.5	8.5
Operating lease obligations (7)	22.0	30.0	10.8	7.1	69.9
Total	$ 64.3	$ 195.0	$ 410.2	$ 235.6	$ 905.1

(1) Payment for the construction of new vessels is based upon the shipbuilding agreements with APSI and the expected delivery times of the vessels in 2018.

(2) Long-term debt obligations (including current portion) include principal repayments of outstanding short-term and long-term debt for the respective periods, and capital leases. The table does not include the obligations related to the new $100 million of 30-year senior unsecured notes issued in January 2014. The Notes will begin to amortize in 2021.

(3) Estimated cash paid for interest on debt is determined based on the stated interest rate for fixed debt. This does not include the obligations related to the new $100 million of 30-year senior unsecured notes issued in January 2014. Interest on this debt is paid semi-annually with $2.1 million paid in 2014, $4.4 million paid in years 2015 through 2018, and $43.6 million paid thereafter.

(4) Purchase obligations include only non-cancellable contractual obligations for the purchases of goods and services. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Any amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.

(5) Post-retirement obligations include expected payments to medical service providers in connection with providing benefits to the Company's employees and retirees. The $15.0 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2019 through 2023. Post-retirement obligations are described further in Note 10 to the consolidated financial statements. The obligation for pensions reflected on the Company's consolidated balance sheet is excluded from the table above because the Company is unable to reliably estimate the timing and amount of contributions.

(6) Non-qualified benefit obligations include estimated payments to executives and directors under the Company's four non-qualified plans. The $2.5 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2019 through 2023. Additional information about the Company's non-qualified plans is included in Note 10 to the consolidated financial statements in Item 8 of Part II below.

(7) Operating lease obligations include principally land, office and terminal facilities, containers and equipment under non-cancelable, long-term lease arrangements that do not transfer the rights and risks of ownership to the Company. These amounts are further described in Note 9 to the consolidated financial statements in Item 8 of Part II below.

Estimated timing and amount of payments related to uncertain tax position liabilities of $7.2 million as of December 31, 2013, is excluded from the table due to the uncertainty of such timing and payments, if any.

Commitments, Contingencies and Off-Balance Sheet Arrangements:

A description of commitments and contingencies is described in Note 13 to the consolidated financial statements in Item 8 of Part II below, and is incorporated herein by reference. The Company does not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the MD&A is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with certainty and actual results will, inevitably, differ from those critical accounting estimates. These differences could be material.

The Company considers an accounting estimate to be critical if: (i)(a) the accounting estimate requires the Company to make assumptions that are difficult or subjective about matters that were highly uncertain at the time that the accounting estimate was made, (b) changes in the estimate are reasonably likely to occur in periods after the period in which the estimate was made, or (c) use of different estimates by the Company could have been used, and (ii) changes in those assumptions or estimates would have had a material impact on the financial condition or results of operations of the Company. The critical accounting estimates inherent in the preparation of the Company's consolidated financial statements are described below. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors.

Impairment of Investments: The Company's investment in its Terminal Joint Venture is reviewed for impairment annually and whenever there is evidence that fair value may be below carrying cost. An investment is written down to fair value if fair value is below carrying cost and the impairment is other-than-temporary. In evaluating the fair value of an investment and whether any identified impairment is other-than-temporary, significant estimates and considerable judgments are involved. These estimates and judgments are based, in part, on the Company's current and future evaluation of economic conditions in general, as well as the Terminal Joint Venture's current and future plans. These fair value calculations are highly subjective because they require management to make assumptions and apply judgments to estimates regarding the timing and amount of future cash flows, probabilities related to various cash flow scenarios, and appropriate discount rates based on the perceived risks, among others. In evaluating whether an impairment is other-than-temporary, the Company considers all available information, including the length of time and extent of the impairment, the financial condition and near-term prospects of the Terminal Joint Venture, the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, and projected industry and economic trends, among others. Changes in these and other assumptions could affect the projected operational results and fair value of the Terminal Joint Venture, and accordingly, may require valuation adjustments to the Company's investment that may materially impact the Company's financial condition or its future operating results.

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The Company has evaluated its investment in its Terminal Joint Venture for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012, and 2011.

Impairment of Vessels and Equipment: The Company operates an integrated network of vessels, containers, and terminal equipment; therefore, in evaluating impairment, the Company groups its assets at the ocean transportation entity level, which represents the lowest level for which identifiable cash flows are available. The Company's vessels and equipment are reviewed for possible impairment annually and whenever events or circumstances, such as recurring operating losses, indicate that their carrying values may not be recoverable. In evaluating impairment, the estimated future undiscounted cash flows generated by the asset group are compared with the amount recorded for the asset group to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset group is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among other things, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

The Company has evaluated its vessels and equipment for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012, and 2011.

Additional information about Matson's vessels as of December 31, 2013 is as follows:

	Purchase Date	Cost	Net Book Value
MAUNALEI	September 2006	$ 158.1	$ 120.0
MANULANI	June 2005	152.1	109.3
MAUNAWILI	September 2004	103.8	72.8
MANUKAI	September 2003	107.3	72.3
R.J. PFEIFFER	August 1992	162.4	53.0
MOKIHANA	January 1996	100.7	32.8
MAHIMAHI	January 1996	64.5	18.6
MANOA	January 1996	64.9	17.1
KAUAI	September 1980	91.5	16.2
MAUI	June 1978	80.2	12.3
WAIALEALE	November 1991	11.4	3.5
OLOMANA	January 2013	3.6	3.2
LURLINE	August 1998	17.9	2.2
MATSONIA	October 1987	95.6	2.2
MAUNA KEA	August 1988	10.2	1.8
HALEAKALA	December 1984	15.3	1.8
LIHUE	January 1996	7.8	1.7
MAUNA LOA	December 1984	12.9	1.3

Total	$ 1,260.2	$ 542.1

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets: The Company's long-lived assets, including finite-lived intangible assets, are reviewed for possible impairment annually and whenever events or circumstances indicate that the carrying value may not be recoverable. In such an evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among others, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

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The Company has evaluated certain long-lived assets, including finite-lived intangible assets, for impairment and no impairment charges were recorded for the years ended December 31, 2013 and 2011. During 2012 the Company determined that it had an impairment related to intangible assets at Logistics. The Company recorded impairment expense of $2.1 million for the year ended December 31, 2012, which is included in operating expense on the Consolidated Statements of Income and Comprehensive Income.

Impairment of Goodwill: The Company reviews goodwill for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In estimating the fair value of a reporting unit, the Company uses a combination of a discounted cash flow model and fair value based on market multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"). The discounted cash flow approach requires the Company to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a discount rate that considers the risks related to the amount and timing of the cash flows. Although the assumptions used by the Company in its discounted cash flow model are consistent with the assumptions the Company uses to generate its internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from the reporting unit and the risk of achieving those cash flows. When using market multiples of EBITDA, the Company must make judgments about the comparability of those multiples in closed and proposed transactions. Accordingly, changes in assumptions and estimates, including, but not limited to, changes driven by external factors, such as industry and economic trends, and those driven by internal factors, such as changes in the Company's business strategy and its internal forecasts, could have a material effect on the Company's financial condition or its future operating results.

The Company has evaluated its goodwill for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012 and 2011, respectively.

Legal Contingencies: The Company's results of operations could be affected by significant litigation adverse to the Company, including, but not limited to, liability claims, antitrust claims, claims related to coastwise trading matters, lawsuits involving private plaintiffs or government agencies, and environment related matters. The Company records accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management makes adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of outside legal counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from those estimates. In making determinations of likely outcomes of litigation matters, the Company considers many factors. These factors include, but are not limited to, the nature of specific claims including unasserted claims, the Company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms and the matter's current status.

A detailed discussion of significant litigation matters is contained in Note 13 to the consolidated financial statements included in Item 8 of Part II below.

Self-Insured Liabilities: The Company is self-insured for certain losses including, but not limited to, employee health, workers' compensation, general liability, real and personal property. Where feasible, the Company obtains third-party excess insurance coverage to limit its exposure to these claims. When estimating its self-insured liabilities, the Company considers a number of factors, including historical claims experience, demographic factors, current trends, and analyses provided by independent third-parties. Periodically, management reviews its assumptions and the analyses provided by independent third-parties to determine the adequacy of the Company's self-insured liabilities. The Company's self-insured liabilities contain uncertainties because management is required to apply judgment and make long-term assumptions to estimate the ultimate cost to settle reported claims and claims incurred, but not reported, as of the balance sheet date. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

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Pension and Post-Retirement Estimates: The estimation of the Company's pension and post-retirement benefit expenses and liabilities requires that the Company make various assumptions. These assumptions include factors such as discount rates, expected long-term rate of return on pension plan assets, salary growth, health care cost trend rates, inflation, retirement rates, mortality rates and expected contributions. Actual results that differ from the assumptions made could materially affect the Company's financial condition or its future operating results. The effects of changing assumptions are included in unamortized net gains and losses, which directly affect accumulated other comprehensive income. Additionally, these unamortized gains and losses are amortized and reclassified to income (loss) over future periods. Additional information about the Company's benefit plans is included in Note 10 to the consolidated financial statements in Item 8 of Part II below.

Income Taxes: The Company makes certain estimates and judgments in determining income tax expense for consolidated financial statement purposes. These estimates and judgments are applied in the calculation of tax credits, tax benefits and deductions, and in the calculation of certain deferred tax assets

and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and consolidated financial statement purposes. In addition, judgment is required in determining if, based on the weight of available evidence, management believes that it is more likely than not that some portion or all of a recorded deferred tax asset would not be realized in future periods. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertain tax positions taken or expected to be taken with respect to the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could materially affect the Company's financial condition or its future operating results.

OTHER MATTERS

Accounting Standards Updates: Accounting standards updates effective after December 31, 2013, are not expected to have a material effect on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Matson's fixed-rate debt was $286.1 million as of December 31, 2013. Currently, Matson does not have any variable rate debt outstanding under its revolving credit facilities. Other than in default, the Company does not have an obligation to prepay its fixed-rate debt prior to maturity and, as a result, interest rate fluctuations and the resulting changes in fair value would not have an impact on the Company's financial condition or results of operations unless the Company was required to refinance such debt.

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The following table summarizes Matson's debt obligations at December 31, 2013, presenting principal cash flows and related interest rates by the expected fiscal year of repayment.

	Expected Fiscal Year of Repayment as of December 31, 2013 (dollars in millions)						
	2014	2015	2016	2017	2018	Thereafter	Total
Fixed rate (1)	$ 12.5	$ 21.7	$ 20.6	$ 28.2	$ 28.2	$ 174.9	$ 286.1
Average interest rate	4.6%	4.6%	4.6%	4.6%	4.7%	4.9%	4.8%
Variable rate	—	—	—	—	—	—	—
Average interest rate (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(1) The table does not include the obligations related to the $100 million 30-year senior unsecured notes issued in January 2014. The notes bear interest at a rate of 4.35% and begin to amortize in 2021.

(2) Estimated interest rates on variable debt are determined based on the rate in effect on December 31, 2013. Actual interest rates may be greater or less than the amounts indicated when variable rate debt is rolled over.

From time to time, Matson may invest its excess cash in short-term money market funds that purchase government securities or corporate debt securities. At December 31, 2013, the Company did not have any such investments. These money market funds maintain a weighted average maturity of less than 90 days, and accordingly, a one percent change in interest rates is not expected to have a material impact on the fair value of these investments or on interest income. Through its Capital Construction Fund, the Company may, from time to time, invest in mortgage-backed securities. At December 31, 2013, the Company did not have any such investments.

Matson has no material exposure to foreign currency risks, although it is indirectly affected by changes in currency rates to the extent that changes in rates affect tourism in Hawaii. Transactions related to its China service are primarily denominated in U.S. dollars, and therefore, a one percent change in the Chinese Yuan exchange rate would not have a material effect on the Company's results of operations. Transactions related to Matson's new South Pacific service acquired in January 2013 are primarily denominated in New Zealand dollars. However a one percent change in the New Zealand dollar exchange rate is not expected to have a material effect on the Company's results of operations.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (1992)*. Based on its assessment, management believes that, as of December 31, 2013, the Company's internal control over financial reporting is effective. The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the Company's internal control over financial reporting.

/s/ Matthew J. Cox	/s/ Joel M. Wine
Matthew J. Cox	Joel M. Wine
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer
February 28, 2014	February 28, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Matson, Inc.
Honolulu, Hawaii

We have audited the accompanying consolidated balance sheets of Matson, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Matson, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Honolulu, Hawaii
February 28, 2014

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MATSON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In millions, except per-share amounts)

	Years Ended December 31,		
	2013	**2012**	**2011**
Operating Revenue:			
Ocean transportation	**$ 1,229.4**	$ 1,189.8	$ 1,076.2
Logistics	**407.8**	370.2	386.4
Total operating revenue	**1,637.2**	1,560.0	1,462.6
Costs and Expenses:			
Operating costs	**1,402.3**	1,338.1	1,280.1
Equity in loss (income) of terminal joint venture	**2.0**	(3.2)	(8.6)
Selling, general and administrative	**132.6**	119.8	112.5
Separation costs	**—**	8.6	—
Total costs and expenses	**1,536.9**	1,463.3	1,384.0
Operating Income	**100.3**	96.7	78.6

Interest expense	**(14.4)**	(11.7)	(7.7)
Income from Continuing Operations Before Income Taxes	**85.9**	85.0	70.9
Income tax expense	**(32.2)**	**(33.0)**	(25.1)
Income From Continuing Operations	**53.7**	52.0	45.8
Loss From Discontinued Operations (net of income taxes)	**—**	(6.1)	(11.6)
Net Income	**$ 53.7**	$ 45.9	$ 34.2
Other Comprehensive Income (Loss), Net of Income Taxes:			
Net Income	**$ 53.7**	$ 45.9	$ 34.2
Other Comprehensive Income (Loss):			
Net gain (loss) and prior service cost	**18.7**	(4.6)	(5.7)
Amortization of prior service cost included in net periodic pension cost	**(1.3)**	(1.4)	0.3
Amortization of net loss included in net periodic pension cost	**4.7**	4.8	3.9
Foreign currency translation adjustment	**(0.1)**	—	—
Other comprehensive income (loss) from discontinued operations	**—**	0.7	(8.4)
Total Other Comprehensive Income (Loss)	**22.0**	(0.5)	(9.9)
Comprehensive Income	**$ 75.7**	$ 45.4	$ 24.3
Basic Earnings (Loss) Per Share:			
Continuing operations	**$ 1.26**	$ 1.23	$ 1.10
Discontinued operations	**—**	(0.14)	(0.28)
Basic Earnings Per Share	**$ 1.26**	$ 1.09	$ 0.82
Diluted Earnings (Loss) Per Share:			
Continuing operations	**$ 1.25**	$ 1.22	$ 1.09
Discontinued operations	**—**	(0.14)	(0.28)
Diluted Earnings Per Share	**$ 1.25**	$ 1.08	$ 0.81
Weighted Average Number of Shares Outstanding:			
Basic	**42.7**	42.3	41.6
Diluted	**43.1**	42.7	42.0

See notes to consolidated financial statements.

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MATSON, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per-share amount)

	December 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 114.5**	$ 19.9
Accounts receivable, net	**182.3**	174.7
Deferred income taxes	**9.1**	6.6
Prepaid expenses and other assets	**43.0**	32.9
Total current assets	**348.9**	234.1
Investment in terminal joint venture	**57.6**	59.6
Property and equipment, net	**735.4**	762.5
Goodwill and intangible assets, net	**31.2**	30.9
Other long-term assets	**75.2**	87.2
Total assets	**$ 1,248.3**	$ 1,174.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	**$ 12.5**	$ 16.4
Accounts payable	**124.0**	125.8
Payroll and vacation benefits	**16.9**	16.0
Self-insured liabilities	**15.1**	11.2
Accrued and other liabilities	**32.1**	24.0
Total current liabilities	**200.6**	193.4
Long-term Liabilities:		
Long-term debt	**273.6**	302.7
Deferred income taxes	**326.1**	251.9
Employee benefit plans	**74.4**	108.0
Self-insured claims and other liabilities	**35.4**	38.4
Total long-term liabilities	**709.5**	701.0
Commitments and Contingencies		
Shareholders' Equity:		

Capital stock — common stock without par value; authorized, 150 million shares ($0.75 stated value per share); outstanding, 42.8 million shares in 2013 and 42.6 million shares in 2012	**32.1**	31.9
Additional paid in capital	**261.9**	252.7
Accumulated other comprehensive loss	**(23.5)**	(45.5)
Retained earnings	**67.7**	40.8
Total shareholders' equity	**338.2**	279.9
Total liabilities and shareholders' equity	**$ 1,248.3**	$ 1,174.3

See notes to consolidated financial statements.

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MATSON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2013	**2012**	**2011**
Cash Flows Provided by Operating Activities from Continuing Operations			
Net income from continuing operations	$ **53.7**	$ 52.0	$ 45.8
Reconciling adjustments:			
Depreciation and amortization	**69.7**	72.5	71.6
Deferred income taxes	**57.5**	(8.8)	(5.0)
Loss (gain) on disposal of property	**0.2**	(1.2)	(0.8)
Post-retirement expense	**1.6**	2.6	4.5
Share-based compensation expense	**5.9**	4.0	2.7
Equity in loss (income) of terminal joint venture	**2.0**	(3.2)	(8.6)
Dividend from terminal joint venture	**—**	—	5.3
Impairment of intangible assets	**—**	2.1	—
Tax benefit from equity issuance	**1.8**		
Excess tax benefit from stock-based compensation	**(0.6)**	**—**	**—**
Changes in assets and liabilities:			
Accounts receivable	**(7.6)**	(7.0)	(10.8)
Deferred dry-docking payments	**(14.0)**	(44.8)	(36.0)
Deferred dry-docking amortization	**22.0**	23.3	22.7
Prepaid expenses and other assets	**(11.8)**	(10.4)	(3.4)
Accounts payable and accrued liabilities	**2.2**	(7.9)	17.1
Other liabilities	**13.1**	20.8	(1.0)
Net cash provided by operating activities from continuing operations	**195.7**	94.0	104.1
Cash Flows Used in Investing Activities from Continuing Operations:			
Capital expenditures	**(35.2)**	(38.1)	(47.2)
Proceeds from disposal of property and equipment	**4.5**	6.8	2.3
Deposits into Capital Construction Fund	**(4.4)**	(4.4)	(4.4)
Withdrawals from Capital Construction Fund	**4.4**	4.4	4.4
Payments for acquisitions	**(9.3)**	—	—
Contribution from the Former Parent Company	**—**	25.0	40.3
Net cash used in investing activities from continuing operations	**(40.0)**	(6.3)	(4.6)
Cash Flows Used in Financing Activities from Continuing Operations:			
Excess tax benefit from stock-based compensation	**0.6**	**—**	**—**
Proceeds from issuance of long-term debt	**21.0**	197.0	109.0
Payments of long-term debt	**(45.4)**	(80.4)	(69.5)
(Payments) to/ proceeds from the line-of-credit agreements, net	**(11.0)**	5.0	(6.2)
Payment of financing costs	**—**	(1.9)	(0.5)
Payment of capital leases	**(1.2)**	—	—
Proceeds from issuance of capital stock	**1.7**	25.2	10.1
Dividends paid	**(26.8)**	(39.5)	(53.1)
Contribution to A&B upon Separation	**—**	(155.7)	—
Cash assumed by A&B upon Separation	**—**	(2.5)	—
Distribution to Former Parent Company from issuance of capital stock	**—**	(21.7)	—
Distribution paid to Former Parent Company	**—**	—	(60.0)
Net cash used in financing activities from continuing operations	**(61.1)**	(74.5)	(70.2)
Cash Flows from Discontinued Operations:			
Cash flows used in operating activities of discontinued operations	**—**	(29.9)	(17.8)
Cash flows used in investing activities of discontinued operations	**—**	(18.8)	(26.1)
Cash flows provided by financing activities of discontinued operations	**—**	33.9	21.9
Net cash flows used in discontinued operations	**—**	(14.8)	(22.0)
Net Increase (Decrease) in Cash and Cash Equivalents	**94.6**	(1.6)	7.3
Cash and cash equivalents, beginning of the year	**19.9**	21.5	14.2

Cash and cash equivalents, end of the year	**$ 114.5**	$ 19.9	$ 21.5
Supplemental Cash Flow Information:			
Interest paid	**$ 13.8**	$ 11.3	$ 7.8
Income tax (refund) paid	**$ (3.4)**	$ 42.7	$ 0.6
Non-cash Information:			
Capital expenditures included in accounts payable and accrued liabilities	**$ 2.1**	$ 4.2	$ 4.2
Capital lease obligations	**$ 2.9**	$ —	$ —

See notes to consolidated financial statements.

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MATSON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the three years ended December 31, 2013
(In millions, except per-share amounts)

	Common Stock		Treasury		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Stated Value	Shares	Cost				
Balance at December 31, 2010	44.9	$ 34.0	(3.6)	$ (10.9)	$ 223.2	$ (82.0)	$ 971.9	$ 1,136.2
Net income	—	—	—	—	—	—	34.2	34.2
Other comprehensive loss, net of tax	—	—	—	—	—	(9.9)	—	(9.9)
Shares issued	0.4	—	—	—	7.6	—	—	7.6
Share-based compensation	—	—	—	—	7.5	—	—	7.5
Dividends	—	—	—	—	—	—	(53.1)	(53.1)
Balance at December 31, 2011	45.3	34.0	(3.6)	(10.9)	238.3	(91.9)	953.0	1,122.5
Net income	—	—	—	—	—	—	45.9	45.9
Other comprehensive loss, net of tax	—	—	—	—	—	(0.5)	—	(0.5)
Excess tax benefit and share withholding	(0.1)	(0.1)	—	—	0.5	—	(2.4)	(2.0)
Share-based compensation	—	—	—	—	6.5	—	—	6.5
Shares issued	1.0	0.7	—	—	22.4	—	—	23.1
Retirement of treasury shares	(3.6)	(2.7)	3.6	10.9	(8.2)	—	—	—
Dividends	—	—	—	—	—	—	(39.5)	(39.5)
Distribution of A&B Stock	—	—	—	—	(6.8)	46.9	(916.2)	(876.1)
Balance at December 31, 2012	**42.6**	**31.9**	**—**	**—**	**252.7**	**(45.5)**	**40.8**	**279.9**
Net Income	**—**	**—**	**—**	**—**	**—**	**—**	**53.7**	**53.7**
Other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**—**	**22.0**	**—**	**22.0**
Excess tax benefit and share withholding	**—**	**—**	**—**	**—**	**1.8**	**—**	**—**	**1.8**
Share-based compensation	**—**	**—**	**—**	**—**	**5.9**	**—**	**—**	**5.9**
Shares issued	**0.2**	**0.2**	**—**	**—**	**1.5**	**—**	**—**	**1.7**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(26.8)**	**(26.8)**
Balance at December 31, 2013	**42.8**	**$ 32.1**	**—**	**$ —**	**$ 261.9**	**$ (23.5)**	**$ 67.7**	**$ 338.2**

See notes to consolidated financial statements.

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MATSON, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

Matson, Inc., a holding company incorporated in January 2012, in the State of Hawaii, and its subsidiaries ("Matson" or the "Company"), is a leading provider of ocean transportation and logistics services.

Ocean Transportation: Matson's ocean transportation business is conducted through Matson Navigation Company, Inc. ("MatNav"), a wholly-owned subsidiary of Matson, Inc. Founded in 1882, MatNav is an asset-based business that provides a vital lifeline of ocean freight transportation services to the island economies of Hawaii, Guam and Micronesia, and also operates a premium, expedited service from China to Long Beach, California. In January 2013, Matson began providing ocean services to various islands in the South Pacific including New Zealand, Fiji, Samoa, American Samoa, Tonga and the Cook Islands, and later expanded service to include Australia to the Solomon Islands. Matson's fleet consists of 18 owned and three chartered vessels including containerships, combination container/roll-on/roll-off ships, and custom-designed barges.

The Company also provides container stevedoring, container equipment maintenance and other terminal services for MatNav and other ocean carriers through Matson Terminals, Inc. ("Matson Terminals"), a wholly-owned subsidiary of MatNav, on the islands of Oahu, Hawaii, Maui and Kauai.

The Company has a 35 percent ownership interest in SSA Terminals, LLC ("SSAT") through a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc. ("SSA"), a subsidiary of Carrix, Inc. (the "Terminal Joint Venture"). SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the United States of America ("U.S.") Pacific Coast, including to MatNav at several of those facilities. Matson records its share of income (loss) in the joint venture in operating expenses within the ocean transportation segment due to the nature of SSAT's operations.

Logistics: The Company's logistics business is conducted through Matson Logistics, Inc. ("Matson Logistics" or "Logistics"), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides multimodal transportation, including domestic and international rail

intermodal service ("Intermodal"); long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload services, expedited freight services (collectively "Highway"); and warehousing and distribution services. The warehousing and distribution services are provided by Matson Logistics Warehousing, Inc. ("Matson Logistics Warehousing"), a wholly-owned subsidiary of Matson Logistics.

Separation Transaction: On December 1, 2011, Alexander & Baldwin, Inc., the former parent company of MatNav (the "Former Parent Company"), announced that its Board of Directors unanimously approved a plan to pursue the separation (the "Separation") of the Former Parent Company to create two independent, publicly traded companies:

- Matson, Inc.; and
- Alexander & Baldwin, Inc. ("A&B"), a Hawaii-based land company with interests in real estate development, commercial real estate and agriculture.

On February 13, 2012, the Former Parent Company entered into an Agreement and Plan of Merger to reorganize itself by forming a holding company incorporated in Hawaii, Alexander & Baldwin Holdings, Inc. ("Holdings"). The holding company structure helped facilitate the Separation through the organization and segregation of the assets of the two businesses. In addition, the holding company reorganization was intended to help preserve the Company's status as a U.S. citizen under certain U.S. maritime and vessel documentation laws by, among other things, limiting the percentage of outstanding shares of common stock in the holding company that may be owned or controlled in the aggregate by non-U.S. citizens to a maximum permitted percentage of 22%.

The Separation was completed on June 29, 2012. In the Separation, the shareholders of Holdings received one share of common stock of A&B for every share of Holdings held of record as of June 18, 2012. Immediately following the Separation, Holdings changed its name to Matson, Inc. For accounting purposes, Matson is the successor company to the Former Parent Company.

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Prior to the completion of the Separation, Matson and A&B entered into a Separation and Distribution Agreement, Tax Sharing Agreement and an Employee Matters Agreement, each dated June 8, 2012, to govern the post-Separation relationship. In addition, Matson and A&B entered into a Transition Services Agreement, dated June 8, 2012, under which each company agreed to provide the other with various services on an interim transitional basis, for up to 24 months. Also in relation to the Separation, intercompany receivables, payables, loans and other accounts between Matson and A&B, in existence immediately prior to the Separation, were satisfied and/or settled; and intercompany agreements and all other arrangements in effect immediately prior to the distribution were terminated or canceled, subject to certain exceptions.

During the year ended December 31, 2012, the Company incurred total cash outflows of $166.2 million in relation to the Separation. Separation related expenses, referred to as Separation costs in the Consolidated Statements of Income and Comprehensive Income, are reported under the cash flows provided by operating activities from continuing operations, and capitalized debt financing costs under cash flows used in financing activities from continuing operations, as these costs do not qualify as discontinued operations.

The breakdown of Separation cash outflows for the year ended December 31, 2012 were as follows (in millions):

	Separation Cash Outflows
Capital contribution to A&B	$ 155.7
Separation costs	8.6
Capitalized debt financing costs	1.9
Total cash outflow related to the Separation	$ 166.2

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Matson, Inc. and all wholly-owned subsidiaries, after elimination of significant intercompany amounts. Significant investments in businesses, partnerships, and limited liability companies in which the Company does not have a controlling financial interest, but has the ability to exercise significant influence, are accounted for under the equity method. A controlling financial interest is one in which the Company has a majority voting interest or one in which the Company is the primary beneficiary of a variable interest entity.

Fiscal Year: The period end for Matson, Inc. is December 31. The period end for MatNav occurred on the last Friday in December, except for Matson Logistics Warehousing whose period closed on December 31. There were 52 weeks included in the MatNav 2013, 2012 and 2011 fiscal years.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Estimates and assumptions are used for, but not limited to: impairment of investments, long-lived vessel and equipment impairment, legal contingencies, allowance for doubtful accounts, self-insured liabilities, goodwill and other finite-lived intangible assets impairment, pension and post-retirement estimates, and income taxes. Future results could be materially affected if actual results differ from these estimates and assumptions.

Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of purchase. The Company carries these investments at cost, which approximates fair value. Outstanding checks in excess of funds on deposit totaled $19.8 million and $19.6 million at December 31, 2013 and 2012, respectively, and are reflected as current liabilities in the consolidated balance sheets.

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Fair Value of Financial Instruments: The Company values its financial instruments based on the fair value hierarchy of valuation techniques for fair value measurements. Level 1 inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs

are unobservable inputs for the asset or liability. If the technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy, the lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Company uses Level 1 inputs for the fair values of its cash and cash equivalents. The Company uses Level 2 inputs for its accounts receivable, and debt. The fair values of cash and cash equivalents, accounts receivable, and short-term debt approximate their carrying values due to the short-term nature of the instruments. The fair value of the Company's long-term debt is calculated based upon interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

		Fair Value Measurements at December 31, 2013			
(in millions)	Carrying Value at December 31, 2013 Total	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 114.5	$ 114.5	$ 114.5	$ —	$ —
Accounts and notes receivable, net	182.3	182.3	—	182.3	—
Fixed rate debt	286.1	292.7	—	292.7	—

		Fair Value Measurements at December 31, 2012			
(in millions)	Carrying Value at December 31, 2012 Total	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 19.9	$ 19.9	$ 19.9	$ —	$ —
Accounts and notes receivable, net	174.7	174.7	—	174.7	—
Variable rate debt	24.0	24.0	—	24.0	—
Fixed rate debt	295.1	316.8	—	316.8	—

Accounts Receivable: Accounts receivable are shown net of allowance for doubtful accounts in the Consolidated Balance Sheet. At December 31, 2013, the Company had assigned $112.0 million of eligible accounts receivable to the Capital Construction Fund (see Note 7). No amounts were assigned in the prior year.

Allowance for Doubtful Accounts: Allowances for doubtful accounts receivable are established by management based on estimates of collectability. Estimates of collectability are principally based on an evaluation of the current financial condition the Company's customers and their payment history, which are regularly monitored by the Company. The changes in the allowance for doubtful accounts receivable for the three years ended December 31, 2013 were as follows (in millions):

	Balance at Beginning of Year	Expense	Write-offs and Other	Balance at End of Year
2013	$ 4.7	$ 0.6	$ (1.2)	$ 4.1
2012	5.3	0.7	(1.3)	4.7
2011	6.1	—	(0.8)	5.3

Prepaid and Other Assets: Prepaid expenses and other assets in the consolidated balance sheets includes $13.8 million and $17.9 million at December 31, 2013 and 2012, respectively, of diesel and heavy fuel oil that is primarily aboard the Company's vessels, and is recorded at cost.

Impairment of Investment: The Company's investment in its Terminal Joint Venture is reviewed for impairment annually and whenever there is evidence that fair value may be below carrying cost. An investment is written down to fair value if fair value is below carrying cost and the impairment is other-than-temporary. In evaluating the fair

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value of an investment and whether any identified impairment is other-than-temporary, significant estimates and considerable judgments are involved. These estimates and judgments are based, in part, on the Company's current and future evaluation of economic conditions in general, as well as the Terminal Joint Venture's current and future plans. These fair value calculations are highly subjective because they require management to make assumptions and apply judgments to estimates regarding the timing and amount of future cash flows, probabilities related to various cash flow scenarios, and appropriate discount rates based on the perceived risks, among others. In evaluating whether an impairment is other-than-temporary, the Company considers all available information, including the length of time and extent of the impairment, the financial condition and near-term prospects of the Terminal Joint Venture, the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, and projected industry and economic trends, among others. Changes in these and other assumptions could affect the projected operational results and fair value of the Terminal Joint Venture, and accordingly, may require valuation adjustments to the Company's investment that may materially impact the Company's financial condition or its future operating results.

The Company has evaluated its investment in its Terminal Joint Venture for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012, and 2011.

Property and Equipment: Property and equipment are stated at cost. Certain costs incurred in the development of internal-use software are capitalized. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment are as follows:

Classification	Range of Life (in years)
Vessels	5 to 40
Machinery and equipment	2 to 20
Terminal facilities	2 to 35

Impairment of Vessels and Equipment: The Company operates an integrated network of vessels, containers, and terminal equipment; therefore, in evaluating impairment, the Company groups its assets at the ocean transportation entity level, which represents the lowest level for which identifiable cash flows are available. The Company's vessels and equipment are reviewed for possible impairment annually and whenever events or circumstances, such as recurring operating losses, indicate that their carrying values may not be recoverable. In evaluating impairment, the estimated future undiscounted cash flows generated by the asset group are compared with the amount recorded for the asset group to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset group is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among other things, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

The Company has evaluated its vessels and equipment for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012, and 2011.

Dry-docking Costs: The Company's U.S. flagged vessels must meet specified seaworthiness standards established by U.S. Coast Guard rules and Classification society requirements. These standards require that the Company's ships undergo two dry-docking inspections within a five-year period. However, all of the Company's U.S. flagged vessels are enrolled in the U.S. Coast Guard's Underwater Survey in Lieu of Dry-docking ("UWILD") program. The UWILD program allows eligible ships to have their intermediate dry-docking requirement to be met with a far less costly underwater inspection.

The Company operates four non-U.S. flag vessels (one owned; one under a bareboat charter arrangement; and the remaining two on time charter) in the Pacific Islands. The Company is responsible for ensuring that the owned and bareboat chartered ships meet international standards for seaworthiness, which among other requirements generally mandate that the Company perform two dry-docking inspections every five years. The dry-dockings of the Company's other chartered vessels are the responsibility of the ships' owners.

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As the costs associated with these dry-docking inspections provide future economic benefits to the Company through continued operation of the vessels, the costs are deferred and amortized until the next regularly scheduled inspection, which is usually over a two to five-year period. Routine vessel maintenance and repairs that do not improve or extend asset lives are charged to expense as incurred. Deferred dry-docking costs were $56.9 million and $66.3 million as of December 31, 2013 and 2012, respectively, and are included in other long-term assets in the consolidated balance sheets. Amortized amounts are charged to operating expenses in the consolidated statements of income and comprehensive income. Changes in deferred dry-docking costs are included in the consolidated statements of cash flows.

Goodwill and Intangible Assets: Recorded goodwill arises as a result of acquisitions made by the Company. Intangible assets consist of customer lists and tradenames. The Company amortizes customer lists and trademarks using the straight-line method over the expected useful lives of up to 13 years.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets: The Company's long-lived assets, including finite-lived intangible assets, are reviewed for possible impairment annually and whenever events or circumstances indicate that the carrying value may not be recoverable. In such an evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among others, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

The Company has evaluated certain long-lived assets, including finite-lived intangible assets, for impairment and no impairment charges were recorded for the years ended December 31, 2013 and 2011. During 2012 the Company determined that it had an impairment related to intangible assets at Logistics. The Company recorded impairment expense of $2.1 million for the year ended December 31, 2012, which is included in operating expense on the consolidated statements of income and comprehensive income.

Impairment of Goodwill: The Company reviews goodwill for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In estimating the fair value of a reporting unit, the Company uses a combination of a discounted cash flow model and fair value based on market multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"). The discounted cash flow approach requires the Company to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a discount rate that considers the risks related to the amount and timing of the cash flows. Although the assumptions used by the Company in its discounted cash flow model are consistent with the assumptions the Company used to generate its internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from the reporting unit and the risk of achieving those cash flows. When using market multiples of EBITDA, the Company must make judgments about the comparability of those multiples in closed and proposed transactions. Accordingly, changes in assumptions and estimates, including, but not limited to, changes driven by external factors, such as industry and economic trends, and those driven by internal factors, such as changes in the Company's business strategy and its internal forecasts, could have a material effect on the Company's financial condition or its future operating results.

The Company has evaluated its goodwill for impairment and no impairment charges were recorded for the years ended December 31, 2013, 2012 and 2011, respectively.

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

The estimation of the Company's pension and post-retirement benefit expenses and liabilities requires that the Company make various assumptions. These assumptions include factors such as discount rates, expected long-term rate of return on pension plan assets, salary growth, health care cost trend rates, inflation, retirement rates, mortality rates, and expected contributions. Actual results that differ from the assumptions made could materially affect the Company's financial condition or its future operating results. The effects of changing assumptions are included in unamortized net gains and losses, which directly affect accumulated other comprehensive income. Additionally, these unamortized gains and losses are amortized and reclassified to income (loss) over future periods. Additional information about the Company's benefit plans is included in Note 10.

Self-Insured Liabilities: The Company is self-insured for certain losses including, but not limited to, employee health, workers' compensation, general liability, real and personal property. Where feasible, the Company obtains third-party excess insurance coverage to limit its exposure to these claims. When estimating its self-insured liabilities, the Company considers a number of factors, including historical claims experience, demographic factors, current trends, and analyses provided by independent third-parties. Periodically, management reviews its assumptions and the analyses provided by independent third-parties to determine the adequacy of the Company's self-insured liabilities. The Company's self-insured liabilities contain uncertainties because management is required to apply judgment and make long-term assumptions to estimate the ultimate cost to settle reported claims and claims incurred, but not reported, as of the balance sheet date. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted.

Legal Contingencies: The Company's results of operations could be affected by significant litigation adverse to the Company, including, but not limited to, liability claims, antitrust claims, claims related to coastwise trading matters, lawsuits involving private plaintiffs or government agencies, and environmental related matters. The Company records accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management makes adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of outside legal counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from those estimates. In making determinations of likely outcomes of litigation matters, the Company considers many factors. These factors include, but are not limited to, the nature of specific claims including unasserted claims, the Company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms and the matter's current status. A detailed discussion of significant litigation matters is contained in Note 13.

Recognition of Revenues and Expenses: Voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period. Voyage expenses are recognized as incurred. Hawaii, Guam, and certain Pacific island service freight rates are provided in tariffs filed with the Surface Transportation Board of the U.S. Department of Transportation; for other Pacific island services, the rates are filed with the Federal Maritime Commission. The China service rates are predominately established by individual contracts with customers.

The revenue for logistics services includes the total amount billed to customers for transportation services. The primary costs include purchased transportation services. Revenue and the related purchased transportation costs are recognized based on relative transit time, commonly referred to as the "percentage of completion" method. The Company reports revenue on a gross basis. The Company serves as principal in transactions because it is responsible for the contractual relationship with the customer, has latitude in establishing prices, has discretion in supplier selection, and retains credit risk.

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The primary sources of revenue for warehousing services are storage, handling, and value-added packaging. For customer dedicated warehouses, storage revenue is recognized as earned over the life of the contract. Storage revenue generated by the public warehouses is recognized in the month the service is provided according to the terms of the contract. Handling and value-added packaging revenue and expense are recognized in proportion to the services completed.

Non-voyage Costs: Non-voyage costs such as terminal operating overhead, and general and administrative expenses are charged to expense as incurred.

Share-Based Compensation: The Company records compensation expense for all share-based payment awards made to employees and directors. The Company's various equity plans are more fully described in Note 12.

Income Taxes: Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the Consolidated Statements of Income and Comprehensive Income and/or Consolidated Balance Sheets.

The Company makes certain estimates and judgments in determining income tax expense for consolidated financial statement purposes. These estimates and judgments are applied in the calculation of tax credits, tax benefits and deductions, and in the calculation of certain deferred tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and consolidated financial statement purposes. In addition, judgment is required in determining if, based on the weight of available evidence, management believes that it is more likely than not that some portion or all of a recorded deferred tax asset would not be realized in future periods. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertain tax positions taken or expected to be taken with respect to the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could materially affect the Company's financial condition or its future operating results.

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

Discontinued Operations: The termination of certain business lines are classified as discontinued operations if the operations and cash flows of the assets clearly can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold, and if the amount is considered material. As a result, the operations for the Company's second China Long Beach Express Service ("CLX2") and A&B have been shown as discontinued operations (see Note 3).

Comprehensive Income (Loss): Comprehensive income (loss) includes all changes in Shareholders' Equity, except those resulting from capital stock transactions. Other comprehensive income (loss) in the consolidated statements of income and comprehensive income are shown net of tax (expense) benefit of ($14.1) million, ($0.3) million, and $6.3 million for the years ended December 2013, 2012 and 2011, respectively. Accumulated other comprehensive loss of $23.5 million and $45.5 million at December 31, 2013 and 2012, respectively, primarily included amortization of deferred pension, post-retirement costs and non-qualified plans of $22.6 million and $44.6 million, respectively.

Basic and Diluted Earnings per Share ("EPS") of Common Stock: Basic earnings per share are determined by dividing net income by the weighted-average common shares outstanding during the year. The calculation of diluted earnings per share includes the dilutive effect of unexercised non-qualified stock options and non-vested

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stock units. The computation of weighted average dilutive shares outstanding excluded non-qualified stock options to purchase 0.1 million, 0.5 million, and 1.4 million shares of common stock for 2013, 2012, and 2011, respectively. These amounts were excluded because the options' exercise prices were greater than the average market price of the Company's common stock for the periods presented and, therefore, the effect would be anti-dilutive.

The denominator used to compute basic and diluted earnings per share is as follows (in millions):

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount
Basic:									
Income from continuing operations	$ 53.7	42.7	$ 1.26	$ 52.0	42.3	$ 1.23	$ 45.8	41.6	$ 1.10
Loss from discontinued operations	—	42.7	—	(6.1)	42.3	(0.14)	(11.6)	41.6	(0.28)
Net Income	$ 53.7		$ 1.26	$ 45.9		$ 1.09	$ 34.2		$ 0.82
Effect of Dilutive Securities		0.4			0.4			0.4	
Diluted:									
Income from continuing operations	$ 53.7	43.1	$ 1.25	$ 52.0	42.7	$ 1.22	$ 45.8	42.0	$ 1.09
Loss from discontinued operations	—	43.1	—	(6.1)	42.7	(0.14)	(11.6)	42.0	(0.28)
Net Income	$ 53.7		$ 1.25	$ 45.9		$ 1.08	$ 34.2		$ 0.81

Rounding: Amounts in the consolidated financial statements and Notes are rounded to millions, but per-share calculations and percentages were determined based on amounts before rounding. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different.

Reclassification: Amounts for goodwill and intangible assets at December 31, 2012 have been reclassified from other long-term assets in the Company's consolidated balance sheet to conform to the current year presentation.

3. DISCONTINUED OPERATIONS

There were no discontinued operations during the year ended December 31, 2013. Loss from discontinued operations for the years ended December 31, 2012 and 2011, consisted of the following (in millions):

	Years Ended December 31,	
	2012	2011
Discontinued operations, net of income taxes:		
Income from A&B	$ 116.4	$ 274.7
Expenses from A&B	(118.1)	(243.5)
Tax expense from A&B	(1.6)	(7.2)
(Loss) income from A&B	(3.3)	24.0
Income from CLX2	—	92.7
Expenses from CLX2	(4.4)	(149.4)
Tax benefit from CLX2	1.6	21.1
Loss from discontinued operations, net of tax	$ (6.1)	$ (11.6)

The Separation from A&B was completed on June 29, 2012 and is further discussed in Note 1. In the third quarter of 2011, the Company terminated its second China Long Beach Express Service ("CLX2"), due to the longer-term outlook for sustained high fuel prices and increasingly volatile Transpacific rates. As of the termination date, the Company had established and approved plans to (i) return to the lessors or sub-charter the five vessels used in the

service (ii) off-hire or dispose of certain excess container equipment and (iii) terminate office contracts and employees. These plans were substantially completed as of September 30, 2011; however, the off-hiring of excess leased containers continued through 2012 and two of the five ships were offered for sub-charter until they were returned to the lessors in July 2012. The remaining three ships were returned to the lessors as of September 30, 2011 pursuant to the terms of the one-year charter contracts. As of December 31, 2012, the Company had no future liabilities related to CLX2 and the Company did not incur any additional losses from the discontinued operations during 2013.

The following table provides information regarding liabilities associated with the termination of CLX2 (in millions):

	Containers and Charter Liabilities	Other Contractual Liabilities	Total
Balance at December 31, 2011	$ 4.8	$ 0.1	$ 4.9
Expenses incurred	4.5	0.0	4.5
Amounts paid	(9.3)	(0.1)	(9.4)
Balance at December 31, 2012	$ —	$ —	$ —

4. INVESTMENT IN TERMINAL JOINT VENTURE

The Company accounts for its 35 percent ownership interest in the Terminal Joint Venture under the equity method of accounting. The Company records its share of income (loss) in the Terminal Joint Venture in operating expenses within the ocean transportation segment, due to operations of the Terminal Joint Venture being an integral part of the Company's business. The Company's investment in the Terminal Joint Venture was $57.6 million and $59.6 million at December 31, 2013 and 2012, respectively.

No dividends and distributions were received from the Terminal Joint Venture in 2013 or 2012. Dividends received from the Terminal Joint Venture totaled $5.3 million in 2011. The Company's operating costs include $164.3 million, $163.8 million, and $175.2 million for 2013, 2012, and 2011, respectively, for terminal services provided by SSAT. Accounts payable and accrued liabilities in the Consolidated Balance Sheets include $15.3 million and $15.7 million for terminal services payable to the Terminal Joint Venture at December 31, 2013 and 2012, respectively.

A summary of financial information for the Terminal Joint Venture at December 31, 2013 and 2012 is as follows (in millions):

	As of December 31,	
	2013	2012
Current assets	$ 73.5	$ 90.8
Noncurrent assets	137.1	139.2
Total assets	$ 210.6	$ 230.0
Current liabilities	$ 43.2	$ 55.9
Noncurrent liabilities	15.7	14.7
Equity	151.7	159.4
Total liabilities	$ 210.6	$ 230.0

	Years Ended December 31,		
	2013	2012	2011
Operating revenue	$ 498.4	$ 503.9	$ 578.6
Operating costs and expenses	517.4	506.4	571.7
Operating (loss) income	(19.0)	(2.5)	6.9
Net (loss) income (1)	$ (5.7)	$ 9.5	$ 26.3
The Company's share of net (loss) income	$ (2.0)	$ 3.2	$ 8.6

(1) Includes earnings from equity method investments held by the investee

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 includes the following (in millions):

	As of December 31, 2013		
	Cost	Accumulated Depreciation	Net Book Value
Vessels	$ 1,260.2	$ 718.1	$ 542.1
Containers and equipment	470.6	310.4	160.2
Terminal facilities and other property	38.9	30.9	8.0
Construction in progress	25.1	—	25.1
Total	$ 1,794.8	$ 1,059.4	$ 735.4

	As of December 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value

Vessels	$ 1,249.1	$ 679.4	$ 569.7
Containers and equipment	468.5	300.1	168.4
Terminal facilities and other property	38.5	28.8	9.7
Construction in progress	14.7	—	14.7
Total	$ 1,770.8	$ 1,008.3	$ 762.5

	Years Ended December 31,		
	2013	2012	2011
Depreciation Expense	$ 67.4	$ 70.6	$ 69.4

Property and equipment subject to capital leases was $3.1 million at December 31, 2013 and amortization recorded in the Consolidated Statement of Income and Comprehensive Income was $0.3 million for the year ended December 31, 2013.

During the fourth quarter of 2013, the Company entered into agreements with a shipyard for the construction of two new 3,600 twenty-foot equivalent units Aloha-class container ships at a cost of $418.0 million. The container ships are expected to be delivered during 2018. The Company made an initial payment of $8.4 million to the shipyard during 2013, which is included in construction in progress. Additional payments totaling $92.0 million are payable in 2015 and 2016, with the remaining balance payable in 2017 and 2018.

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6. GOODWILL AND INTANGIBLE ASSETS

Changes in the Company's goodwill for the years ended December 31, 2013 and 2012 consist of the following (in millions):

	Goodwill		
	Logistics	Ocean Transportation	Total
Balance, December 31, 2011	$ 27.0	$ —	$ 27.0
Additions	—	—	—
Balance, December 31, 2012	27.0	—	27.0
Additions	—	0.4	0.4
Balance, December 31, 2013	$ 27.0	$ 0.4	$ 27.4

There was no accumulated impairment related to goodwill as of December 31, 2013 and 2012.

Intangible assets as of December 31, 2013 and 2012 include the following (in millions):

	As of December 31, 2013		
	Gross Cost	Accumulated Amortization	Net Book Value
Customer lists	$ 10.4	$ (6.8)	$ 3.6
Tradenames	3.9	(3.7)	0.2
Total intangible assets	$ 14.3	$ (10.5)	$ 3.8

	As of December 31, 2012		
	Gross Cost	Accumulated Amortization	Net Book Value
Customer lists	$ 9.7	$ (6.2)	$ 3.5
Tradenames	3.8	(3.4)	0.4
Total intangible assets	$ 13.5	$ (9.6)	$ 3.9

Aggregate intangible asset amortization was $0.8 million, $0.7 million, and $0.9 million for 2013, 2012, and 2011, respectively. Estimated amortization expenses related to intangible assets over the next five years are as follows (in millions):

	Estimated Amortization
2014	$ 0.8
2015	0.5
2016	0.5
2017	0.5
2018	0.4
Thereafter	1.1
Total	$ 3.8

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7. CAPITAL CONSTRUCTION FUND

The Company is party to an agreement with the United States government that established a Capital Construction Fund ("CCF") under provisions of the Merchant Marine Act of 1936, as amended. The agreement has program objectives for the acquisition, construction, or reconstruction of vessels and for repayment of existing vessel indebtedness. Deposits to the CCF are limited by certain applicable earnings. Such deposits are tax deductions in the year made; however, they are taxable, with interest payable from the year of deposit, if withdrawn for general corporate purposes or other non-qualified purposes, or upon termination of the agreement. Qualified withdrawals for investment in vessels and certain related equipment do not give rise to a current tax liability, but reduce the depreciable basis 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. Under the terms of the CCF agreement, the Company may designate certain qualified earnings as "accrued deposits" or may designate, as obligations of the CCF, qualified withdrawals to reimburse qualified expenditures initially made with operating funds. Such accrued deposits to, and withdrawals from, the CCF are reflected on the consolidated balance sheets either as obligations of the Company's current assets or as receivables from the CCF.

During 2013, the Company deposited $4.4 million in cash and assigned $111.8 million of eligible accounts receivable into the CCF. The Company also made qualified withdrawals of $4.4 million from the CCF during 2013. At December 31, 2013, the Company had $112.0 million on deposit in the CCF by way of assigned eligible accounts receivable. Due to the nature of this transaction, the deposit in the CCF is classified as part of accounts receivable in the Consolidated Balance Sheet.

8. LONG-TERM DEBT

At December 31, 2013 and 2012, long-term debt consisted of the following (in millions):

	As of December 31,	
	2013	2012
Term Loans:		
5.79%, payable through 2020	$ 45.5	$ 52.5
3.66%, payable through 2023	77.5	77.5
4.16%, payable through 2027	55.0	55.0
4.31%, payable through 2032	37.5	37.5
Title XI Bonds:		
5.34%, payable through 2028	33.0	35.2
5.27%, payable through 2029	35.2	37.4
Revolving Credit Borrowings (1.69% for 2012)	—	24.0
Capital leases	2.4	—
	286.1	319.1
Less current portion	(12.5)	(16.4)
Total long-term debt	$ 273.6	$ 302.7

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Long-term Debt Maturities: At December 31, 2013, debt maturities during the next five years and thereafter are as follows (in millions):

2014	$ 12.5
2015	21.7
2016	20.6
2017	28.2
2018	28.2
Thereafter	174.9
Total	$ 286.1

Term Loans: During the second quarter of 2012, the Company executed new unsecured, fixed rate, amortizing long-term debt of $170.0 million, which was funded in three tranches, $77.5 million at an interest rate of 3.66% maturing in 2023, $55.0 million at an interest rate of 4.16% maturing in 2027, and $37.5 million at an interest rate of 4.31% maturing in 2032. Interest is payable semi-annually. The weighted average coupon and average life of the three tranches of debt is 3.97% and 9.2 years, respectively. The notes will begin to amortize in 2015, with aggregate semi-annual payments of $4.6 million through 2016, $8.4 million in 2017 through mid-year 2023, $3.8 million through mid-year 2027, and $1.2 million thereafter. The cash received from the issuance of the three tranches of debt was partially utilized for the contribution of cash to A&B during the Separation.

In May 2005, the Company partially financed the delivery of the MV *Manulani* by issuing $105.0 million of Series B Notes with a coupon of 4.79% and 15-year final maturity. The notes amortize by semi-annual principal payments of $3.5 million plus interest. The Company negotiated the release of the MV *Manulani* as security for the remaining long-term debt of $56.0 million as part of the Company's debt restructuring completed during the Separation, resulting in an increase in the interest rate to 5.79%.

In January 2014, the Company issued $100 million of 30-year senior unsecured notes (the "Notes"). The Notes have a weighted average life of 14.5 years and bear interest at a rate of 4.35%, payable semi-annually. The proceeds are expected to be used for general corporate purposes. The Notes will begin to amortize in 2021, with annual principal payments of $5.0 million in 2021, $7.5 million in 2022 and 2023, $10.0 million from 2024 to 2027, and $8.0 million in 2028. Starting in 2029, and in each year thereafter until 2044, annual principal payments will be $2.0 million.

Title XI Bonds: In September 2003, the Company issued $55.0 million in U.S. Government guaranteed ship finance bonds (Title XI) to partially finance the delivery of the MV *Manukai*. The secured bonds have a final maturity in September 2028 with a coupon of 5.34%. The bonds are amortized by fifty semi-annual payments of $1.1 million plus interest. In August 2004, the Company issued $55.0 million of U.S. Government guaranteed ship finance bonds (Title XI) to partially finance the delivery of the MV *Maunawili*. The secured bonds have a final maturity in July 2029, with a coupon of 5.27%. The bonds are amortized by fifty semi-annual payments of $1.1 million plus interest.

Revolving Credit Facility: During the second quarter 2012, the Company entered into a new $375.0 million, five-year unsecured revolving credit facility with a syndicate of banks in order to provide additional sources of liquidity for working capital requirements and investment opportunities. As of December 31, 2013, the used portion of the Company's revolving credit facility was $5.8 million, all of which was from letters of credit.

In August 2011, the Company renewed its revolving credit facility with a commitment of $125.0 million and an expiration date of August 2016. Amounts drawn under the facility accrued interest at LIBOR plus a margin based on a ratio of consolidated debt to earnings before interest, taxes, depreciation and amortization pricing grid. Borrowing rates ranged from 1.21% to 1.92% during 2012, and 0.44% to 1.91% during 2011. As part of the Company's debt restructuring completed in June 2012, in connection with the Separation, the outstanding balance of $72.0 million was paid off and the facility was terminated.

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Capital Leases: As of December 31, 2013, the Company had obligations under its capital leases of $2.4 million consisting of specialized and standard containers used in the Company's South Pacific service. Capital leases have been classified within current and long-term debt in the Company's Consolidated Balance Sheet.

Total debt was $286.1 million as of December 31, 2013, compared with $319.1 million at the end of 2012. The outstanding debt was unsecured, except for $68.2 million as of December 31, 2013, which is guaranteed by the Company's significant subsidiaries.

Principal financial covenants as defined in the Company's five-year revolving credit facility ("Credit Agreement") and long-term fixed rate debt include, but are not limited to:

- The ratio of debt to consolidated EBITDA cannot exceed 3.25 to 1.00 for each fiscal four quarter period;
- The ratio of consolidated EBITDA to interest expense as of the end of any fiscal four quarter period cannot be less than 3.50 to 1.00; and
- The principal amount of priority debt at any time cannot exceed 20% of consolidated tangible assets; and the principal amount of priority debt that is not Title XI priority debt at any time cannot exceed 10% of consolidated tangible assets. Priority debt, as further defined in the Credit Agreement, is all debt secured by a lien on the Company's assets or subsidiary debt.

The Company was in compliance with these covenants as of December 31, 2013, with a debt to consolidated EBITDA ratio of 1.61, consolidated EBITDA to interest expense ratio of 12.28, and priority debt to consolidated tangible assets ratio of 5.8%.

9. LEASES

The Company has operating leases for vessels, containers, equipment, office and warehouse space and terminal facilities for periods of 1 to 50 years, expiring between 2014 and 2036. Rent expense under operating leases totaled $58.2 million in 2013, $52.3 million in 2012 and $49.6 million in 2011, which includes volume-based terminal rent. Additionally, rent expense for short-term and cancelable equipment rentals was $20.5 million, $17.8 million and $38.4 million in 2013, 2012, and 2011, respectively. Management expects that in the normal course of business most operating leases will be renewed or replaced by other similar leases.

Future minimum payments under operating leases as of December 31, 2013 were as follows (in millions):

Year	Total Operating Leases
2014	$ 22.0
2015	18.1
2016	11.9
2017	8.0
2018	2.8
Thereafter	7.1
Total minimum lease payments	$ 69.9

In addition to the future minimum lease payments above, the Company's operating lease for terminal facilities in Honolulu includes a minimum annual commitment, which is calculated by the lessor based on capital improvements by the lessor and an allocation of lessor operating expenses. The Company's payments of volume-based charges to the lessor must meet or exceed the minimum annual commitment. The Company's volume-based payments to the lessor were $35.6 million in 2013, $31.7 million in 2012, and $26.5 million in 2011, which exceeded the minimum annual commitment.

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10. PENSION AND POST RETIREMENT PLANS

The Company has two funded qualified single-employer defined benefit pension plans that cover certain non-bargaining unit employees and bargaining unit employees. In addition, the Company has plans that provide certain retiree health care and life insurance benefits to substantially all salaried, non-bargaining employees hired before 2008 and to certain bargaining unit employees. Employees are generally eligible for such benefits upon retirement and completion of a specified number of years of service. The Company does not pre-fund these health care and life insurance 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.

Plan Administration, Investments and Asset Allocations: The Company has an Investment Committee that meets regularly with investment advisors to establish investment policies, direct investments and select investment options. The Investment Committee is also responsible for appointing investment managers and monitoring their performance. The Company's investment policy permits investments in marketable equity securities, such as domestic and foreign stocks, domestic and foreign bonds, venture capital, real estate investments, and cash equivalents. The Company's investment policy does not permit direct investment in certain types of assets, such as options or commodities, or the use of certain strategies, such as short selling or the purchase of securities on margin.

The Company's investment strategy for its pension plan assets is to achieve a diversified mix of investments that provides for long-term growth at an acceptable level of risk, and to provide sufficient liquidity to fund ongoing benefit payments. The Company has engaged a number of investment managers to implement various investment strategies to achieve the desired asset class mix, liquidity and risk diversification objectives.

The Company's target and actual weighted-average asset allocations at December 31, 2013 and 2012 were as follows:

	Target	2013	2012
Domestic equity securities	53%	58%	56%
International equity securities	15%	15%	14%
Debt securities	22%	18%	19%
Real estate	5%	5%	5%
Other and cash	5%	4%	6%
Total	100%	100%	100%

The Company's investments in equity securities primarily include domestic large-cap and mid-cap companies, but also includes an allocation to small-cap and international equity securities. Equity investments do not include any direct holdings of the Company's stock but may include such holdings to the extent that the stock is included as part of certain mutual fund holdings. Debt securities include investment-grade and high-yield corporate bonds from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include funds that invest in commercial real estate assets, and to a lesser extent, private equity investments in technology companies.

The expected return on plan assets is principally based on the Company's historical returns combined with the Company's long-term future expectations regarding asset class returns, the mix of plan assets, and inflation assumptions. One-, three-, and five-year pension asset returns (losses) were 21.1 percent, 10.2 percent, and 12.4 percent, respectively, and the long-term average return (since plan inception in 1989) has been approximately 8.8 percent. Over the long-term, the actual returns have generally exceeded the benchmark returns used by the Company to evaluate performance of its fund managers.

The Company's pension plan assets are held in a master trust and are stated at estimated fair values of the underlying investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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Equity Securities: Domestic and international common stocks are valued by obtaining quoted prices on recognized and highly liquid exchanges.

Fixed Income Securities: Corporate bonds and U.S. government treasury and agency securities are valued based upon the closing price reported in the market in which the security is traded. U.S. government agency and corporate asset-backed securities may utilize models, such as a matrix pricing model, that incorporate other observable inputs such as cash flow, security structure, or market information, when broker/dealer quotes are not available.

Real Estate, Private Equity and Insurance Contract Interests: The fair value of real estate, private equity and insurance contract interests are determined by the issuer based on the unit values of the funds. Unit values are determined by dividing the fund's net assets by the number of units outstanding at the valuation date. Fair value for underlying investments in real estate is determined through independent property appraisals. Fair value of underlying investments in private equity is determined based on information provided by the general partner taking into consideration the purchase price of the underlying securities, developments concerning the investee company subsequent to the acquisition of the investment, financial data and projections of the investee company provided by the general partner, and such other factors as the general partner deems relevant. Insurance contracts are principally invested in real estate assets, which are valued based upon independent appraisals.

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The fair values of the Company's pension plan assets at December 31, 2013 and 2012, by asset category, are as follows (in millions):

	Fair Value Measurements at December 31, 2013			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Cash	$ 6.9	$ 6.9	$ —	$ —
Equity securities:				
U.S. large-cap	64.2	64.2	—	—
U.S. mid- and small-cap	35.7	35.7	—	—
International large-cap	19.0	19.0	—	—
International small-cap	7.2	7.2	—	—
Fixed income securities:				
U.S. Treasuries	0.6	—	0.6	—
Municipal bonds	0.1	—	0.1	—
Investment grade U.S. corporate bonds	1.9	—	1.9	—
High-yield U.S. corporate bonds	6.7	—	6.7	—

Emerging markets fixed income	8.9	8.9	—	—
Mortgage-backed securities	12.7	—	12.7	—
Other types of investments:				
Real estate partnership interests	8.6	—	—	8.6
Private equity partnership interests (1)	0.3	—	—	0.3
Total	$ 172.8	$ 141.9	$ 22.0	$ 8.9

	Fair Value Measurements at December 31, 2012			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Cash	$ 8.3	$ 8.3	$ —	$ —
Equity securities:				
U.S. large-cap	53.8	53.8	—	—
U.S. mid- and small-cap	29.8	29.8	—	—
International large-cap	16.7	16.7	—	—
International small-cap	4.3	4.3	—	—
Fixed income securities:				
U.S. Treasuries	0.8	—	0.8	—
Municipal bonds	0.2	—	0.2	—
Investment grade U.S. corporate bonds	2.0	—	2.0	—
High-yield U.S. corporate bonds	6.4	—	6.4	—
Emerging markets fixed income	4.3	4.3	—	—
Mortgage-backed securities	14.0	—	14.0	—
Other types of investments:				
Real estate partnership interests	7.8	—	—	7.8
Private equity partnership interests (1)	0.8	—	—	0.8
Total	$ 149.2	$ 117.2	$ 23.4	$ 8.6

(1) This category represents private equity funds that invest principally in U.S. technology companies.

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The table below presents a reconciliation of all pension plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2013 and 2012 (in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Real Estate	Private Equity	Insurance	Total
Beginning balance, December 31, 2011	$ 7.1	$ 0.8	$ 0.7	$ 8.6
Actual return (loss) on plan assets:				
Assets held at the reporting date	1.6	0.1	—	1.7
Assets sold during the period	(0.2)	0.3	—	0.1
Purchases, sales and settlements, net	(0.7)	(0.4)	(0.7)	(1.8)
Beginning balance, December 31, 2012	7.8	0.8	—	8.6
Actual return (loss) on plan assets:				
Assets held at the reporting date	0.9	(0.2)	—	0.7
Assets sold during the period	0.3	0.1	—	0.4
Purchases, sales and settlements, net	(0.4)	(0.4)	—	(0.8)
Ending balance, December 31, 2013	$ 8.6	$ 0.3	$ —	$ 8.9

Contributions to each of the qualified single-employer defined benefit pension plans are determined annually by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, the Pension Protection Act of 2006, and the maximum deductible contribution allowed for tax purposes. In 2013, 2012, and 2011, the Company contributed $3.5 million, $13.3 million, and $4.4 million, respectively. The Company's funding policy is to contribute cash to its pension plans so that it meets at least the minimum contribution requirements.

The benefit formulas for employees who are members of collective bargaining units are determined according to the collective bargaining agreements, either using final average pay as the base or a flat dollar amount per year of service.

Effective December 31, 2011, the Company froze benefit accruals under the final average pay formula for salaried, non-bargaining unit employees hired before January 1, 2008 and transitioned them to the same cash balance formula for employees hired on or after January 1, 2008. Retirement benefits under the cash balance formula are based on a fixed percentage of employee eligible compensation, plus interest. The plan interest credit rate will vary from year to year based on the ten-year U.S. Treasury rate.

Benefit Plan Assets and Obligations: The measurement date for the Company's benefit plan disclosures is December 31 of each year.

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The status of the funded qualified defined benefit pension plans and the unfunded post-retirement benefit plans at December 31, 2013 and 2012 are shown below (in millions):

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 210.1	$ 192.6	$ 49.2	$ 48.5
Service cost	2.9	2.7	1.1	1.0
Interest cost	8.6	9.0	2.1	2.3
Plan participants' contributions	—	—	0.9	1.3
Actuarial (gain) loss	(13.3)	14.9	2.0	(0.6)
Benefits paid	(9.8)	(9.1)	(3.2)	(3.3)
Expenses paid	(1.0)	—	—	—
Benefit obligation at end of year	$ 197.5	$ 210.1	$ 52.1	$ 49.2
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 149.2	$ 126.0	$ —	$ —
Actual return on plan assets	30.8	19.0	—	—
Plan participants' contributions	—	—	0.9	1.3
Employer contributions	3.5	13.3	2.3	2.0
Benefits paid	(9.8)	(9.1)	(3.2)	(3.3)
Expenses paid	(0.9)	—	—	—
Fair value of plan assets at end of year	172.8	149.2	(0.0)	—
Funded Status and Recognized Liability	$ (24.7)	$ (60.9)	$ (52.1)	$ (49.2)

Amounts recognized on the consolidated balance sheets and in accumulated other comprehensive loss at December 31, 2013 and 2012 were as follows (in millions):

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Current liabilities	$ —	$ —	$ (2.4)	$ (2.1)
Non-current liabilities	(24.7)	(60.9)	(49.7)	(47.1)
Total	$ (24.7)	$ (60.9)	$ (52.1)	$ (49.2)
Net loss (net of taxes)	$ 32.0	$ 55.8	$ 1.7	$ 0.7
Prior service cost (net of taxes)	(12.0)	(13.4)	—	0.1
Total	$ 20.0	$ 42.4	$ 1.7	$ 0.8

The information for qualified pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2013 and 2012 is shown below (in millions):

	2013	2012
Projected benefit obligation	$ 197.5	$ 210.1
Accumulated benefit obligation	$ 197.2	$ 209.6
Fair value of plan assets	$ 172.8	$ 149.2

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The estimated net loss and prior service credit for the qualified pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2014 is $0.7 million. The estimated net loss and prior service cost for the other post-retirement benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2014 is $0.6 million.

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

Components of the net periodic benefit cost and other amounts recognized in other comprehensive income (loss) for the qualified pension plans and the post-retirement health care and life insurance benefit plans during 2013, 2012, and 2011, are shown below (in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2013	2012	2011	2013	2012	2011
Components of Net Periodic Benefit Cost						
Service cost	$ 2.9	$ 2.7	$ 5.4	$ 1.1	$ 1.0	$ 0.9
Interest cost	8.6	9.0	10.7	2.1	2.3	3.0
Expected return on plan assets	(11.9)	(10.7)	(11.1)	—	—	—
Amortization of net loss (gain)	6.8	7.0	4.0	0.3	0.6	1.9
Amortization of prior service cost	(2.3)	(2.3)	0.1	—	0.1	0.2
Net periodic benefit cost	$ 4.1	$ 5.7	$ 9.1	$ 3.5	$ 4.0	$ 6.0
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive						

Income (net of tax)						
Net loss (gain)	$ (19.6)	$ 4.0	$ 23.8	$ 1.2	$ (0.4)	$ (2.5)
Amortization of unrecognized (loss) gain	(4.2)	(4.2)	(2.4)	(0.2)	(0.3)	(1.0)
Prior service credit	—	—	(15.1)	—	—	—
Amortization of prior service cost	1.4	1.4	(0.1)	—	—	(0.1)
Total recognized in other comprehensive income	$ (22.4)	$ 1.2	$ 6.2	$ 1.0	$ (0.7)	$ (3.6)
Total recognized in net periodic benefit cost and other comprehensive income	$ (18.3)	$ 6.9	$ 15.3	$ 4.5	$ 3.3	$ 2.4

The weighted average assumptions used to determine benefit information during 2013, 2012, and 2011, were as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2013	2012	2011	2013	2012	2011
Weighted Average Assumptions:						
Discount rate	4.9%	4.2%	4.8%	5.0%	4.3%	4.9%
Expected return on plan assets	8.3%	8.3%	8.3%			
Rate of compensation increase	3.0%	3.0%	4.0%	3.0%	3.0%	4.0%
Initial health care cost trend rate				7.3%	8.0%	9.0%
Ultimate rate				4.5%	4.5%	5.0%
Year ultimate rate is reached				2027	2020	2016

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If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2013, 2012, and 2011 and the net periodic post-retirement benefit cost for 2013, 2012 and 2011, would have increased or decreased as follows (in millions):

	Other Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2013	2012	2011	2013	2012	2011
Effect on total of service and interest cost components	$ 0.6	$ 0.6	$ 0.6	$ (0.5)	$ (0.4)	$ (0.5)
Effect on post-retirement benefit obligation	$ 7.1	$ 6.5	$ 6.6	$ (5.7)	$ (5.2)	$ (5.3)

Current liabilities of $5.0 million, related to non-qualified pension benefits and postretirement benefits, are classified as accrued and other liabilities in the consolidated balance sheet as of December 31, 2013.

Non-qualified Pension Plans: 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 law. A few employees and retirees receive additional supplemental pension benefits. The Company also has a frozen non-qualified pension plan that covers two outside directors and pays retirement benefits in a lump sum from the Company's general funds. The obligations relating to these plans totaled $7.3 million and $7.9 million at December 31, 2013 and 2012, respectively. The expense associated with the non-qualified plans was $0.6 million, $0.3 million and $0.8 million in 2013, 2012 and 2011, respectively. A 3.2 percent discount rate was used to determine the 2013 obligation.

As of December 31, 2013, the amount recognized in accumulated other comprehensive income for net loss, net of tax, was $1.3 million, and the amount recognized as prior service credit, net of tax, was $0.8 million. There is no net loss and prior service credit to be recognized into net periodic pension cost in 2014.

Estimated Benefit Payments: The estimated future benefit payments for the next ten years are as follows (in millions):

Year	Qualified Pension Benefits	Non-qualified Pension Benefits	Post-retirement Benefits (1)
2014	$ 11.0	$ 2.6	$ 2.4
2015	11.5	1.5	2.6
2016	11.9	0.8	2.6
2017	12.3	0.2	2.7
2018	12.6	0.9	2.7
2019-2023	$ 66.8	$ 2.5	$ 15.0

(1) Net of plan participants' contributions and Medicare D subsidies.

Multiemployer Plans: The Company contributes to ten multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its bargaining unit employees. Contributions are generally based on union labor paid or cargo volume.

The risks of participating in multiemployer plans are different from single-employer plans because assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. Additionally, if one employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The multiemployer pension plans are subject to the plan termination insurance provisions of ERISA and are paying premiums to the Pension Benefit Guaranty Corporation ("PBGC"). The statutes provide that an employer who withdraws from, or significantly reduces its contribution obligation to, a multiemployer plan generally will be required to continue funding its proportional share of the plan's unfunded vested benefits. As of December 31, 2013, the Company's benefit plan withdrawal obligations were $110.6 million. Management has no present intention of withdrawing from and does not anticipate termination of any of these plans.

Information regarding the Company's participation in multiemployer pension plans is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2013 and 2012 is for the plan's year-end at December 31, 2013 and 2012, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The funding improvement plan ("FIP") or rehabilitation plan ("RP") column indicates the status which is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status as of December 31, 2013	Pension Protection Act Zone Status as of December 31, 2012	FIP/RP Status Pending/ Implemented	Contributions of Matson ($ in millions) 2013	Contributions of Matson ($ in millions) 2012	Contributions of Matson ($ in millions) 2011	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Hawaii Stevedoring Multiemployer Retirement Plan	99-0314293/001	Yellow	Yellow	Implemented	$ 2.7	$ 2.4	$ 2.2	No	6/30/2014
Master, Mates and Pilots Pension Plan	13-6372630/001	Green	Green	None	2.1	3.4	3.0	No	6/15/2023, 8/15/2023
Hawaii Terminals Multiemployer Pension Plan	20-0389370/001	Yellow	Yellow	Implemented	5.3	5.1	5.2	No	6/30/2014
MEBA Pension Trust - Defined Benefit Plan	51-6029896/001	Green	Green	None	2.1	2.1	—	No	8/15/2018
Masters, Mates and Pilots Adjustable Pension Plan	46-2237700/001	(1)	(1)	None	0.8	—	—	No	6/15/2023, 8/15/2023
OCU Trust Pension	26-1574440/001	Green	Green	None	0.1	0.1	0.1	No	6/30/2016
Total					$ 13.1	$ 13.1	$ 10.5		

(1) Information is not available as plans were new in 2013

The Company is party to two collective-bargaining agreements based upon vessels that require contributions to this plan: Contract A, covering thirteen vessels, expires on June 15, 2023, and Contract B, covering one managed vessel, expires on August 15, 2023.

In 2013, the Company agreed to contribute at least 11.7% of total wages paid to employees in covered MEBA employment to the MEBA Pension Trust by a reallocation of the total labor cost under the collective bargaining agreement. The pension contribution rate was determined by the plan's actuary to be necessary to maintain full funding of the pension plan and is fully offset by a reallocation of wages and other benefits.

The Company was listed in its plans' Forms 5500 as providing more than five percent of the total contributions for the following plans and plan years:

Pension Plan	Year Contributions to Plan Exceeded More than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)
Hawaii Stevedoring Multiemployer Retirement Plan	2013, 2012 and 2011
Hawaii Terminals Multiemployer Pension Plan	2013, 2012 and 2011
Masters, Mates and Pilots Pension Plan (1)	2012 and 2011
MEBA Pension Trust - Defined Benefit Plan (1)	2012

(1) As of the date the consolidated financial statements were issued, Form 5500s were not available for the plan years ending in 2013 for this and other plans.

The Company contributes to seven multiemployer plans that provide post-retirement benefits other than pensions under the terms of collective-bargaining agreements with American Radio Association AFL-CIO; ILWU Local 142; ILWU Local 63, Office Clerical Unit Marine Clerk Association; International Organization of Masters, Mates and Pilots, AFL-CIO; National Marine Engineers' Beneficial Association, AFL-CIO District No. 1 — PCD, MEBA; Marine Firemen's Union; and Sailors' Union of the Pacific. Benefits provided to active and retired employees and

their eligible dependents under these plans include medical, dental, vision, hearing, prescription drug, death, accidental death and dismemberment, disability, legal aid, training in maritime electronics, scholarship program, wage insurance and license insurance, although not all of these benefits are provided by each plan. These plans are not subject to the PBGC plan termination and withdrawal liability provisions of ERISA applicable to multiemployer pension plans. Contributions made to these plans by the Company were $10.5 million in 2013, $10.8 million in 2012, and $10.7 million in 2011.

Defined Contribution Plans: The Company sponsors defined contribution plans that qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. These plans provide matching contributions of up to 4 percent of eligible employee compensation. The Company's matching contributions expensed under these plans totaled $1.6 million, $1.6 million and $1.5 million for the years ended December 31, 2013, 2012, and 2011, respectively. The Company also provides profit sharing contributions under the qualified defined contribution plans; if a minimum threshold of the Company's performance is achieved, the Company provides contributions to salaried, non-bargaining unit employees of up to 3 percent based on a formula that may change on an annual basis. For certain eligible employees, supplemental profit sharing contributions are credited under a non-qualified plan to be paid after separation from service from the Company's general funds so that total profit sharing contributions would be substantially equal to amounts that would have been contributed to the Company's qualified defined contribution plans if it were not for limitations imposed by income tax law. Profit sharing contributions to certain bargaining

unit employees are determined under collective bargaining agreements. Profit sharing expenses recorded in 2013 and 2012 under this plan totaled $1.2 million and $1.2 million, respectively. No expense was recorded in 2011 when the plan was suspended.

11. INCOME TAXES

The income tax expense on income from continuing operations for each of the three years in the period ended December 31, 2013 consisted of the following (in millions):

	Years Ended December 31,		
	2013	2012	2011
Current:			
Federal	$ (24.3)	$ 38.9	$ 26.5
State	(1.0)	3.2	1.8
Total	(25.3)	42.1	28.3
Deferred	57.5	(9.1)	(3.2)
Provision for income taxes	$ 32.2	$ 33.0	$ 25.1

Income tax expense for 2013, 2012, and 2011 differs from amounts computed by applying the statutory federal rate to income from continuing operations before income taxes for the following reasons:

	Years Ended December 31,		
	2013	2012	2011
Computed federal income tax expense	35.0%	35.0%	35.0%
Discontinued operations	0.0%	(0.2)%	(0.1)%
State income tax	2.9%	0.6%	2.1%
Deferred tax adjustment	0.0%	(1.6)%	0.0%
Separation costs	0.0%	2.0%	0.0%
Unrecognized tax benefits	(2.1)%	1.7%	0.0%
Other — net	1.7%	1.3%	(1.6)%
Provision for income taxes	37.5%	38.8%	35.4%

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 of each year are as follows (in millions):

	As of December 31,	
	2013	2012
Deferred tax assets:		
Benefit plans	$ 41.8	$ 54.0
Insurance reserves	10.0	9.7
Allowance for doubtful accounts	1.3	1.7
Reserves	6.0	1.7
Foreign losses and unremitted earnings	3.1	—
Alternative minimum tax credits	1.4	—
Other	(0.2)	0.3
Total deferred tax assets	63.4	67.4
Deferred tax liabilities:		
Basis differences for property and equipment	278.0	292.6
Capital Construction Fund	83.4	3.3
Joint ventures and other investments	4.6	3.8
Deferred revenue	11.4	10.9
Amortization	3.0	2.1
Total deferred tax liabilities	380.4	312.7
Net deferred tax liability	$ 317.0	$ 245.3

The Company's income taxes payable has been reduced by the tax benefits from share-based compensation. The Company receives an income tax benefit for exercised stock options calculated as the difference between the fair market value of the stock issued at the time of exercise and the option exercise price, tax effected. The Company also receives an income tax benefit for non-vested stock when it vests, measured as the fair market value of the stock at the time of vesting, tax effected. The net tax benefits from share-based transactions were $0.6 million and $1.3 million for 2013 and 2012, respectively, and the portion of the tax benefit related to the excess of the amount reported as the tax deduction over expense was reflected as an increase to additional paid in capital in the consolidated statements of shareholders' equity. The Company's deferred tax liabilities incurred during 2013 are primarily due to increased contributions to the CCF (see Note 7).

Separation: Prior to the Separation, the Company joined in filing consolidated federal and consolidated or combined state income tax returns with the Former Parent Company. However, the Company's tax provision had been computed as if it had filed separate, stand-alone federal and state income tax returns. The Company completed and filed the 2012 federal and state income tax return, which included A&B companies for the short period in 2012 before the Separation. The Company recorded a receivable from A&B and corresponding adjustment to current taxes payable to reflect the Company's allocated portion of the 2012 federal and state income tax liabilities.

In connection with the Separation, the Company incurred certain financial advisory, legal, tax and other professional fees, a portion of which is not deductible under the tax regulations. Accordingly, the Company's income taxes for the year ended December 31, 2012, were increased by $1.7 million, related to the non-deductibility of certain Separation costs.

Also in connection with the Separation, the Company entered into a Tax Sharing Agreement with A&B that governs the respective rights, responsibilities and obligations of the companies after the Separation with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. A&B has liability to the Company with respect to the Company's consolidated or combined U.S. federal, state, local and foreign income tax liability for the taxes that are attributed to A&B's businesses and relative contribution to state and other taxable income of the Company consolidated or combined group relating to the taxable periods in which A&B was a part of that group. The Tax Sharing Agreement specifies the portion, if any, of this tax liability for which the Company and A&B will bear responsibility. In addition, the Company and A&B agreed to indemnify each other against any amounts for which they are not responsible. Under the Tax Sharing Agreement, the Company also generally will be responsible for any

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taxes that arise from the failure of the Separation, together with certain related transactions, to qualify as tax-free for U.S. federal income tax purposes within the meaning of Sections 355 and 368 of the Internal Revenue Code of 1986 (the "Code"), as amended, to the extent such failure to qualify is attributable to actions, events or transactions relating to the Company's stock, assets or business, or a breach of the relevant representations or covenants made by the Company in the Tax Sharing Agreement, the materials submitted to the Internal Revenue Service in connection with the ruling request relating to the Separation or the representation letter provided to counsel in connection with such counsel's issuance of a tax opinion relating to certain aspects of the Separation.

Unrecognized Tax Benefits: A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in millions):

Balance at December 31, 2010	$	3.5
Additions for tax positions of prior years		0.3
Additions for tax positions of current year		(0.5)
Reductions for lapse of statute of limitations		(0.7)
Balance at December 31, 2011		2.6
Additions for tax positions of prior years		4.0
Reductions for tax positions of current year		3.7
Reductions for tax positions of prior years		(1.0)
Reductions for lapse of statute of limitations		(1.0)
Balance at December 31, 2012		8.3
Additions for tax positions of prior years		2.0
Reductions for lapse of statute of limitations		(3.1)
Balance at December 31, 2013	$	7.2

Of the total unrecognized benefits, $7.2 million, $8.3 million and $2.6 million, at December 31, 2013, 2012 and 2011, respectively, represent the amount that, if recognized, would favorably affect the Company's effective rate in future periods. The Company does not expect a material change in gross unrecognized benefits in the next twelve months.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. To the extent interest and penalties are not ultimately assessed with respect to the settlement of uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. Interest accrued related to the balance of unrecognized tax benefits totaled $0.3 million, $0.4 million and $0.2 million as of December 31, 2013, 2012 and 2011, respectively.

The Company is no longer subject to U.S. federal income tax audits for years before 2010. The Company is routinely involved in state and local income tax audits. Substantially all material income tax matters have been concluded for years through 2008.

12. SHARE-BASED AWARDS

2007 Incentive Compensation Plan: The 2007 Incentive Compensation Plan (the "2007 Plan") serves as a successor to the 1998 Stock Option/Stock Incentive Plan, the 1998 Non-Employee Director Stock Option Plan, the Restricted Stock Bonus Plan and the Non-Employee Director Stock Retainer Plan (the "Predecessor Plans"). Under the 2007 Plan, approximately 2.2 million shares of common stock were initially reserved for issuance. On January 28, 2010, the Board of Directors adopted an amended and restated 2007 Plan, which, among other things, authorized the issuance of an additional approximately 2.2 million shares of stock under the 2007 Plan. Shareholders approved the amended 2007 Plan at the 2010 Annual Meeting of Shareholders.

In connection with the Separation, on June 29, 2012, each stock option held by a Matson employee was converted into an adjusted Matson stock option. The exercise prices of the adjusted Matson stock options and the number of shares subject to each such stock option reflects a mechanism that was intended to preserve the intrinsic value of the

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original stock option. The modification of the awards did not result in any additional stock compensation expense to be recorded upon Separation. The resulting Matson stock options are subject to substantially the same terms, vesting conditions and other restrictions, if any, that were applicable to the Former Parent Company stock options immediately prior to the Separation. Also, in connection with the Separation, any unvested restricted stock units ("RSUs") granted to Matson employees were converted into Matson RSUs. The RSU grants were converted in a manner that was intended to preserve the fair market value of the awards. The resulting Matson RSU grants are subject to substantially the same terms, vesting conditions and other restrictions, if any, that were applicable to the grants immediately prior to the Separation. After the Separation was completed, approximately 8.7 million shares of the Company's common stock were reserved for issuance under the plans, with approximately 6.4 million shares remaining as available for future issuance under all equity compensation plans (excluding 1.2 million shares to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2013.

The 2007 Plan consists of four separate incentive compensation programs: (i) the discretionary grant program, (ii) the stock issuance program, (iii) the incentive bonus program and (iv) the automatic grant program for the non-employee members of the Company's Board of Directors. Share-based compensation is generally awarded under three of the four programs, as more fully described below.

Discretionary Grant Program — Under the Discretionary Grant Program, stock options may be granted with an exercise price no less than 100 percent of the fair market value (defined as the closing market price) of the Company's common stock on the date of the grant. Options generally become exercisable ratably over three years and have a maximum contractual term of 10 years.

Stock Issuance Program — Under the Stock Issuance Program, share s of common stock or restricted stock units may be granted. Time-based equity awards vest ratably over three years. Provided certain three-year performance targets are achieved, performance-based equity awards vest on the three-year anniversary date of the grant. During the first quarter of 2013 the Company granted new performance-based awards tied to the Company's average annual return on invested capital (which the Company refers to as "average ROIC"), as measured over the three-year period beginning January 1, 2013 and ending December 31, 2015. Performance Share awards for the senior leadership team will also be modified based on total shareholder return performance (which the Company refers to as the "TSR modifier") measured over the same three-year period. The relative TSR is based on the Company's total shareholder return over the three-year measurement period relative to the shareholder return over the same period for the companies comprising the S&P Transportation Select Industry Index and S&P MidCap 400 Index (with each index weighted 50%). The service-vesting provisions of each performance based award require the award recipient to remain in continuous service with the Company until the end of the three-year measurement period, subject to certain exceptions due to retirement, disability, or death, in order to vest in any shares that become issuable on the basis of the performance-vesting criteria.

Automatic Grant Program — The Automatic Grant Program supersedes and replaces the Company's 1998 Non-Employee Director Stock Option Plan and the Non-Employee Director Stock Retainer Plan. At each annual shareholder meeting, non-employee directors will receive an award of restricted stock units that entitle the holder to an equivalent number of shares of common stock upon vesting. Awards of restricted stock units granted under the program generally vest ratably over three years.

The shares of common stock authorized to be issued under the 2007 Plan may be drawn from shares of the Company's authorized but unissued common stock or from shares of its common stock that the Company acquires, including shares purchased on the open market or in private transactions.

Predecessor Plans: Adopted in 1998, the Company's 1998 Stock Option/Stock Incentive Plan ("1998 Plan") provided for the issuance of non-qualified stock options and common stock to employees of the Company. Under the 1998 Plan, option prices could not be less than the fair market value of the Company's common stock on the dates of grant and the options became exercisable over periods determined, at the dates of grant, by the Compensation Committee of the Former Parent Company Board of Directors that administer the plan. Generally, options vested ratably over three years and expired ten years from the date of grant. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for such number of shares as is equal to the number surrendered,

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with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price. The 1998 Plan also permitted the issuance of shares of the Company's common stock. Generally, grants of time-based, non-vested stock vested ratably over three years and performance-based, non-vested stock vested in one year, provided that certain performance targets were achieved. The 1998 Plan was superseded by the 2007 Plan, and no further grants have been or will be made under the 1998 Plan.

Director Stock Option Plans: The 1998 Non-Employee Director Stock Option Plan ("1998 Director Plan") was superseded by the 2007 Plan. Under the 1998 Director Plan, each non-employee Director of the Company, elected at an Annual Meeting of Shareholders, was automatically granted, on the date of each such Annual Meeting, an option to purchase 8,000 shares of the Company's common stock at the fair market value of the shares on the date of grant. Each option to purchase shares generally became exercisable ratably over three years following the date granted.

The Company estimates the grant-date fair value of its stock options using a Black-Scholes-Merton option-pricing model. The weighted average grant-date fair values, prior to the Separation, of the options granted during 2012, and 2011, were $10.74 and $8.92, respectively, per option. No options were granted after the Separation; therefore all weighted average assumptions provided in the table below are prior to the Separation:

	Years Ended December 31,	
	2012	2011
Expected volatility (1)	31.8%	29.2%
Expected term (in years) (2)	6.1	6.0
Risk-free interest rate (3)	1.2%	2.3%
Dividend yield (4)	2.7%	3.1%

(1) Expected volatility was primarily determined using the historical volatility of the Company's common stock over the expected term, but the Company could also consider future events and other factors that it reasonably concluded marketplace participants might consider.
(2) The expected term of the awards represents expectations of future employee exercise and post-vesting termination behavior and was primarily based on historical experience. The Company analyzed various groups of employees and considers expected or unusual trends that would likely affect this assumption.
(3) The risk free interest rate was based on U.S. Government treasury yields for periods equal to the expected term of the option on the grant date.
(4) The expected dividend yield was based on the Company's current and historical dividend policy.

Application of alternative assumptions could produce significantly different estimates of the fair value of share-based compensation and, consequently, significantly affect the related amounts recognized in the consolidated statements of income and comprehensive income.

Activity in the Company's stock option plans for the year ended December 31, 2013, was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

	2007 Plan	1998 Plan	1998 Director Plan	Total Shares	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1, 2013	954	253	146	1,353	$ 21.15		
Granted	—	—	—	—			
Exercised	(106)	(43)	(6)	(155)	$ 20.48		
Forfeited and expired	(4)	(2)	—	(6)	$ 21.05		
Outstanding, December 31, 2013	844	208	140	1,192	$ 21.24	4.7	$ 6,033
Exercisable, December 31, 2013	662	208	140	1,010	$ 21.08	4.2	$ 5,273

The following table summarizes non-vested restricted stock unit activity through December 31, 2013, (in thousands, except weighted average grant-date fair value amounts):

	2007 Plan Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2013	356	$ 17.97
Granted	370	26.66
Exercised	(166)	21.09
Canceled	(5)	27.24
Outstanding, December 31, 2013	555	$ 25.61

A summary of compensation cost related to share-based payments for each of the three years in the period ended December 31, 2013, exclusive of A&B related compensation prior to the Separation, is as follows (in millions):

	Years Ended December 31,		
	2013	2012	2011
Share-based expense (net of estimated forfeitures):			
Stock options	$ 0.4	$ 0.9	$ 0.8
Non-vested stock and restricted stock units	5.5	3.1	1.9
Total share-based expense	5.9	4.0	2.7
Total recognized tax benefit	(2.2)	(1.6)	(0.9)
Share-based expense (net of tax)	$ 3.7	$ 2.4	$ 1.8
Cash received by Matson upon option exercise	$ 1.7	$ 3.5	$ 2.0
Intrinsic value of options exercised	$ 1.1	$ 5.2	$ 1.1
Tax benefit realized upon option exercise	$ 1.7	$ 1.5	$ 0.4
Fair value of stock vested	$ 4.4	$ 3.8	$ 2.5

As of December 31, 2013, there was $0.1 million of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of approximately 0.8 years. As of December 31, 2013, unrecognized compensation cost related to non-vested stock and restricted stock units was $9.0 million. The unrecognized cost for non-vested stock and restricted stock units is expected to be recognized over a weighted average period of 1.9 years.

13. COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies: Commitments and financial arrangements, excluding lease commitments that are described in Note 9, included the following as of December 31, 2013 (in millions):

Standby letters of credit (1)	$ 5.8
Bonds (2)	$ 20.6
Benefit plan withdrawal obligations (3)	$ 110.6

(1) Includes $4.6 million in letters of credit, which are required for the Company's self-insured workers' compensation programs and its other insurance programs, and $1.2 million in letters of credit used to support various credit enhancement needs.

(2) Consists of $19.2 million in U.S. Custom bonds, and $1.4 million related to transportation and other matters.

(3) Represents the withdrawal liabilities as of the most recent valuation dates for multiemployer pension plans, in which the Company is a participant. Management has no present intention of withdrawing from, and does not anticipate the termination of, any of the aforementioned plans.

These amounts are not recorded on the Company's consolidated balance sheet and it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments.

Employee Matters: As of December 31, 2013, approximately 26% of the Company's employees are covered by collective bargaining agreements with unions, of which, 24% of the Company's employees are covered by agreements that expire in 2014. The Company expects that new agreements will be reached during 2014 without significant disruption to the Company's operations.

Environmental Matters: Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in early September 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the release. On September 20, 2013, the Hawaii Department of Health ("DOH") and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena seeking documents in connection with a criminal investigation into the release of molasses into Honolulu Harbor. In addition, the Company has received written requests for information regarding the release from the following governmental agencies: (i) the DOH; (ii) the State of Hawaii Office of Hawaiian Affairs; and (iii) the United States Environmental Protection Agency (Region IX).

As of December 31, 2013, the Company has expensed $3.0 million in response costs, legal expenses, and third-party claims related to the release of molasses.

As of February 28, 2014, the Company has resolved all third-party claims that have been received. However, government agencies have not: (i) initiated any legal proceedings; (ii) presented the Company with an accounting of their response costs; (iii) provided an assessment of natural resource damages; or (iv) imposed any penalties in connection with the release of molasses. Therefore, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

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Other Legal Matters: On June 10, 2013, the Company was served with a complaint filed in the United States District Court for the Central District of California by an individual plaintiff as relator on behalf of the United States asserting claims against the Company and certain other ocean carriers and freight forwarders for violations of the False Claims Act. The case is entitled United States of America, ex rel. Mario Rizzo v. Horizon Lines, LLC et al. The qui tam complaint alleges that Matson and the other defendants submitted or created records supporting false claims for payment of fuel surcharges assessed on the shipment of military household goods for the Department of Defense. The federal government has declined to intervene in this qui tam suit. The individual plaintiff in the suit seeks damages and penalties on behalf of the federal government, and may be entitled to a portion of any recovery or settlement resulting from the suit. The plaintiff filed a Second Amended Complaint on August 23, 2013. The Company filed a motion to dismiss the complaint on September 16, 2013. On October 31, 2013, the court denied the Company's motion. Discovery has now commenced and a jury trial is scheduled to begin on October 7, 2014. On February 14, 2014, Matson and the plaintiff engaged in non-binding mediation. On February 23, 2014, Matson's Board of Directors approved a settlement of $9.0 million in full settlement of all claims, and $0.95 million for plaintiff's legal expenses. The settlement is contingent upon approval of the United States government, and the dismissal of the case with prejudice by the District Court. The Company has accrued for these settlement costs in accrued and other liabilities in the consolidated balance sheet at December 31, 2013.

The Company and its subsidiaries are parties to, or may be contingently liable in connection with other legal actions arising in the normal course of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on the Company's financial condition, results of operations, or cash flows.

14. RELATED PARTY TRANSACTIONS

Effective upon the completion of the Separation, the Company ceased to be a related party of the Former Parent Company. Prior to the Separation, transactions with Former Parent Company were considered related party transactions, as discussed below.

Historically, the Company provided vessel management services to A&B for its bulk sugar vessel, the MV *Moku Pahu*, the income of which is included in ocean transportation. Additionally, the Company expensed operating costs related to a lease for industrial warehouse space in Savannah, Georgia, that was leased from A&B. The Company also recognized the cost for equipment and repair services to the vessel and other various services provided by A&B in operating costs.

There were no related party transactions entered into after the completion of the Separation on June 29, 2012. Prior to the Separation, the related party transactions were as follows (in millions):

	Years Ended December 31,	
	2012	2011
Vessel management services income	$ 2.0	$ 4.0
Lease expense to A&B	(2.1)	(4.4)
Equipment and repair services expense and other	(1.4)	(2.7)
Related party expense, net	$ (1.5)	$ (3.1)

Contributions to A&B totaled $155.7 million for the year ended December 31, 2012, which related to the Separation. Contributions to the Former Parent Company for the proceeds from the issuance of capital stock of $21.7 million for the year ended December 31, 2012 have been included in the Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. No contributions were made during the year ended December 31, 2013. Contributions from the Former Parent Company of $25.0 million, for the year ended December 31, 2012, represent dividends paid by the Former Parent Company to its shareholders prior to the Separation offset by distributions to the Former Parent Company for

stock based compensation and are reflected in the Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. No distributions were made during the year ended December 31, 2013.

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15. REPORTABLE SEGMENTS

Reportable segments are components of an enterprise that engage in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's chief operating decision maker is its Chief Executive Officer.

The Company consists of two segments, ocean transportation and logistics, which are further described in Note 1. Reportable segments are measured based on operating profit, exclusive of interest expense, general corporate expenses, and income taxes. In arrangements where the customer purchases ocean transportation and logistics services, the revenues are allocated to each reportable segment based upon the contractual amounts for each type of service.

Reportable segment information for 2013, 2012, and 2011 is summarized below (in millions):

	Years Ended December 31,		
	2013	2012	2011
Revenue:			
Ocean transportation	$ 1,229.4	$ 1,189.8	$ 1,076.2
Logistics	407.8	370.2	386.4
Total revenue	$ 1,637.2	$ 1,560.0	$ 1,462.6
Operating Income:			
Ocean transportation(1)	$ 94.3	$ 96.6	$ 73.7
Logistics	6.0	0.1	4.9
Total operating income	100.3	96.7	78.6
Interest expense, net	(14.4)	(11.7)	(7.7)
Income from continuing operations before income taxes	85.9	85.0	70.9
Income taxes	(32.2)	(33.0)	(25.1)
Income from continuing operations	53.7	52.0	45.8
Discontinued operations	—	(6.1)	(11.6)
Net income	$ 53.7	$ 45.9	$ 34.2

(1) The ocean transportation segment includes $(2.0) million, $3.2 million, and $8.6 million of equity in (loss) income from its Terminal Joint Venture investment in SSAT for 2013, 2012, and 2011, respectively.

	As of December 31,		
	2013	2012	2011
As of December 31:			
Identifiable Assets:			
Ocean transportation(2)	$ 1,168.6	$ 1,097.2	$ 1,083.9
Logistics	79.7	77.1	76.4
Other(3)	—	—	1,384.0
Total assets	$ 1,248.3	$ 1,174.3	$ 2,544.3
Capital Expenditures:			
Ocean transportation	$ 33.8	$ 37.0	$ 44.2
Logistics	1.4	1.1	3.0
Total capital expenditures	$ 35.2	$ 38.1	$ 47.2
Depreciation and Amortization from Continuing Operations:			
Ocean transportation	$ 66.4	$ 69.1	$ 68.4
Logistics	3.3	3.4	3.2
Total depreciation and amortization	$ 69.7	$ 72.5	$ 71.6

(2) The ocean transportation segment includes $57.6 million, $59.6 million, and $56.5 million related to its investment in SSAT as of December 31, 2013, 2012, and 2011, respectively.

(3) Includes assets related to discontinued operations from A&B and CLX2 of $1.4 billion as of December 31, 2011.

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16. QUARTERLY INFORMATION (Unaudited)

Segment results by quarter for 2013 and 2012 are listed below (in millions, except per-share amounts):

	Quarters During the Year Ended December 31, 2013			
	Q1	Q2	Q3	Q4
Revenue:				

Ocean transportation	$ 299.9	$ 310.0	$ 310.1	$ 309.4
Logistics	94.8	106.6	104.9	101.5
Total operating revenue	$ 394.7	$ 416.6	$ 415.0	$ 410.9
Operating Income:				
Ocean transportation	$ 18.5	$ 34.3	$ 25.5	$ 16.0
Logistics	0.2	2.2	1.7	1.9
Total operating income	18.7	36.5	27.2	17.9
Interest Expense	(3.7)	(3.6)	(3.6)	(3.5)
Income From Continuing Operations before Income Taxes	15.0	32.9	23.6	14.4
Income tax expense	(5.9)	(12.8)	(6.4)	(7.1)
Income From Continuing Operations	9.1	20.1	17.2	7.3
Net Income (Loss) from Discontinued Operations Net of Income taxes (1)	—	—	—	—
Net Income	$ 9.1	$ 20.1	$ 17.2	$ 7.3
Income From Continuing Operations				
Earnings Per Share:				
Basic	$ 0.21	$ 0.47	$ 0.40	$ 0.17
Diluted	$ 0.21	$ 0.47	$ 0.40	$ 0.17
Net Income				
Earnings Per Share:				
Basic	$ 0.21	$ 0.47	$ 0.40	$ 0.17
Diluted	$ 0.21	$ 0.47	$ 0.40	$ 0.17

	Quarters During the Year Ended December 31, 2012			
	Q1	Q2	Q3	Q4
Revenue:				
Ocean transportation	$ 279.5	$ 299.5	$ 307.1	$ 303.7
Logistics	86.6	94.7	94.3	94.6
Total operating revenue	$ 366.1	$ 394.2	$ 401.4	$ 398.3
Operating Income (loss):				
Ocean transportation	$ 5.8	$ 31.2	$ 32.9	$ 26.7
Logistics	0.3	1.3	1.3	(2.8)
Total operating income	6.1	32.5	34.2	23.9
Interest Expense	(2.0)	(1.9)	(4.0)	(3.8)
Income From Continuing Operations before Income Taxes	4.1	30.6	30.2	20.1
Income tax expense	(2.1)	(15.3)	(11.2)	(4.4)
Income From Continuing Operations	2.0	15.3	19.0	15.7
Net Income (Loss) from Discontinued Operations Net of Income taxes (1)	1.4	(7.5)	0.1	(0.1)
Net Income	$ 3.4	$ 7.8	$ 19.1	$ 15.6
Income From Continuing Operations				
Earnings Per Share:				
Basic	$ 0.05	$ 0.36	$ 0.45	$ 0.37
Diluted	$ 0.05	$ 0.36	$ 0.45	$ 0.37
Net Income				
Earnings Per Share:				
Basic	$ 0.08	$ 0.18	$ 0.45	$ 0.37
Diluted	$ 0.08	$ 0.18	$ 0.45	$ 0.36

(1) See Note 3 for discussion on discontinued operations.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding Effectiveness of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Internal Control over Financial Reporting

See page 38, for management's annual report on internal control over financial reporting, which is incorporated herein by reference.

See page 39, for the attestation report of the independent registered public accounting firm on the Company's internal control over financial reporting, which is incorporated herein by reference.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal fourth quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 27, 2014, the Board of Directors of the Company approved amendments to the Matson, Inc. 2007 Incentive Compensation Plan, the Matson, Inc. Form of Restricted Stock Unit Award Agreement for Non-Employee Board Members, and the Matson, Inc. Form of Restricted Stock Unit Award Agreement for Non-Employee Board Members (Deferral Election) (collectively, the "Amended Agreements"). The amendments to the Amended Agreements change all references to director retirement age in the Amended Agreements from 72 to 75, to conform to the Company's Amended and Restated Bylaws, which were amended by the Board of Directors of the Company on November 6, 2013 to increase the retirement age of directors of the Company from 72 to 75.

Copies of the Amended Agreements are filed as Exhibits 10.13, 10.20 and 10.21 to this Annual Report on Form 10-K and are incorporated herein by reference. The discussion in this Item of the Amended Agreements is qualified in its entirety by reference to such Exhibits.

On February 25, 2014, Kevin C. O'Rourke gave notice to the Company that he would retire from his position as Senior Vice President and Chief Legal Officer of the Company, effective February 28, 2014. On February 28, 2014, MatNav and Mr. O'Rourke entered into a Consulting Agreement (the "Consulting Agreement") pursuant to which Mr. O'Rourke will provide consulting services, including corporate, legislative and regulatory advice and transition assistance, through February 28, 2015. Mr. O'Rourke will be paid $300 per hour charged against a quarterly retainer of $40,000. The Consulting Agreement also provides for the reimbursement of Mr. O'Rourke's out-of-pocket expenses incurred in connection with his performance of such consulting services.

Peter T. Heilmann, formerly MatNav's Vice President and Deputy General Counsel, will become Senior Vice President, Chief Legal Officer and Secretary of the Company effective February 28, 2014.

The description in this Item of the Consulting Agreement is qualified in its entirety by the terms and conditions set forth in the Consulting Agreement, a copy of which is filed as Exhibit 10.61 to this Annual Report on Form 10-K and is incorporated herein by reference.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A. Directors

For information about the directors of Matson, see the section captioned "Election of Directors" in Matson's proxy statement for the 2014 Annual Meeting of Shareholders ("Matson's 2014 Proxy Statement"), which section is incorporated herein by reference.

B. Executive Officers

For information about the executive officers of Matson, see the section captioned "Executive Officers" in Matson's 2014 Proxy Statement, which section is incorporated herein by reference.

C. Corporate Governance

For information about the Audit Committee of the Matson Board of Directors and compliance with Section 16 (a) of the Exchange Act, see the sections captioned "Board of Directors and Committees of Board" and "Section 16 (a) Beneficial Ownership Reporting Compliance" in Matson's 2014 Proxy Statement, which sections are incorporated herein by reference.

D. Code of Ethics

For information about Matson's Code of Ethics, see the subsection captioned "Code of Ethics" in Matson's 2014 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" and the subsections captioned "Compensation of Directors" and "Pay Risk Assessment" in Matson's 2014 Proxy Statement, which section and subsection are incorporated herein by reference.

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

See the section captioned "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" in Matson's 2014 Proxy Statement, which section and subsection are incorporated herein by reference.

The following table sets forth, as of December 31, 2013, certain information regarding Matson's equity compensation plan:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,192,137	$ 21.24	6,358,456(1)
Equity compensation plans not approved by security holders	—	—	—
Total	1,192,137	$ 21.24	6,358,456

(1) These securities are available for issuance under the Company's 2007 incentive compensation plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See the section captioned "Election of Directors" and the subsection captioned "Certain Relationships and Transactions" in Matson's 2014 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning principal accountant fees and services appears in the sections captioned "Audit Committee Report" and "Ratification of Appointment of Independent Registered Public Accounting Firm" in Matson's 2014 Proxy Statement, which sections are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Financial Statements

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

B. Financial Statement Schedules

All schedules are omitted because of the absence of the conditions under which they are required or because the information called for is included in the consolidated 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 001-34187. Shareholders may obtain copies of exhibits for a copying and handling charge of $0.15 per page by writing to, Corporate Secretary, Matson, Inc., 555 12th Street, Oakland, California 94607.

3. Articles of incorporation and bylaws.

3.1 Amended and Restated Articles of Incorporation of Matson, Inc. (incorporated by reference to Exhibit 3.1 of Matson's Form 10-Q for the quarter ended June 30, 2012).

3.2 Articles of Amendment to Change Corporate Name (incorporated by reference to Exhibit 4.2 of Matson's Form S-8 dated October 26, 2012).

3.3 Amended and Restated Bylaws of Matson, Inc. (as amended as of November 6, 2013) (incorporated by reference to Exhibit 3.1 of Matson's Form 10-Q for the quarter ended September 30, 2013).

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

4.1 Rights Agreement, dated as of June 8, 2012, between Matson, Inc. (formerly known as Alexander & Baldwin Holdings, Inc.) and Computershare Shareowner Services LLC, as Rights Agent (including the Form of Rights Certificate as Exhibit A and the Form of Summary of Rights to Purchase Common Stock as Exhibit B) (incorporated by reference to Exhibit 4.1 of Matson's Form 8-K dated June 13, 2012).

10. Material contracts.

10.1 Transition Services Agreement, dated as of June 8, 2012, by and between Matson, Inc. (formerly known as Alexander & Baldwin Holdings, Inc.) and A & B II, Inc. (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated June 8, 2012).

10.2 Employee Matters Agreement, dated as of June 8, 2012, by and between Matson, Inc. (formerly known as Alexander & Baldwin Holdings, Inc.) and A & B II, Inc. (incorporated by reference to Exhibit 10.2 of Matson's Form 8-K dated June 8, 2012).

10.3 Tax Sharing Agreement, dated as of June 8, 2012, by and between Matson, Inc. (formerly known as Alexander & Baldwin Holdings, Inc.) and A & B II, Inc. (incorporated by reference to Exhibit 10.3 of Matson's Form 8-K dated June 8, 2012).

10.4 Second Amended and Restated Note Agreement among Matson Navigation Company, Inc., Prudential Investment Management, Inc. and the other purchasers party thereto, dated as of June 4, 2012 (incorporated by reference to Exhibit 10.4 of Alexander & Baldwin, Inc.'s Form 8-K dated June 7, 2012).

10.5 Limited Consent — Amended and Restated Note Agreement between Matson Navigation Company and The Prudential Insurance Company of America and Pruco Life Insurance Company, dated as of June 4, 2012 (incorporated by reference to Exhibit 10.5 of Alexander & Baldwin, Inc.'s Form 8-K dated June 4, 2012).

10.6 Credit Agreement between Matson Navigation Company, Inc., First Hawaiian Bank, Bank of America, N.A. and the other lenders party thereto, dated as of June 4, 2012 (incorporated by reference to Exhibit 10.6 of Alexander & Baldwin, Inc.'s Form 8-K dated June 4, 2012).

10.7 Amended and Restated Limited Liability Company Agreement of SSA Terminal LLC by and between SSA Ventures, Inc. and Matson Ventures, Inc., dated as of April 24, 2002 (certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission) (incorporated by reference to Exhibit 10.1 of Matson's Form 10-Q for the quarter ended June 30, 2012).

10.8 Parent Company Agreement, dated as of April 24, 2002, by and among SSA Pacific Terminals, Inc., formerly known as Stevedoring Services of America, Inc., SSA Ventures, Inc., Matson Navigation Company, Inc. and Matson Ventures, Inc. (incorporated by reference to Exhibit 10.2 of Matson's Form 10-Q for the quarter ended June 30, 2012).

10.9 Borrower Assignment, Assumption, and Release among Bank of America, N.A., Matson Navigation Company, Inc. and Matson, Inc., dated as of June 28, 2012 (incorporated by reference to Exhibit 10.3 of Matson's Form 10-Q for the quarter ended June 30, 2012).

10.10 Company Assignment, Assumption and Release Agreement among The Prudential Insurance Company of America, Pruco Life Insurance Company, The Prudential Life Insurance Company, Ltd., Gibraltar Life Insurance Co. Ltd., Prudential Annuities Life Assurance Corporation and Prudential Arizona Reinsurance Universal Company, Matson Navigation Company, Inc. and Matson, Inc. dated June 29, 2012 (incorporated by reference to Exhibit 10.4 of Matson's Form 10-Q for the quarter ended June 30, 2012).

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

10.12 Amendment No. 1 dated September 21, 2007, to Security Agreement between Matson Navigation Company, Inc. and the United States of America, with respect to $55 million of Title XI ship financing bonds, dated July 29, 2004 (incorporated by reference to Exhibit 10.a.(xxx) of Alexander & Baldwin, Inc.'s Form 10-Q for the quarter ended September 30, 2007).

10.13 Matson, Inc. 2007 Incentive Compensation Plan, amended and restated, effective February 27, 2014.

10.14 Form of Notice of Stock Option Grant (incorporated by reference to Exhibit 99.2 to Matson's Form S-8 dated October 26, 2012).

10.15 Form of Stock Option Agreement for Non-Executive Employees (incorporated by reference to Exhibit 99.3 of Matson's Form S-8 dated October 26, 2012).

10.16 Form of Stock Option Agreement for Executive Employees (incorporated by reference to Exhibit 99.4 of Matson's Form S-8 dated October 26, 2012).

10.17 Form of Notice of Time-Based Restricted Stock Unit Grant (incorporated by reference to Exhibit 99.5 of Matson's Form S-8 dated October 26, 2012).

10.18 Form of Time-Based Restricted Stock Unit Agreement for Non-Executive Employees (incorporated by reference to Exhibit 99.6 of Matson's Form S-8 dated October 26, 2012).

10.19 Form of Time-Based Restricted Stock Unit Agreement for Executive Employees (incorporated by reference to Exhibit 99.7 of Matson's Form S-8 dated October 26, 2012).

10.20 Form of Restricted Stock Unit Agreement for Non-Employee Directors.

10.21 Form of Restricted Stock Unit Agreement for Non-Employee Directors (Deferral Election).

10.22 Form of Anti-Dilution Adjustment Amendment to Restricted Stock Unit Award Agreements (incorporated by reference to Exhibit 99.10 of Matson's Form S-8 dated October 26, 2012).

10.23 Form of Anti-Dilution Adjustment Amendment to Stock Option Agreements (incorporated by reference to Exhibit 99.11 of Matson's Form S-8 dated October 26, 2012).

10.24 Form of Anti-Dilution Adjustment Amendment to 2012 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to Exhibit 99.12 of Matson's Form S-8 dated October 26, 2012).

10.25 Matson, Inc. 1998 Stock Option/Stock Incentive Plan (formerly known as the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan) (incorporated by reference to Exhibit 99.1 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.26 Matson, Inc. 1998 Non-Employee Director Stock Option Plan (formerly known as the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan) (incorporated by reference to Exhibit 99.2 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.27 Form of Restricted Stock Unit Assumption Agreement (incorporated by reference to Exhibit 99.3 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.28 Form of Stock Option Assumption Agreement (incorporated by reference to Exhibit 99.4 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.29 Special Form of Restricted Stock Unit Assumption Agreement (incorporated by reference to Exhibit 99.5 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.30 Special Form of Stock Option Assumption Agreement (incorporated by reference to Exhibit 99.6 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012).

10.31 Matson, Inc. Deferred Compensation Plan for Outside Directors (incorporated by reference to Exhibit 10.34 of Matson's Form 10-K for the year ended December 31, 2012).

10.32 Matson, Inc. Excess Benefits Plan (formerly known as the Alexander & Baldwin, Inc. Excess Benefits Plan), amended and restated effective as of January 1, 2008 (incorporated by reference to Exhibit 10.b.1.(xlvi) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.33 Amendment No. 1 to the Matson, Inc. Excess Benefits Plan (formerly known as the Alexander & Baldwin, Inc. Excess Benefits Plan), effective as of January 1, 2008 (incorporated by reference to Exhibit 10.b.1.(xlvii) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.34 Amendment No. 2 to the Matson, Inc. Excess Benefits Plan (formerly known as the Alexander & Baldwin, Inc. Excess Benefits Plan), effective as of January 1, 2012 (incorporated by reference to Exhibit 10.b.1.(xlviii) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.35 Amendment No. 3 to the Matson, Inc. Excess Benefits Plan (formerly known as the Alexander & Baldwin, Inc. Excess Benefits Plan), effective as of January 1, 2012 (incorporated by reference to Exhibit 10.b.1.(xlix) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.36 Matson, Inc. Executive Survivor/Retirement Benefit Plan (formerly known as the Alexander & Baldwin, Inc. Executive Survivor/Retirement Benefit Plan), amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.b.1.(l) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.37 Matson, Inc. Executive Survivor/Retirement Benefit Plan (formerly known as the Alexander & Baldwin, Inc. Executive Survivor/Retirement Benefit Plan), amended and restated effective February 27, 2008 (incorporated by reference to Exhibit 10.b.1.(li) of Alexander &Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.38 Matson, Inc. 1985 Supplemental Executive Retirement Plan (formerly known as the Alexander & Baldwin, Inc. 1985 Supplemental Executive Retirement Plan), amended and restated effective as of January 1, 2008 (incorporated by reference to Exhibit 10.b.1.(lii) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.39 Amendment No. 1 to the Matson, Inc. 1985 Supplemental Executive Retirement Plan (formerly known as the Alexander & Baldwin, Inc. 1985 Supplemental Executive Retirement Plan), effective as of December 31, 2011 (incorporated by reference to Exhibit 10.b.1.(liii) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.40 Amendment No. 2 to the Matson, Inc. 1985 Supplemental Executive Retirement Plan (formerly known as the Alexander & Baldwin, Inc. 1985 Supplemental Executive Retirement Plan), effective as of January 1, 2012 (incorporated by reference to Exhibit 10.b.1.(liv) of Alexander &Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.41 Matson, Inc. Retirement Plan for Outside Directors (incorporated by reference to Exhibit 10.44 of Matson's Form 10-K for the year ended December 31, 2012).

10.42 Form of Letter Agreement entered into with certain executive officers (incorporated by reference to Exhibit 10.45 of Matson's Form 10-K for the year ended December 31, 2012).

10.43 Schedule identifying executive officers who have entered into Form of Letter Agreement (incorporated by reference to Exhibit 10.46 of Matson's Form 10-K for the year ended December 31, 2012).

10.44 Matson, Inc. Executive Severance Plan (incorporated by reference to Exhibit 10.47 of Matson's Form 10-K for the year ended December 31, 2012).

10.45 Matson, Inc. One-Year Performance Improvement Incentive Plan (incorporated by reference to Exhibit 10.48 of Matson's Form 10-K for the year ended December 31, 2012).

10.46 Matson, Inc. Cash Incentive Plan (incorporated by reference to Exhibit 10.49 of Matson's Form 10-K for the year ended December 31, 2012).

10.47 Matson, Inc. Three-Year Performance Improvement Incentive Plan (formerly known as the Alexander & Baldwin, Inc. Three-Year Performance Improvement Incentive Plan), as restated effective October 22, 1992 (incorporated by reference to Exhibit 10.b.1.(lxxi) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.48 Matson, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.51 of Matson's Form 10-K for the year ended December 31, 2012).

10.49 Matson, Inc. Restricted Stock Bonus Plan (formerly known as the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan), as restated effective April 28, 1988 (incorporated by reference to Exhibit 10.b.1.(lxxiv) of Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.50 Amendment No. 1 to the Matson Restricted Stock Bonus Plan (formerly known as the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan), effective December 11, 1997 (incorporated by reference to Exhibit 10.b.1.(lxxv) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.51 Amendment No. 2 to the Matson Restricted Stock Bonus Plan (formerly known as the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan), dated June 25, 1998 (incorporated by reference to Exhibit 10.b.1.(lxxvi) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.52 Amendment No. 3 to the Matson Restricted Stock Bonus Plan (formerly known as the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan), dated December 8, 2004 (incorporated by reference to Exhibit 10.b.1.(lxxvii) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.53 Amendment No. 4 to the Matson Restricted Stock Bonus Plan (formerly known as the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan), dated December 13, 2007 (incorporated by reference to Exhibit 10.b.1.(lxxvii) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2011).

10.54 Agreement and Plan of Merger, dated as of February 13, 2012, by and among Alexander & Baldwin, Inc., Alexander & Baldwin Holdings, Inc. and A&B Merger Corporation (incorporated by reference to Exhibit 2.1 of Alexander & Baldwin, Inc.'s Form 8-K dated February 13, 2012).

10.55 Separation and Distribution Agreement, dated as of June 8, 2012, by and between Alexander & Baldwin Holdings, Inc. and A&B II, Inc. (incorporated by reference to Exhibit 2.1 of Matson's Form 8-K dated June 8, 2012).

10.56 Shipbuilding Contract, by and between Aker Philadelphia Shipyard, Inc. and Matson Navigation Company, Inc., dated as of November 6, 2013 (certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission).

10.57 Shipbuilding Contract, by and between Aker Philadelphia Shipyard, Inc. and Matson Navigation Company, Inc., dated as of November 6, 2013 (certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission).

10.58 Guaranty Agreement by Aker Philadelphia Shipyard ASA, in favor of Matson Navigation Company, Inc., dated as of November 6, 2013.

10.59 Note Purchase Agreement among Matson, Inc., and the purchasers party thereto, dated as of November 5, 2013 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated January 29, 2014).

10.60 Form of Capital Construction Fund Agreement with Matson Navigation Company, as amended by Addendums No. 2, No. 5, No. 18, No. 20 and No. 31, thereto.

10.61 Form of Consulting Agreement by and between Matson Navigation Company, Inc., and Kevin C. O'Rourke.

10.62 Form of Notice of Performance Share Award Grant (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated January 29, 2013).

10.63 Form of Performance Share Award Agreement (incorporated by reference to Exhibit 10-2 of Matson's Form 8-K dated January 29, 2013).

21. Matson, Inc. Subsidiaries as of February 1, 2014.

23. Consent of Deloitte & Touche, LLP dated February 28, 2014.

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

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

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

101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not part of a registration statement or Prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

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.

MATSON, INC.
(Registrant)

Date: February 28, 2014

/s/ Matthew J. Cox
Matthew J. Cox
President,
Chief Executive Officer and Director

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/ Matthew J. Cox Matthew J. Cox	President, Chief Executive Officer and Director	February 28, 2014
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Chairman of the Board and Director	February 28, 2014
/s/ W. Blake Baird W. Blake Baird	Director	February 28, 2014
/s/ Michael J. Chun Michael J. Chun	Director	February 28, 2014
/s/ Tomas B. Fargo Thomas B. Fargo	Director	February 28, 2014
/s/ Constance H. Lau Constance H. Lau	Director	February 28, 2014
/s/ Jeffrey N. Watanabe Jeffrey N. Watanabe	Director	February 28, 2014
/s/ Joel M. Wine Joel M. Wine	Senior Vice President and Chief Financial Officer	February 28, 2014
/s/ Dale B. Hendler Dale B. Hendler	Vice President and Controller, (principal accounting officer)	February 28, 2014

MATSON, INC.
2007 INCENTIVE COMPENSATION PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 28, 2010,
AS ASSUMED BY ALEXANDER & BALDWIN HOLDINGS, INC.
EFFECTIVE JUNE 6, 2012,
AS RENAMED, EFFECTIVE JUNE 29, 2012
AND
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 24, 2012 TO REFLECT ADJUSTMENTS REQUIRED PURSUANT TO SECTION V.F OF ARTICLE ONE IN CONNECTION WITH THE SPIN-OFF OF ALEXANDER & BALDWIN, INC.
AND
AS FURTHER AMENDED AND RESTATED EFFECTIVE FEBRUARY 27, 2014

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 2007 Incentive Compensation Plan, as amended and restated, is intended to promote the interests of Alexander & Baldwin, Inc., a Hawaii corporation, by providing eligible persons in the Corporation's service with the opportunity to participate in one or more cash or equity incentive compensation programs designed to encourage them to continue their service relationship with the Corporation.

The Plan was assumed by Alexander & Baldwin Holdings, Inc. ("***Holdings***") on June 6, 2012 upon the consummation of the merger of Alexander & Baldwin, Inc. with a wholly-owned subsidiary of Holdings (the "***Merger***"), pursuant to which Holdings became the parent holding company of Alexander & Baldwin, Inc. in accordance with the terms of the Agreement and Plan of Merger by and among Holdings, Alexander & Baldwin, Inc, and A&B Merger Corporation dated February 13, 2012. On June 29, 2012 Holdings consummated a spin-off transaction by distributing all of the shares of Alexander & Baldwin, Inc. (formerly known as A&B II, Inc.) to its shareholders (the "***Spin-off***") and changed its name to Matson, Inc. ("***Matson***") and the Plan's name was changed, effective June 29, 2012 to be named the Matson, Inc. 2007 Incentive Compensation Plan.

Effective as of the Merger, the securities issuable pursuant to the provisions of the Plan as assumed by Matson (formerly known as Holdings) are shares of Matson common stock.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix, and those terms have been revised to reflect the assumption of the Plan by Matson and the status of Matson as the successor corporation to Alexander & Baldwin, Inc.

II. STRUCTURE OF THE PLAN

A. The Plan shall be divided into a series of separate incentive compensation programs:

· the Discretionary Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock or stock appreciation rights tied to the value of such Common Stock,

· the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock pursuant to restricted stock awards, restricted stock units, performance shares or other stock-based awards which vest upon the completion of a designated service period or the attainment of pre-established performance milestones, or such shares of Common Stock may be issued through direct purchase or as a bonus for services rendered the Corporation (or any Parent or Subsidiary),

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· the Incentive Bonus Program under which eligible persons may, at the discretion of the Plan Administrator, be provided with incentive bonus opportunities through performance unit awards and special cash incentive programs tied to the attainment of pre-established performance milestones, and

· the Automatic Grant Program under which eligible non-employee Board members will automatically receive equity awards at designated intervals over their period of continued Board service.

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

III. ADMINISTRATION OF THE PLAN

A. The Compensation Committee (either acting directly or through a subcommittee of two or more members of the Compensation Committee) shall have sole and exclusive authority to administer the Discretionary Grant, Stock Issuance and Incentive Bonus Programs with respect to Section 16 Insiders. Administration of the Discretionary Grant, Stock Issuance and Incentive Bonus Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Compensation Committee or a Secondary Board Committee, or the Board may retain the power to administer those programs with respect to all such persons. However, all Awards to non-employee Board members (other than pursuant to the Automatic Grant Program) shall be made by the Compensation Committee (or subcommittee thereof) which shall at the time of any such Award be comprised solely of independent directors, as determined in accordance with the governance standards established by the Stock Exchange on which the Common Stock is at the time primarily traded (the "***Independent Directors***"). In addition, any Awards for members of the Compensation Committee (other than pursuant to the Automatic Grant Program) must be authorized by a disinterested majority of the Independent Directors.

B. Members of the Compensation Committee or any Secondary Board Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Board Committee and reassume all powers and authority previously delegated to such committee.

C. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, 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 Grant, Stock Issuance and Incentive Bonus Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding Awards thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Grant, Stock Issuance and Incentive Bonus Programs under its jurisdiction or any Award thereunder.

D. Service as a Plan Administrator by the members of the Compensation Committee or the Secondary Board Committee shall constitute service as Board members, and the members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Compensation Committee or the Secondary Board Committee shall be liable for any act or omission made in good faith with respect to the Plan or any Award thereunder.

E. Administration of the Automatic Grant Program shall be self-executing in accordance with the terms of that program, and no Plan Administrator shall exercise any discretionary functions with respect to any Awards made under that program, except that the Compensation Committee (or subcommittee thereof) shall have the express authority to establish from time to time the applicable dollar amount to be used to determine the specific number of shares of Common Stock for which the initial and annual Awards are to be made to the non-employee Board members in accordance with the dollar value formula set forth in Article Five.

IV. ELIGIBILITY

A. The persons eligible to participate in the Plan are as follows:

(i) Employees,

(ii) Non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

(iii) Consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. The Plan Administrator shall have full authority to determine, (i) with respect to Awards made under the Discretionary Grant Program, which eligible persons are to receive such Awards, the time or times when those Awards are to be made, the number of shares to be covered by each such Award, the time or times when the Award is to become exercisable, the vesting schedule (if any) applicable to the Award, the maximum term for which such Award is to remain outstanding and the status of a granted option as either an Incentive Option or a Non-Statutory Option; (ii) with respect to Awards under the Stock Issuance Program, which eligible persons are to receive such Awards, the time or times when the Awards are to be made, the number of shares subject to each such Award, the vesting and issuance schedules applicable to the shares which are the subject of such Award, the cash consideration (if any) payable for those shares and the form (cash or shares of Common Stock) in which the Award is to be settled; and (iii) with respect to Awards under the Incentive Bonus Program, which eligible persons are to receive such Awards, the time or times when the Awards are to be made, the performance objectives for each such Award, the amounts payable at designated levels of attained performance, any applicable service vesting requirements, the payout schedule for each such Award and the form (cash or shares of Common Stock) in which the Award is to be settled.

C. The Plan Administrator shall have the absolute discretion to grant options or stock appreciation rights in accordance with the Discretionary Grant Program, to effect stock issuances and other stock-based awards in accordance with the Stock Issuance Program and to grant incentive bonus awards in accordance with the Incentive Bonus Program.

D. The individuals who shall be eligible to participate in the Automatic Grant Program shall be limited to (i) those individuals who first become non-employee Board members on or after the Plan Effective Date, whether through appointment by the Board or election by the Corporation's stockholders, and (ii) those individuals who continue to serve as non-employee Board members on or after the Plan Effective Date. A non-employee Board member who has previously been in the employ of the Corporation (or any Parent or Subsidiary) shall not be eligible to receive a grant under the Automatic Grant Program at the time he or she first becomes a non-employee Board member, but shall be eligible to receive periodic grants under the Automatic Grant Program while he or she continues to serve as a non-employee Board member.

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 number of shares of Common Stock reserved for issuance over the term of the Plan shall be limited to Eight Million Six Hundred Sixty-Two Thousand Two Hundred Four (8,662,204) shares. Such share reserve includes (i) the original Two Million Two Hundred Fifteen Thousand (2,215,000) shares of Common Stock authorized for issuance under the Plan, (ii) an additional Two Million Two Hundred Thousand (2,200,0000) shares of Common Stock authorized by the Board on January 28, 2010 and approved by the stockholders at the 2010 Annual Meeting, (iii) an additional Five Hundred Sixty-Nine Thousand Eighty-Five (569,085) shares authorized pursuant to Section V.B of Article One below as of June 29, 2012 and (iv) an additional Three Million Six Hundred Seventy-Eight Thousand One Hundred Nineteen (3,678,119) shares of Common Stock authorized pursuant to Section V.F of Article One as a result of Spin-off.

B. The Plan shall serve as the successor to the Predecessor Plans, and no further stock option grants or unvested share awards shall be made under the Predecessor Plans on or after the Plan Effective Date. However, all option grants and unvested share awards outstanding under the Predecessor Plans on the Plan Effective Date shall continue in full force and effect in accordance with their terms, and no provision of this Plan shall be

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deemed to affect or otherwise modify the rights or obligations of the holders of those awards with respect to their acquisition of shares of Common Stock thereunder. To the extent any options outstanding under the Predecessor Plans on the Plan Effective Date expire or terminate unexercised or any unvested shares outstanding under the Predecessor Plans on the Plan Effective Date are forfeited or repurchased by the Corporation at the original issue price, the number of shares of Common Stock subject to those expired or terminated options at the time of expiration or termination and the number of such forfeited or repurchased shares shall be added to the share reserve under this Plan and shall accordingly be available for issuance hereunder, up to a maximum of an additional Nine Hundred Twenty-One Thousand Eight Hundred Thirty-Five (921,835) shares, as adjusted pursuant to Section V.F of Article One as a result of Spin-off.

C. The maximum number of shares of Common Stock that may be issued pursuant to Incentive Options granted under the Plan shall not exceed Eight Million Six Hundred Eight Thousand Four Hundred Seventeen (8,608,417) shares, as adjusted pursuant to Section V.F of Article One as a result of Spin-off.

D. Each person participating in the Plan shall be subject the following limitations:

· for Awards denominated in terms of shares of Common Stock (whether payable in Common Stock, cash or a combination of both), the maximum number of shares of Common Stock for which such Awards (including, without limitation, stock options, stock appreciation rights, restricted stock, restricted stock units and performance shares) may be made to such person in any calendar year shall not exceed Nine Hundred Seventy-Four Thousand Nine Hundred Five (974,905) shares of Common Stock in the aggregate, as adjusted pursuant to Section V.F of Article One as a result of Spin-off, and

· for Awards denominated in terms of cash dollars (whether payable in cash, Common Stock or a combination of both), the maximum dollar amount for which such Awards may be made to such person in any calendar year shall not exceed Five Million Dollars ($5,000,000.00), with such limitation to be measured at the time the Award is made and not at the time the Award becomes payable.

E. Shares of Common Stock subject to outstanding Awards made under the Plan shall be available for subsequent issuance under the Plan to the extent those Awards expire or terminate for any reason prior to the issuance of the shares of Common Stock subject to those Awards. Unvested shares issued under the Plan and subsequently forfeited or repurchased by the Corporation, at a price per share not greater than the original 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 subsequent reissuance. Should the exercise price of an option under the Plan be paid with shares of Common Stock, then the authorized reserve of Common Stock under the Plan shall be reduced by the gross number of shares for which that option is exercised, and not by the net number of shares issued under the exercised stock option. Upon the exercise of any stock appreciation right under the Plan, the share reserve shall be reduced by the gross number of shares as to which such right is exercised, and not by the net number of shares actually issued by the Corporation upon such exercise. If shares of Common Stock otherwise issuable under the Plan are withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the issuance, vesting or exercise of an Award or the issuance of Common Stock thereunder, then the number of shares of Common Stock available for issuance under the Plan shall be reduced on the basis of the gross number of shares issued, vested or exercised under such Award, calculated in each instance prior to any such share withholding.

F. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Company Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities by which the share reserve under the Plan may increase by reason of the expiration or termination of unexercised options or the forfeiture or repurchase of shares under the Predecessor Plans, (iii) the maximum number and/or class of securities that may be issued pursuant to Incentive Options granted under the Plan, (iv) the maximum number and/or class of securities for which any one person may be granted Common Stock-denominated Awards under the Plan per calendar year, (v) the

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number and/or class of securities and the exercise or base price per share in effect under each outstanding Award under the Discretionary Grant Program, (vi) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share, (vii) the number and/or class of securities subject to each outstanding Award under the Automatic Grant Program, (viii) the number and/or class of securities for which Awards may subsequently be made to new and continuing non-employee Board members under the Automatic Grant Program, (ix) the number and/or class of securities subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock and (x) the number and/or class of securities subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable per share. The adjustments shall be made in such manner as the Plan Administrator deems appropriate in order to prevent the dilution or enlargement of benefits under the Plan and the outstanding Awards thereunder, and such adjustments shall be final, binding and conclusive. In the event of a Change in Control, however, the adjustments (if any) shall be made solely in accordance with the applicable provisions of the Plan governing Change in Control transactions.

G. Outstanding Awards granted pursuant to the Plan 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 TWO

DISCRETIONARY GRANT PROGRAM

I. OPTION TERMS

Each option shall be 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. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. **Exercise Price**.

1. The exercise price per share shall be fixed by the Plan Administrator; ***provided, however,*** that such exercise price shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the 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,

(ii) shares of Common Stock (whether delivered in the form of actual stock certificates or through attestation of ownership) held for the requisite period (if any) necessary to avoid any resulting charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date,

(iii) shares of Common Stock otherwise issuable under the option but withheld by the Corporation in satisfaction of the exercise price, with such withheld shares to be valued at Fair Market Value on the Exercise Date, and

(iv) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide instructions to (a) a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options.**

1. 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.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Awards under the Discretionary Grant Program so that those Awards shall vest and become exercisable only after the achievement of pre-established corporate performance objectives based on one or more Performance Goals and measured over the performance period specified by the Plan Administrator at the time of the Award.

3. Notwithstanding the foregoing, the following limitations shall apply with respect to the vesting schedules established for the Awards made under the Discretionary Grant Program, subject to the acceleration provisions in Paragraph C.2 below and Section IV of this Article Two:

(i) for any such Award which is to vest on the basis of Service, the minimum vesting period shall be three (3) years, with the rate of vesting over that period to be determined by the Plan Administrator; and

(ii) for any such Award which is to vest on the basis of performance objectives, the performance period shall have a duration of at least one year.

C. **Effect of Termination of Service**.

1. The following provisions shall govern the exercise of any options granted pursuant to the Discretionary Grant Program that are outstanding at the time of the Optionee's 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 held by the Optionee at the time of the Optionee's death and exercisable in whole or in part at that time 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 the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Cause or should the Optionee otherwise engage in conduct constituting grounds for a termination for Cause while holding one or more outstanding options granted under this Article Two, then all of those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised for more than the number of vested shares for which the option is at the time exercisable; ***provided, however,*** that one or more options under the Discretionary Grant Program may be structured so

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that those options continue to vest in whole or part during the applicable post-Service exercise period. 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 shares for which the option has not been exercised.

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,

(ii) include an automatic extension provision whereby the specified post-Service exercise period in effect for any option granted under this Article Two shall automatically be extended by an additional period of time equal in duration to any interval within the specified post-Service exercise period during which the exercise of that option or the immediate sale of the shares acquired under such option could not be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of such option beyond the expiration date of the term of that option, and/or

(iii) 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 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 become a holder of record of 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 such shares are unvested, the Corporation shall have the right to repurchase any or all of those unvested shares at a price per share equal to the ***lower*** of (i) the exercise price paid per share or (ii) the Fair Market Value per share of Common Stock at the time of repurchase. 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**. The transferability of options granted under the Plan shall be governed by the following provisions:

(i) *Incentive Options*. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death.

(ii) *Non-Statutory Options*. Non-Statutory Options shall be subject to the same limitation on transfer as Incentive Options, except that the Plan Administrator may structure one or more Non-Statutory Options so that the option may be assigned in whole or in part during the Optionee's lifetime to one or more Family Members of the Optionee or to a trust established exclusively for the Optionee and/or such Family Members, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

(iii) *Beneficiary Designations*. Notwithstanding the foregoing, the Optionee may designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two (whether Incentive Options or Non-Statutory Options), and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Six shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. **Eligibility.** Incentive Options may only be granted to Employees.

B. **Dollar Limitation.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000).

To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, then for purposes of the foregoing limitations on the exercisability of those options as Incentive Options, such options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

C. **10% Stockholder.** If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. STOCK APPRECIATION RIGHTS

A. **Authority**. The Plan Administrator shall have full power and authority, exercisable in its sole discretion, to grant stock appreciation rights in accordance with this Section III to selected Optionees or other individuals eligible to receive option grants under the Discretionary Grant Program.

B. **Types**. Two types of stock appreciation rights shall be authorized for issuance under this Section III: (i) tandem stock appreciation rights ("Tandem Rights") and (ii) stand-alone stock appreciation rights ("Stand-alone Rights").

C. **Tandem Rights**. The following terms and conditions shall govern the grant and exercise of Tandem Rights.

1. One or more Optionees may be granted a Tandem Right, exercisable upon such terms and conditions as the Plan Administrator may establish, to elect between the exercise of the underlying option for shares of Common Stock or the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (i) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (ii) the aggregate exercise price payable for such vested shares.

2. Any distribution to which the Optionee becomes entitled upon the exercise of a Tandem Right may be made in (i) shares of Common Stock valued at Fair Market Value on the option surrender date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

D. **Stand-Alone Rights**. The following terms and conditions shall govern the grant and exercise of Stand-Alone Rights:

1. One or more individuals eligible to participate in the Discretionary Grant Program may be granted a Stand-Alone Right not tied to any underlying option under this Discretionary Grant Program. The Stand-Alone Right shall relate to a specified number of shares of Common Stock and shall be exercisable upon such terms and conditions as the Plan Administrator may establish. In no event, however, may the Stand-Alone Right have a maximum term in excess of ten (10) years measured from the grant date. The provisions and limitations of Paragraphs B.2 and B.3 of Section I of this Article Two shall also be applicable to any Stand-Alone Right awarded under the Plan.

2. Upon exercise of the Stand-Alone Right, the holder shall be entitled to receive a distribution from the Corporation in an amount equal to the excess of (i) the aggregate Fair Market Value (on the exercise date) of the shares of Common Stock underlying the exercised right over (ii) the aggregate base price in effect for those shares.

3. The number of shares of Common Stock underlying each Stand-Alone Right and the base price in effect for those shares shall be determined by the Plan Administrator in its sole discretion at the time the Stand-Alone Right is granted. In no event, however, may the base price per share be less than the Fair Market Value per underlying share of Common Stock on the grant date.

4. Stand-Alone Rights shall be subject to the same transferability restrictions applicable to Non-Statutory Options and may not be transferred during the holder's lifetime, except if such assignment is in connection with the holder's estate plan and is to one or more Family Members of the holder or to a trust established for the holder and/or one or more such Family Members or pursuant to a domestic relations order covering the Stand-Alone Right as marital property. In addition, one or more beneficiaries may be designated for an outstanding Stand-Alone Right in accordance with substantially the same terms and provisions as set forth in Section I.F of this Article Two.

5. The distribution with respect to an exercised Stand-Alone Right may be made in (i) shares of Common Stock valued at Fair Market Value on the exercise date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

6. The holder of a Stand-Alone Right shall have no stockholder rights with respect to the shares subject to the Stand-Alone Right unless and until such person shall have exercised the Stand-Alone Right and become a holder of record of the shares of Common Stock issued upon the exercise of such Stand-Alone Right.

E. **Post-Service Exercise**. The provisions governing the exercise of Tandem and Stand-Alone Rights following the cessation of the recipient's Service shall be substantially the same as those set forth in Section I.C.1 of this Article Two for the options granted under the Discretionary Grant Program, and the Plan Administrator's discretionary authority under Section I.C.2 of this Article Two shall also extend to any outstanding Tandem or Stand-Alone Appreciation Rights.

IV. CHANGE IN CONTROL

A. In the event of an actual Change in Control transaction, each outstanding Award under the Discretionary Grant Program shall automatically accelerate so that each such Award shall, immediately prior to the effective date of that Change in Control, become exercisable as to all the shares of Common Stock at the time subject to such Award and may be exercised as to any or all of those shares as fully vested shares of Common Stock. However, an outstanding Award under the Discretionary Grant Program shall ***not*** become exercisable on such an accelerated basis if and to the extent: (i) such Award is to be assumed by the successor corporation (or parent thereof) or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control

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transaction or (ii) such Award is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on any shares as to which the Award is not otherwise at that time exercisable and provides for subsequent vesting and payout of that spread in accordance with the same exercise/vesting schedule in effect for that Award or (iii) the acceleration of such Award is subject to other limitations imposed by the Plan Administrator. Notwithstanding the foregoing, any Award outstanding under the Discretionary Grant Program on the date of such Change in Control shall be subject to cancellation and termination, without cash payment or other consideration due the Award holder, if the Fair Market Value per share of Common Stock on the date of such Change in Control (or any earlier date specified in the definitive agreement for the Change in Control transaction) is less than the per share exercise or base price in effect for such Award.

B. All outstanding repurchase rights under the Discretionary Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, immediately prior to the effective date of an actual Change in Control transaction, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or are otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator.

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

D. Each Award which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to that Award would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise or base price per share in effect under each outstanding Award, provided the aggregate exercise or base price in effect 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 (iii) the maximum number and/or class of securities by which the share reserve under the Plan may increase by reason of the expiration or termination of unexercised options or the forfeiture or repurchase of shares under the Predecessor Plan, (iv) the maximum number and/or class of securities

that may be issued pursuant to Incentive Options granted under the Plan, (v) the maximum number and/or class of securities for which any one person may be granted Common Stock-denominated Awards under the Plan per calendar year, (vi) the number and/or class of securities and the exercise or base price per share in effect under each outstanding Award under the Discretionary Grant Program, (vii) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share, (viii) the number and/or class of securities subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock, (ix) the number and/or class of securities subject to each outstanding Award under the Automatic Grant Program, (x) the number and/or class of securities for which Awards may subsequently be made to new and continuing non-employee Board members under the Automatic Grant Program and (xi) the number and/or class of securities subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable per share. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards under the Discretionary Grant Program, substitute, for the securities underlying those assumed rights, one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided such common stock is readily traded on an established U.S. securities exchange or market.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall, immediately prior to the effective date of an actual Change in Control transaction, become exercisable as to all the shares of Common Stock at the time subject to those Awards and may be exercised as to any or all of those shares as fully vested shares of Common Stock, whether or not those Awards are to be assumed in the Change in Control transaction or otherwise continued in effect. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall terminate immediately prior to the effective date of an actual Change in Control transaction, and the shares subject to those terminated rights shall thereupon vest in full.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall become exercisable as to all the shares of Common Stock at the time subject to those Awards in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period following the effective date of any Change in Control transaction in which those Awards do not otherwise fully accelerate. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of such Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

V. PROHIBITION ON REPRICING PROGRAMS

The Plan Administrator shall not (i) implement any cancellation/regrant program pursuant to which outstanding options or stock appreciation rights under the Plan are cancelled and new options or stock appreciation rights are granted in replacement with a lower exercise price per share, (ii) cancel outstanding options or stock appreciation rights under the Plan with exercise or base prices per share in excess of the then current Fair Market Value per share of Common Stock for consideration payable in cash, equity securities of the Corporation or in the form of any other Award under the Plan, except in connection with a Change in Control transaction, or (iii) otherwise directly reduce the exercise price in effect for outstanding options or stock appreciation rights under the Plan, without in each such instance obtaining stockholder approval.

ARTICLE THREE

STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program, either as vested or unvested shares, through direct and immediate issuances. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to performance shares or restricted stock units which entitle the recipients to receive the shares underlying those Awards upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those Awards.

A. **Issue Price**.

1. The issue price per share shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the Award date.

2. Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

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

(ii) past services rendered to the Corporation (or any Parent or Subsidiary); or

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(iii) any other valid consideration under the State in which the Corporation is at the time incorporated.

B. **Vesting Provisions**.

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance as a bonus for Service rendered or may vest in one or more installments over the Participant's period of Service or upon the attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to performance shares or restricted stock units which entitle the recipients to receive the shares underlying those Awards upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those Awards, including (without limitation) a deferred distribution date following the termination of the Participant's Service. Notwithstanding the foregoing, the following limitations shall apply with respect to the vesting schedules established for the Awards made under the Stock Issuance Program, subject to the acceleration provisions in Paragraphs B.6 and B.7 below and Section II of this Article Three:

(i) for any such Award which is to vest on the basis of Service, the minimum vesting period shall be three (3) years, with the rate of vesting over that period to be determined by the Plan Administrator; and

(ii) for any such Award which is to vest on the basis of performance objectives, the performance period shall have a duration of at least one year.

The foregoing minimum vesting requirements shall not be applicable to any Awards made under the Stock Issuance Program to an individual who is at the time of such Award serving solely in the capacity of a non-employee Board member; provided, however, that any Award made under the Stock Issuance Program to such non-employee Board member must have a minimum vesting period of at least one year, with not greater than monthly pro-rated vesting over that period.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall vest (or vest and become issuable) upon the achievement of pre-established corporate performance objectives based on one or more Performance Goals and measured over the performance period specified by the Plan Administrator at the time of the Award.

3. 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 the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution 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. Equitable adjustments to reflect each such transaction shall also be made by the Plan Administrator to the repurchase price payable per share by the Corporation for any unvested securities subject to its existing repurchase rights under the Plan; provided the aggregate repurchase price shall in each instance remain the same.

4. 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 dividends paid on such shares, subject to any applicable vesting requirements, including (without limitation) the requirement that any dividends paid on shares subject to performance-vesting conditions shall be held in escrow by the Corporation and shall not vest or actually be paid to the Award holder prior to the time those shares vest. The Participant shall not have any stockholder rights with respect to the shares of Common Stock subject to a

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performance share or restricted stock unit Award until that Award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding performance share or restricted stock unit Awards, subject to such terms and conditions as the Plan Administrator may deem appropriate; provided, however, that no such dividend-equivalent units relating to Awards subject to performance-vesting conditions shall vest or otherwise become payable prior to the time the underlying Award (or portion thereof to which such dividend-equivalents units relate) vests upon the attainment of the applicable performance goals and shall accordingly be subject to cancellation and forfeiture to the same extent as the underlying Award.

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. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent, the Corporation shall repay to the Participant the ***lower*** of (i) the cash consideration paid for the surrendered shares or (ii) the Fair Market Value of those shares at the time of cancellation.

6. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares, but only to the extent such waiver is effected in connection with (i) the Participant's cessation of Service by reason of death, Permanent Disability, Retirement or Involuntary Termination or (ii) the consummation of a Change in Control transaction. Any 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. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to shares which were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's cessation of Service by reason of death or Permanent Disability or as otherwise provided in Section II of this Article Three.

7. Outstanding performance shares or restricted stock units 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 performance goals or Service requirements established for those Awards are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue vested shares of Common Stock under one or more outstanding Awards of performance shares or restricted stock units as to which the designated performance goals or Service requirements have not been attained or satisfied, but only in connection with (i) the Participant's cessation of Service by reason of death, Permanent Disability, Retirement or Involuntary Termination or (ii) the consummation of a Change in Control transaction. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to Awards which were intended, at the time those Awards were made, to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's death or Permanent Disability or as otherwise provided in Section II of this Article Three.

8. The following additional requirements shall be in effect for any performance shares awarded under this Article Three:

(i) At the end of the performance period, the Plan Administrator shall determine the actual level of attainment for each performance objective and the extent to which the performance shares awarded for that period are to vest and become payable based on the attained performance levels.

(ii) The performance shares which so vest shall be paid as soon as practicable following the end of the performance period, unless such payment is to be deferred for the period specified by the Plan Administrator at the time the performance shares are awarded or the period selected by the Participant in accordance with the applicable requirements of Code Section 409A.

(iii) Performance shares may be paid in (i) cash, (ii) shares of Common Stock or (iii) any combination of cash and shares of Common Stock, as determined by the Plan Administrator in its sole discretion.

(iv) Performance shares may also be structured so that the shares are convertible into shares of Common Stock, but the rate at which each performance share is to so convert shall be based on the attained level of performance for each applicable performance objective.

II. CHANGE IN CONTROL

A. Each Award outstanding under the Stock Issuance Program on the effective date of an actual Change in Control transaction may be (i) assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash incentive program of the successor corporation which preserves the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control and provides for the subsequent vesting and payment of that value in accordance with the same vesting schedule in effect for those shares at the time of such Change in Control. To the extent any such Award is at the time subject to performance-vesting requirements tied to the attainment of one or more specified performance goals and the Plan Administrator does not at the time provide otherwise, those performance-vesting requirements shall upon the assumption, continuation or replacement of that Award be cancelled, and such Award shall thereupon be converted into a Service-vesting Award, based on an assumed attainment of the applicable performance goals at target level, that will vest in one or more increments over the Service-vesting period in effect for that Award immediately prior to the effective date of the Change in Control. However, to the extent any Award outstanding under the Stock Issuance Program on the effective date of such Change in Control Transaction is not to be so assumed, continued or replaced, that Award shall vest in full immediately prior to the effective date of the actual Change in Control transaction, and the shares of Common Stock underlying the portion of the Award that vests on such accelerated basis shall be issued in accordance with the applicable Award Agreement, unless such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. Each outstanding Award under the Stock Issuance Program which is assumed in connection with a Change in Control or otherwise continued in effect shall be adjusted immediately after the consummation of that Change in Control so as to apply to the number and class of securities into which the shares of Common Stock subject to that Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the cash consideration (if any) payable per share thereunder, provided the aggregate amount of such consideration shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided such common stock is readily traded on an established U.S. securities exchange or market.

C. The Plan Administrator shall have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest (or vest and become issuable) in whole or in part immediately prior to the effective date of an actual Change in Control transaction or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period following the effective date of that Change in Control transaction. The Plan Administrator's authority under this Section II.C shall also extend to any Awards intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those Awards pursuant to this Section II.C may result in their loss of performance-based status under Code Section 162(m).

ARTICLE FOUR

INCENTIVE BONUS PROGRAM

I. INCENTIVE BONUS TERMS

The Plan Administrator shall have full power and authority to implement one or more of the following incentive bonus programs under the Plan:

(i) cash bonus awards ("***Cash Awards***"),

(ii) performance unit awards ("***Performance Unit Awards***"), and

(iii) dividend equivalent rights ("***DER Awards***").

A. **Cash Awards.** The Plan Administrator shall have the discretionary authority under the Plan to make Cash Awards which are to vest in one or more installments over the Participant's continued Service with the Corporation or upon the attainment of specified performance goals. Each such Cash Award shall be 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.

1. The elements of the vesting schedule applicable to each Cash Award shall be determined by the Plan Administrator and incorporated into the Incentive Bonus Award Agreement.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Cash Awards so that those Awards shall vest upon the achievement of pre-established corporate performance objectives based upon one or more Performance Goals.

3. Should the Participant cease to remain in Service while holding one or more unvested Cash Awards or should the performance objectives not be attained with respect to one or more such Cash Awards, then those Awards shall be immediately terminate, and the Participant shall not be entitled to any cash payment or other consideration with respect to those terminated Awards.

4. Outstanding Cash Awards shall automatically terminate, and no cash payment or other consideration shall be due the holders of those Awards, if the performance goals or Service requirements established for the Awards are not attained or satisfied. The Plan Administrator may in its discretion waive the cancellation and termination of one or more unvested Cash Awards which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those Awards. Any such waiver shall result in the immediate vesting of the Participant's interest in the Cash Award as to which the waiver applies. Such wavier 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. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to awards which were intended, at the time those awards were granted, to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's death or Permanent Disability or as otherwise provided in Section II of this Article Four.

5. Cash Awards which become due and payable following the attainment of the applicable performance goals or satisfaction of the applicable Service requirement (or the waiver of such goals or Service requirement) may be paid in (i) cash, (ii) shares of Common Stock valued at Fair Market Value on the payment date or (iii) a combination of cash and shares of Common Stock as the Plan Administrator shall determine.

B. **Performance Unit Awards.** The Plan Administrator shall have the discretionary authority to make Performance Unit Awards in accordance with the terms of this Article Four. Each such Performance Unit Award shall be 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.

1. A Performance Unit shall represent a participating interest in a special bonus pool tied to the attainment of pre-established corporate performance objectives based on one or more Performance Goals. The amount of the bonus pool may vary with the level at which the applicable performance objectives are attained, and the value of each Performance Unit which becomes due and payable upon the attained level of performance shall be determined by dividing the amount of the resulting bonus pool (if any) by the total number of Performance Units issued and outstanding at the completion of the applicable performance period.

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2. Performance Units may also be structured to include a Service requirement which the Participant must satisfy following the completion of the performance period in order to vest in the Performance Units awarded with respect to that performance period.

3. Performance Units which become due and payable following the attainment of the applicable performance objectives and the satisfaction of any applicable Service requirement may be paid in (i) cash, (ii) shares of Common Stock valued at Fair Market Value on the payment date or (iii) a combination of cash and shares of Common Stock as the Plan Administrator shall determine.

C. **DER Awards**. The Plan Administrator shall have the discretionary authority to make DER Awards in accordance with the terms of this Article Four. Each such DER Award shall be 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.

1. The DER Awards may be made as stand-alone awards or in tandem with other Awards made under the Plan. The term of each such DER Award shall be established by the Plan Administrator at the time of grant, but no DER Award shall have a term in excess of ten (10) years.

2. Each DER shall represent the right to receive the economic equivalent of each dividend or distribution, whether in cash, securities or other property (other than shares of Common Stock), which is made per issued and outstanding share of Common Stock during the term the DER remains outstanding. A special account on the books of the Corporation shall be maintained for each Participant to whom a DER Award is made, and that account shall be credited per DER with each such dividend or distribution made per issued and outstanding share of Common Stock during the term of that DER remains outstanding.

3. Payment of the amounts credited to such book account may be made to the Participant either concurrently with the actual dividend or distribution made per issued and outstanding share of Common Stock or may be deferred for a period specified by the Plan Administrator at the time the DER Award is made or selected by the Participant in accordance with the requirements of Code Section 409A. In no event, however, shall any DER Award made with respect to an Award subject to performance-vesting conditions under the Stock Issuance or Incentive Bonus Program vest or become payable prior to the vesting of that Award (or the portion thereof to which the DER Award relates) upon the attainment of the applicable performance goals and shall accordingly be subject to cancellation and forfeiture to the same extent as the underlying Award.

4. Payment may be paid in (i) cash, (ii) shares of Common Stock or (iii) a combination of cash and shares of Common Stock as the Plan Administrator shall determine. If payment is to be made in the form of Common Stock, the number of shares of Common Stock into which the cash dividend or distribution amounts are to be converted for purposes of the Participant's book account may be based on the Fair Market Value per share of Common Stock on the date of conversion, a prior date or an average of the Fair Market Value per share of Common Stock over a designated period, as the Plan Administrator shall determine in its sole discretion.

5. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more DER Awards so that those Awards shall vest only after the achievement of pre-established corporate performance objectives based upon one or more Performance Goals.

II. CHANGE IN CONTROL

A. The Plan Administrator shall have the discretionary authority to structure one or more Awards under the Incentive Bonus Program so that those Awards shall automatically vest in whole or in part immediately prior to the effective date of an actual Change in Control transaction or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period following the effective date of such Change in Control. To the extent any such Award is, at the time of such Change in Control, subject to performance vesting upon the attainment of one or more performance goals and the Plan Administrator does not at that time provide otherwise, the performance-vesting condition shall automatically be

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cancelled on the effective date of such Change in Control, and such Award shall thereupon be converted into a Service-vesting Award, based on an assumed attainment of the applicable performance goals at target level, that will vest in one or more installments over the Service-vesting period in effect for that Award immediately prior to the Change in Control.

B. The Plan Administrator's authority under Section II.A shall also extend to any performance bonus awards intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those awards pursuant to such Paragraph A may result in their loss of performance-based status under Code Section 162(m).

ARTICLE FIVE

AUTOMATIC GRANT PROGRAM

I. AWARD TERMS

A. **Automatic Grants.** The Automatic Grant Program has, as of the Plan Effective Date, superseded and replaced the Corporation's 1998 Non-Employee Director Stock Option Plan and the Non-Employee Director Stock Retainer Plan. The Awards for the non-employee Board members at the 2007 Annual Meeting were made pursuant to the Automatic Grant Program in effect under this Article Five, and no further option grants or stock issuances shall be made to the non-employee Board members under the 1998 Non-Employee Director Stock Option Plan or the Non-Employee Director Stock Retainer Plan on or after the 2007 Annual Meeting. The Awards to be made pursuant to the Automatic Grant Program shall be as follows:

1. Each individual who is first elected or appointed as a non-employee Board member at any time on or after the date of the 2007 Annual Meeting shall automatically be granted, on the date of such initial election or appointment, an Award in the form of restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by dividing the Applicable Dollar Amount by the Fair Market Value per share on such date, provided that individual has not been in the employ of the Corporation or any Parent or Subsidiary during the preceding twelve (12) months (the "***Initial Grant***"). The Applicable Dollar Amount shall be determined by the Plan Administrator at the time of each such grant, but in no event shall such amount exceed Three Hundred Thousand Dollars ($300,000.00) per non-employee Board member.

2. On the date of each annual stockholders meeting, beginning with the 2007 Annual Meeting, each individual who is to continue to serve as a non-employee Board member, whether or not that individual is standing for re-election to the Board at that particular annual meeting, shall automatically be granted an Award in the form of restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by dividing the Applicable Annual Amount by the Fair Market Value per share on such date (the "***Annual Grant***"), provided that such individual has served as a non-employee Board member for a period of at least six (6) months. There shall be no limit on the number of such Annual Grants any one continuing non-employee Board member may receive over his or her period of Board service, and non-employee Board members who have previously been in the employ of the Corporation (or any Parent or Subsidiary) shall be eligible to receive one or more such Annual Grants over their period of continued Board service. The Applicable Annual Amount shall be determined by the Plan Administrator on or before the date of the annual stockholders meeting at which those Annual Grants are to be made, but in no event shall exceed Three Hundred Thousand Dollars ($300,000.00).

3. Each restricted unit awarded under this Article Five shall entitle the non-employee Board member to one share of Common Stock on the applicable issuance date following the vesting of that unit.

B. **Vesting of Awards and Issuance of Shares.** Each Initial and Annual Grant made under this Article Five on or after February 27, 2014 shall vest in a series of three (3) successive equal annual installments upon the non-employee Board member's completion of each year of Board service over the three (3)-year period measured from the Award date; ***provided, however***, that should such non-employee Board member cease Board service by reason of (i) death or Permanent Disability or (ii) retirement at or after age seventy five (75), then each

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Initial and Annual Grant made to such individual under this Article Five and outstanding at the time of such cessation of Board service shall immediately vest in full. The shares of Common Stock underlying each Initial or Annual Grant which vests in accordance with the foregoing vesting provisions shall be issued as they vest; ***provided, however***, that the Plan Administrator may allow one or more non-employee Board members to defer, in accordance with the applicable requirements of Code Section 409A and the regulations thereunder, the issuance of the shares beyond the vesting date to a designated date or until cessation of Board service or an earlier Change in Control.

C. **Dividend Equivalent Rights**. Each restricted stock unit shall include a dividend equivalent right pursuant to which a book account shall be established for the non-employee Board member and credited from time to time with each dividend or distribution, whether in cash, securities or other property (other than shares of Common Stock) which is made per issued and outstanding share of Common Stock during the period the share of Common Stock underlying that restricted stock unit remains unissued. The amount credited to the book account with respect to such restricted stock unit shall be paid to the non-employee Board member concurrently with the issuance of the share of Common Stock underlying that unit, subject to the Corporation's collection of any applicable withholding taxes.

II. CHANGE IN CONTROL

Should the non-employee Board member continue in Board service until the effective date of an actual Change in Control transaction, then the shares of Common Stock subject to each outstanding Initial and Annual Award made to such Board member shall, immediately prior to the effective date of that Change in Control transaction, vest in full and shall be issued to him or her as soon as administratively practicable thereafter, but in no event more than fifteen (15) business days after such effective date, except to the extent such issuance is subject to a deferred distribution date under Code Section 409A, or shall otherwise be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders in the Change in Control and distributed at the same time as such stockholder payments, subject to any applicable deferred distribution date under Code Section 409A.

ARTICLE SIX

MISCELLANEOUS

I. DEFERRED COMPENSATION

A. The Plan Administrator may, in its sole discretion, structure one or more Awards under the Stock Issuance or Incentive Bonus Programs so that the Participants may be provided with an election to defer the compensation associated with those Awards for federal income tax purposes. Any such deferral opportunity shall comply with all applicable requirements of Code Section 409A.

B. The Plan Administrator may implement a non-employee Board member retainer fee deferral program under the Plan that allows the non-employee Board members the opportunity to elect, prior to the start of each calendar year, to convert the Board and Board committee retainer fees to be earned for that year into restricted stock units under the Stock Issuance Program that will defer the issuance of the shares of Common Stock that vest under those restricted stock units to a permissible date or event under Code Section 409A. If such program is implemented, the Plan Administrator shall have the authority to establish such rules and procedures as it deems appropriate for the filing of such deferral elections and the designation of the permissible distribution events under Code Section 409A.

C. To the extent the Corporation maintains one or more separate non-qualified deferred compensation arrangements which allow the participants the opportunity to make notional investments of their deferred account balances in shares of Common Stock, the Plan Administrator may authorize the share reserve under the Plan to serve as the source of any shares of Common Stock that become payable under those deferred compensation arrangements. In such event, the share reserve under the Plan shall be reduced on a share-for-one-share basis for each share of Common Stock issued under the Plan in settlement of the deferred compensation owed under those separate arrangements.

D. To the extent there is any ambiguity as to whether any provision of any Award made under the Plan that is deemed to constitute a deferred compensation arrangement under Code Section 409A would otherwise contravene one or more requirements or limitations of such Code Section 409A and the Treasury Regulations thereunder, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder.

II. TAX WITHHOLDING

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

B. The Plan Administrator may, in its discretion, structure one or more Awards so that shares of Common Stock may be used as follows to satisfy all or part of the Withholding Taxes to which such holders of those Awards may become subject in connection with the issuance, exercise, vesting or settlement of those Awards:

1. Stock Withholding. The Corporation may be provided with the right to withhold, from the shares of Common Stock otherwise issuable upon the issuance, exercise or vesting of such Award or the issuance of shares of Common Stock thereunder, a portion of those shares with an aggregate Fair Market Value equal to the applicable Withholding Taxes. The shares of Common Stock so withheld shall reduce the number of shares of Common Stock authorized for issuance under the Plan.

2. Stock Delivery. The Award holder may be provided with the right to deliver to the Corporation, at the time of the issuance, exercise or vesting of such Award or the issuance of shares of Common Stock thereunder, one or more shares of Common Stock previously acquired by such individual (other than in connection with the exercise, share issuance or share vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the individual. The shares of Common Stock so delivered shall neither reduce the number of shares of Common Stock authorized for issuance under the Plan nor be added to the number of shares of Common Stock authorized for issuance under the Plan.

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.

IV. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective on the Plan Effective Date. The Plan was assumed by Alexander & Baldwin Holdings, Inc. on June 6, 2012 upon the consummation of the Merger and Alexander & Baldwin Holdings, Inc. changed its name to Matson, Inc. on June 29, 2012 effective as of the consummation of the Spin-off.

B. The Plan was amended on January 28, 2010 to increase the number of shares of Common Stock authorized for issuance under the Plan by an additional Two Million Two Hundred Thousand (2,200,000) shares. Such share increase was approved by the stockholders at the 2010 Annual Meeting. The Plan was amended on October 24, 2012 to (i) reflect an increase in the number of shares of Common Stock authorized for issuance under the Plan by an additional Five Hundred Sixty-Nine Thousand Eighty-Five (569,085) shares, as of June 29, 2012, pursuant to Section V.B of Article One, and (ii) reflect various adjustments to the share limits contained in the Plan pursuant to Section V.F of Article One as a result of Spin-off.

C. The Plan shall serve as the successor to each of the Predecessor Plans, and no further option grants or unvested share issuances shall be made under the Predecessor Plans. The implementation of the Plan shall not affect the option grants and unvested share awards that were outstanding under the Predecessor Plans at the time the Plan was approved by the stockholders at the 2007 Annual Meeting, and those option grants and unvested share

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awards shall continue in full force and effect in accordance with their terms. However, should any of those options expire or terminate unexercised or those unvested shares be forfeited or repurchased by the Corporation at the original issue price, the shares of Common Stock subject to those options at the time of expiration or termination and those forfeited or repurchased shares shall be added to the share reserve of this Plan, up to the maximum number of additional shares permissible hereunder.

D. The Plan shall terminate upon the ***earliest*** to occur of (i) April 26, 2017, (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 Awards in connection with a Change in Control. Should the Plan terminate on April 26, 2017, then all Awards outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing those Awards.

V. 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; ***provided, however,*** that stockholder approval shall be required for any amendment to the Plan which materially increases the number of shares of Common Stock authorized for issuance under the Plan (other than pursuant to Section V.F of Article One), materially increases the benefits accruing to Optionees or Participants, materially expands the class of individuals eligible to participate in the Plan, expands the types of awards which may be made under the Plan or extends the term of the Plan or to the extent such stockholder approval may otherwise be required under applicable law or regulation or pursuant to the listing standards of the Stock Exchange on which the Common Stock is at the time primarily traded. However, no such amendment or modification shall adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification.

B. The Compensation Committee shall have the discretionary authority to adopt and implement from time to time such addenda or subplans to the Plan as it may deem necessary in order to bring the Plan into compliance with applicable laws and regulations of any foreign jurisdictions in which grants or awards are to be made under the Plan and/or to obtain favorable tax treatment in those foreign jurisdictions for the individuals to whom the grants or awards are made.

C. Except as otherwise provided in Section IV.B of this Article Six, Awards may be made under the Plan that involve shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided no shares shall actually be issued pursuant to those Awards until the number of shares of Common Stock available for issuance under the Plan is sufficiently increased by stockholder approval of an amendment of the Plan authorizing such increase. If such stockholder approval is not obtained within twelve (12) months after the date the first excess Award is made, then all Awards granted on the basis of such excess shares shall terminate and cease to be outstanding.

VI. USE OF PROCEEDS

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

VII. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any Award under the Plan and the issuance of any shares of Common Stock in connection with the issuance, exercise or vesting of any Award under the Plan shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards made under the Plan and the shares of Common Stock issuable pursuant to those Awards.

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 applicable 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 on which Common Stock is then listed for trading.

VIII. 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.

APPENDIX

The following definitions shall be in effect under the Plan:

A. **2007 Annual Meeting** shall mean the 2007 annual meeting of the Alexander & Baldwin, Inc. stockholders.

B. **2010 Annual Meeting** shall mean the 2010 annual meeting of the Alexander & Baldwin, Inc. stockholders.

C. **Automatic Grant Program** shall mean the automatic grant program in effect for non-employee Board members under Article Five of the Plan.

D. **Award** shall mean any of the following awards authorized for issuance or grant under the Plan: stock options, stock appreciation rights, direct stock issuances, restricted stock or restricted stock unit awards, performance shares, performance units, dividend-equivalent rights and cash incentive awards.

E. **Award Agreement** shall mean the agreement(s) between the Corporation and the Optionee or Participant evidencing a particular Award made to that individual under the Plan, as such agreement(s) may be in effect from time to time.

F. **Board** shall mean the Corporation's Board of Directors.

G. **Cause** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

· Cause shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

· In the absence of any other Cause definition in the Award Agreement for a particular Award (or in any other agreement incorporated by reference into the Award Agreement), an individual's termination of Service shall be deemed to be for Cause if such termination occurs by reason his or her commission of

any act of fraud, embezzlement or dishonesty, 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.

H. **Change in Control** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

· Change in Control shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

· In the absence of any other Change in Control definition in the Award Agreement (or in any other agreement incorporated by reference into the Award Agreement), Change in Control shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,

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(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) acquires directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) thirty-five percent (35%) of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

I. **Code** shall mean the Internal Revenue Code of 1986, as amended.

J. **Common Stock** shall mean the Corporation's common stock.

K. **Compensation Committee** shall mean the Compensation Committee of the Board comprised of two (2) or more non-employee Board members.

L. **Corporation** shall mean Matson, Inc., a Hawaii corporation (formerly known as Alexander & Baldwin Holdings, Inc.) that is the successor to Alexander & Baldwin, Inc. and that has by appropriate action assumed this Plan in connection with the Merger, and any subsequent corporate successor to all or substantially all of the assets or voting stock of Matson, Inc. which has by appropriate action assumed the Plan.

M. **Discretionary Grant Program** shall mean the discretionary grant program in effect under Article Two of the Plan pursuant to which stock options and stock appreciation rights may be granted to one or more eligible individuals.

N. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established), 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.

O. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

P. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on date on question on the Stock Exchange serving as the primary market for the Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Common Stock is then primarily traded. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

Q. **Family Member** means, with respect to a particular Optionee or Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

R. **Good Reason** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

· Good Reason shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

· In the absence of any other Good Reason definition in the Award Agreement (or in any other agreement incorporated by reference into the Award Agreement), Good Reason shall mean an individual's voluntary resignation following the occurrence of any of the following events effected without such individual's consent: (A) a change in his or her position with the Corporation (or any Parent or Subsidiary) which materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary, fringe

benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles or (D) the failure by the Corporation to continue in effect any stock option or other equity-based plan in which such individual is participating, or in which such individual is entitled to participate, immediately prior to a change in control of the Corporation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; or the failure by the Corporation to continue such individual's participation therein (or in such substitute or alternative plan) on a substantially equivalent basis, both in terms of the amount or timing of payment of benefits provided and the level of such individual's participation relative to other participants, as existed immediately prior to the change in control of the Corporation.

S. **Incentive Bonus Program** shall mean the incentive bonus program in effect under Article Four of the Plan.

T. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

U. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation (or any Parent or Subsidiary) for reasons other than for Cause, or

(ii) such individual's voluntary resignation for Good Reason.

V. **Merger** shall mean the merger of Alexander & Baldwin, Inc. with a wholly-owned subsidiary of the Corporation, pursuant to which the Corporation has become the parent holding company of Alexander & Baldwin, Inc. in accordance with the terms of the Agreement and Plan of Merger by and among Holdings, Alexander & Baldwin, Inc, and A&B Merger Corporation dated February 13, 2012.

W. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

X. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

Y. **Optionee** shall mean any person to whom an option is granted under the Discretionary Grant or Automatic Grant Program.

Z. **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 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.

AA. **Participant** shall mean any person who is issued (i) shares of Common Stock, restricted stock units, performance shares, performance units or other stock-based awards under the Stock Issuance Program or (ii) an incentive bonus award under the Incentive Bonus Program.

BB. **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. However, solely for purposes of the Automatic Grant Program, Permanent Disability or Permanently Disabled shall mean the inability of the non-employee Board member to perform his or her usual duties as a Board member 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.

CC. **Performance Goals** shall mean any of the following performance criteria upon which the vesting of one or more Awards under the Plan may be based: (i) cash flow; (ii) earnings (including gross margin, earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation, amortization and charges for stock-based compensation, earnings before interest, taxes, depreciation and amortization, and net earnings); (iii) earnings per share; (iv) growth in earnings or earnings per share; (v) stock price; (vi) return on equity or average stockholder equity; (vii) total stockholder return or growth in total stockholder return either directly or in relation to a comparative group; (viii) return on capital; (ix) return on assets or net assets; (x) invested capital, required rate of return on capital or return on invested capital; (xi) revenue, growth in revenue or return on sales; (xii) income or net income; (xiii) operating income, net operating income or net operating income after tax; (xiv) operating profit or net operating profit; (xv) operating margin; (xvi) return on operating revenue or return on operating profit; (xvii) collections and recoveries; (xviii) property purchases, sales, investments and construction goals; (xix) application approvals; (xx) litigation and regulatory resolution goals; (xxi) occupancy or occupancy rates; (xxii) leases, contracts or financings, including renewals; (xxiii) overhead, savings, G&A and other expense control goals; (xxiv) budget comparisons; (xxv) growth in stockholder value relative to the growth of the S&P 400 or S&P 400 Index, the S&P Global Industry Classification Standards ("GICS") or GICS Index, or another peer group or peer group index; (xxvi) credit rating; (xxvii) development and implementation of strategic plans and/or organizational restructuring goals; (xxviii) development and implementation of risk and crisis management programs; (xxix) improvement in workforce diversity; (xxx) net cost per ton; (xxxi) price per container or average price of container; (xxxii) voyage days or vessel scheduling; (xxxiii) lift volume per container, volume per container, number of units or size of units; (xxxiv) compliance requirements and compliance relief; (xxxv) safety goals; (xxxvi) productivity goals; (xxxvii) workforce management and succession planning goals; (xxxviii) economic value added (including typical adjustments consistently applied from generally accepted accounting principles required to determine economic value added performance measures); (xxxix) measures of customer satisfaction, employee satisfaction or staff development; (xl) development or marketing collaborations, formations of joint ventures or partnerships or the completion of other similar transactions intended to enhance the Corporation's revenue or profitability or enhance its customer base; (xli) merger and acquisitions; and (xlii) other similar criteria consistent with the foregoing. In addition, such performance criteria may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Corporation's business units or divisions or any Parent or Subsidiary. Each applicable Performance Goal may include a minimum threshold level of performance below which no Award will be earned, levels of performance at which specified portions of an Award will be earned and a maximum level of performance at which an Award will be fully earned. Each applicable performance goal may be structured at the time of the Award to provide for appropriate adjustment for one or more of the following items: (A) asset impairments or write-downs; (B) litigation judgments or claim settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; (E) any extraordinary nonrecurring items; (F) the operations of any business acquired by the Corporation; (G) the divestiture of one or more business operations or the assets thereof; and (H) any other adjustment consistent with the operation of the Plan.

DD. **Plan** shall mean the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan, as amended and restated in this document and assumed by the Corporation upon the consummation of the Merger.

EE. **Plan Administrator** shall mean the particular entity, whether the Compensation Committee (or subcommittee thereof), the Board or the Secondary Board Committee, which is authorized to administer the Discretionary Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under the Plan with respect to the persons under its jurisdiction.

FF. **Plan Effective Date** shall mean the April 26, 2007 date on which the Plan was approved by the Alexander & Baldwin, Inc. stockholders at the 2007 Annual Meeting.

GG. **Predecessor Plans** shall mean (i) the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan, (ii) the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan, (iii) the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan and (iv) the Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, as each such plan is in effect immediately prior to the 2007 Annual Meeting.

HH. **Retirement** shall mean (i) the Participant's termination of Service on or after attainment of age sixty-five (65) or (ii) the Participant's early retirement, with the prior approval of the Corporation (or Parent or Subsidiary employing Participant), on or after attainment of age fifty-five (55) and completion of at least five (5) years of Service.

II. **Secondary Board Committee** shall mean a committee of one or more Board members appointed by the Board to administer the Plan with respect to eligible persons other than Section 16 Insiders.

JJ. **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.

KK. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance. For purposes of the Plan, an Optionee or Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Optionee or Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the Optionee or Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee or Participant may subsequently continue to perform services for that entity. However, should the Corporation effect a distribution of all of the outstanding common stock of any wholly-owned subsidiary (the "Spun-off Subsidiary") to the holders of the outstanding Common Stock in a spin-off transaction, then the provisions of each applicable Award Agreement as assumed or otherwise replaced by the Spun-off Subsidiary shall thereafter be applied so that the Optionee or Participant shall be deemed to continue in service status for so long as that individual performs services following such spin-off distribution in one or more of the foregoing capacities with the Spun-off Subsidiary (or any Parent (other than Matson, Inc.) or Subsidiary of the Spun-off Subsidiary), if such individual's employee or service relationship is with any of those entities immediately prior to the spin-off distribution. In addition, the individual will be given appropriate Service-vesting credit under each Award Agreement assumed or replaced by the Spun-off Subsidiary for his or her period of continuous service with the Corporation or its Subsidiaries in one or more of the foregoing capacities through the date of the spin-off distribution. However, should the Optionee or Participant be a member of the Board of Directors of both the Corporation and the Spun-Off Subsidiary immediately prior to the spin-off distribution, then the Optionee or Participant shall, for purposes of the foregoing provisions of this Service definition, be deemed to be solely in the service of the Corporation immediately prior to the spin-off transaction, unless the Optionee or Participant is also serving as the lead independent director of the Spun-off Subsidiary's Board of Directors immediately prior to the spin-off transaction, in which event such individual shall be deemed hereunder to be solely in the service of the Spun-off Subsidiary immediately prior to the spin-off distribution. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; ***provided, however,*** that should such leave of absence exceed three (3) months, then for purposes of determining the period within which an Incentive Option may be exercised as such under the federal tax laws, the Optionee's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period the Optionee or Participant is on a leave of absence.

LL. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global Market or the New York Stock Exchange.

MM. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

NN. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Three of the Plan.

OO. **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. The term **Subsidiary** shall also include any wholly-owned limited liability company within the applicable chain of subsidiaries that is a disregarded entity for U.S. federal income tax purposes.

PP. **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).

QQ. **Withholding Taxes** shall mean the applicable federal and state income and employment withholding taxes to which the holder of an Award under the Plan may become subject in connection with the issuance, exercise or vesting of that Award or the issuance of shares of Common Stock thereunder.

MATSON, INC.
AMENDED AND RESTATED RESTRICTED STOCK UNIT AWARD AGREEMENT
NON-EMPLOYEE BOARD MEMBER—NO DEFERRAL

RECITALS

A. The Corporation has implemented an automatic award program under the Plan pursuant to which eligible non-employee members of the Board will automatically receive special awards of restricted stock units at periodic intervals over their period of Board service in order to provide such individuals with a meaningful incentive to continue to serve as members of the Board.

B. Participant is an eligible non-employee Board member, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the automatic award of restricted stock units under the Plan.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units**. The Corporation hereby awards to Participant, as of the Award Date, an award (the "Award") of restricted stock units under the Plan. Each restricted stock unit represents the right to receive one share of Common Stock on the vesting date of that unit. The number of shares of Common Stock subject to the awarded restricted stock units, the applicable vesting schedule for the restricted stock units and the underlying shares of Common Stock, the dates on which those vested shares shall be issued to Participant and the remaining terms and conditions governing the Award shall be as set forth in this Agreement.

AWARD SUMMARY

Participant	
Award Date:	, 201
Number of Shares Subject to Award:	shares of Common Stock (the "Shares")
Vesting Schedule:	The Shares shall vest in a series of three (3) successive equal annual installments upon Participant's completion of each year of Board service over the three (3)-year period measured from the Award Date. The Shares may vest in whole or in part on an accelerated basis in accordance with the provisions of Paragraphs 3 and 5 of this Agreement. In no event shall any Shares vest after the date of Participant's termination of Board service.
Issuance Schedule	Subject to the provisions of Paragraph 7(a), each Share in which the Participant vests in accordance with the foregoing Vesting Schedule or pursuant to the vesting acceleration provisions of Paragraph 3 or 5 of this Agreement shall be issued on the date that Share vests or as soon thereafter as administratively practicable, but in no event later than the ***later*** of (i) the close of the calendar year in which that Share vests or (ii) the fifteenth day of the third calendar month following such vesting date (the "Issuance Date").

2. **Limited Transferability**. Prior to the actual issuance of the Shares that vest hereunder, Participant may not transfer any interest in the restricted stock units subject to the Award or the underlying Shares or pledge or otherwise hedge the sale of those units or Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. However, any Shares which vest hereunder but otherwise remain unissued at the time of Participant's death may be transferred pursuant to the provisions of Participant's will or the laws of inheritance or to Participant's designated beneficiary or beneficiaries of this Award. Participant may also direct the Corporation to issue the stock certificates for any Shares

which in fact vest and become issuable hereunder to one or more designated Family Members or a trust established for Participant and/or his or her Family Members. Participant may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Cessation of Service**. The restricted stock units subject to this Award shall immediately vest in full upon Participant's cessation of Board service by reason of death, Permanent Disability or Retirement. Should Participant cease Board service for any other reason prior to vesting in one or more Shares subject to this Award, then the Award will be immediately cancelled with respect to those unvested Shares, and the number of restricted stock units will be reduced accordingly. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

4. **Stockholder Rights and Dividend Equivalents**

(a) Participant shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares following their actual issuance.

(b) Notwithstanding the foregoing, should any dividend or other distribution payable other than in shares of Common Stock be declared and paid on the outstanding Common Stock while one or more Shares remain subject to this Award (i.e., those Shares are not otherwise issued and outstanding for purposes of entitlement to the dividend or distribution), then a special book account shall be established for Participant and credited with a phantom dividend equivalent to the actual dividend or distribution which would have been paid on those Shares had they been issued and outstanding and entitled to that dividend or distribution. As the Shares vest hereunder, the phantom dividend equivalents that are credited to those Shares in the book account shall

concurrently vest, and those vested dividend equivalents shall subsequently be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) at the same time the vested Shares to which those phantom dividend equivalents relate are issued.

5. **Special Vesting Acceleration**. The restricted stock units subject to this Award shall immediately vest in full upon Participant's continuation in Board service until the effective date of any Change in Control transaction. The vested Shares will be issued immediately upon such effective date or as soon as administratively practicable thereafter, but in no event more than fifteen (15) business days after such effective date. Alternatively, the Participant's right to the Shares may, pursuant to the terms of the Change in Control transaction, be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of the Change in Control and distributed at the same time as such shareholder payments, but such distribution to Participant shall in all events be completed no later than the ***later*** of (i) the close of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) of the third (3rd) calendar month following the effective date of that Change in Control.

6. **Adjustment in Shares**. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby prevent a dilution or enlargement of benefits hereunder. In making such equitable adjustments, the Plan Administrator shall take into account any amounts to be credited to Participant's book account under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive.

7. **Issuance of Shares of Common Stock**.

(a) Except as otherwise provided in Paragraph 5, on each applicable Issuance Date for the Shares which vest in accordance with the terms of this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on such date and shall concurrently distribute to Participant any phantom dividend equivalents with respect to those

vested Shares. Notwithstanding the foregoing, should Participant attain Retirement age prior to completion of the normal Vesting Schedule set forth in Paragraph 1, then any Shares in which Participant may, pursuant to Code Section 409A, be deemed to vest at that time shall be issued upon the ***earliest*** to occur of (i) the Issuance Date which would otherwise apply to those Shares under this Agreement had Participant not reached Retirement age, (ii) the date of Participant's cessation of Board service or (iii) the effective date of a Change in Control (with the issuance in such latter event to be governed by the terms of Paragraph 5 above).

(b) Except as otherwise provided in Paragraph 5, the settlement of all restricted stock units which vest under this Award shall be made solely in shares of Common Stock. In no event, however, shall any fractional shares be issued. Accordingly, the total number of shares of Common Stock to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole share in order to avoid the issuance of a fractional share.

8. **Compliance with Laws and Regulations**.

(a) The issuance of shares of Common Stock pursuant to the Award shall be subject to compliance by the Corporation and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed for trading at the time of such issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Corporation of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

9. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Participant, Participant's assigns, the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the Award designated by Participant.

10. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant's signature line on this Agreement, unless Participant notifies the Corporation of a change in address in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

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

12. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without resort to that State's conflict-of-laws rules.

13. **No Impairment of Rights.** This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, this Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its shareholders to remove Participant from the Board at any time in accordance with the provisions of applicable law.

14. **Section 409A Compliance**. Should there occur any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more applicable requirements or limitations of Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder, that provision shall be interpreted and applied in a manner that complies with the applicable requirements of Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Award Date first indicated above.

MATSON, INC.

By: _____

Title: _____

Address:

PARTICIPANT

Signature: _____

Address:

APPENDIX A
DEFINITIONS

A. **Agreement** shall mean this Restricted Stock Unit Award Agreement.

B. **Award** shall mean the award of restricted stock units made to Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the restricted stock units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Change in Control** shall mean a change of ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing fifty percent (50%) or more of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) acquires directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) thirty-five percent (35%) or more of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

The foregoing definition of Change in Control shall in all instances be applied and interpreted in such manner that the applicable Change in Control transaction will also qualify as: (i) a change in the ownership of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(v) of the Treasury Regulations, (ii) a change in the effective control of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(vi) of the Treasury Regulations, or (iii) a change in the ownership of a substantial portion of the assets of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(vii) of the Treasury Regulations.

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Common Stock** shall mean shares of the Corporation's common stock.

H. **Corporation** shall mean Matson, Inc., a Hawaii corporation (formerly known as Alexander & Baldwin Holdings, Inc.), and any successor corporation to all or substantially all of the assets or voting stock of Matson, Inc. which shall by appropriate action adopt the Plan.

I. **Family Members** shall mean, with respect to the Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

J. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

K. **Participant** shall mean the non-employee Board member to whom the Award is made pursuant to the Automatic Grant Program.

L. **Permanent Disability** shall mean the inability of Participant to perform his or her usual duties as a Board member 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.

M. **Plan** shall mean the Corporation's 2007 Incentive Compensation Plan.

N. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

O. **Retirement** shall mean the cessation of Board service by reason of retirement at or after the attainment of age seventy-five (75).

MATSON, INC.
AMENDED AND RESTATED RESTRICTED STOCK UNIT AWARD AGREEMENT
NON-EMPLOYEE BOARD MEMBER—DEFERRAL ELECTION

RECITALS

A. The Corporation has implemented an automatic award program under the Plan pursuant to which eligible non-employee members of the Board will automatically receive special awards of restricted stock units at periodic intervals over their period of Board service in order to provide such individuals with a meaningful incentive to continue to serve as members of the Board.

B. Participant is an eligible non-employee Board member, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the automatic award of restricted stock units under the Plan.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units**. The Corporation hereby awards to Participant, as of the Award Date, an award (the "Award") of restricted stock units under the Plan. Each restricted stock unit represents the right to receive one share of Common Stock on the vesting date of that unit. The number of shares of Common Stock subject to the awarded restricted stock units, the applicable vesting schedule for the restricted stock units and the underlying shares of Common Stock, the dates on which those vested shares shall be issued to Participant and the remaining terms and conditions governing the Award shall be as set forth in this Agreement.

AWARD SUMMARY

Participant

Award Date: , 201

Number of Shares Subject to Award: shares of Common Stock (the "Shares")

Vesting Schedule: The Shares shall vest in a series of three (3) successive equal annual installments upon Participant's completion of each year of Board service over the three (3)-year period measured from the Award Date. The Shares may vest in whole or in part on an accelerated basis in accordance with the provisions of Paragraphs 3 and 5 of this Agreement. In no event shall any Shares vest after the date of Participant's termination of Board service.

Issuance Schedule The Shares in which the Participant vests pursuant to the foregoing Vesting Schedule or the vesting acceleration provisions of Paragraph 3 or Paragraph 5 of this Agreement shall be issued in accordance with the Participant's Deferral Election.

2. **Limited Transferability**. Prior to the actual issuance of the Shares that vest hereunder, Participant may not transfer any interest in the restricted stock units subject to the Award or the underlying Shares or pledge or otherwise hedge the sale of those units or Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. However, any Shares which vest hereunder but otherwise remain unissued at the time of Participant's death may be transferred pursuant to the provisions of Participant's will or the laws of inheritance or to Participant's designated beneficiary or beneficiaries of this Award, and in such event, the Shares shall be issued to the applicable transferee(s) in accordance with the distribution date or event and method of distribution specified by Participant in his or her Deferral Election. Participant may also direct the Corporation to issue the stock certificates for any Shares which in

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fact vest and become issuable hereunder to Participant during his or her lifetime to one or more designated Family Members or a trust established for Participant and/or his or her Family Members. Any such issuance shall be effected in accordance with the distribution date or event and method of distribution specified by Participant in his or her Deferral Election. Participant may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Cessation of Service**. The restricted stock units subject to this Award shall immediately vest in full upon Participant's cessation of Board service by reason of death, Permanent Disability or Retirement. Should Participant cease Board service for any other reason prior to vesting in one or more Shares subject to this Award, then the Award will be immediately cancelled with respect to those unvested Shares, and the number of restricted stock units will be reduced accordingly. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

4. **Stockholder Rights and Dividend Equivalents**

(a) Participant shall not have any stockholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares following their actual issuance.

(b) Notwithstanding the foregoing, should any dividend or other distribution payable other than in shares of Common Stock be declared and paid on the outstanding Common Stock while one or more Shares remain subject to this Award (i.e., those Shares are not otherwise issued and outstanding for purposes of entitlement to the dividend or distribution), then a special book account shall be established for Participant and credited with a phantom dividend equivalent to the actual dividend or distribution which would have been paid on those Shares had they been issued and outstanding and entitled to that dividend or distribution. As the Shares vest hereunder, the phantom dividend equivalents credited to those Shares in the book account shall concurrently vest, and those vested dividend equivalents shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) at that time or at such later time as may be specified in the Participant's Deferral Election for this Award. Should Participant elect on his or her Deferral Election to defer the Shares but not the phantom dividend equivalents pertaining to those Shares, then any dividend equivalents credited from time to

time on those Shares after the date those Shares vest shall be paid to Participant within thirty (30) days after the date of the actual dividend or distribution to which those particular dividend equivalents relate. Should the Deferral Election provide for an installment distribution of the Shares and the deferral of the phantom dividend equivalents with respect to those Shares, then any additional amounts that are, during the installment distribution period, credited to the Participant's special book account hereunder pursuant to the phantom dividend equivalents attributable to the undistributed portion of the Shares shall also be deferred and shall not be paid until the deferred Shares to which those additional amounts pertain are issued in satisfaction of the elected installment distribution. In no event shall such phantom dividend equivalents vest or become distributable unless the Shares to which they relate vest in accordance with the terms of this Agreement.

5. **Special Vesting Acceleration**. The restricted stock units subject to this Award shall immediately vest in full upon Participant's continuation in Board service until the effective date of any Change in Control transaction, and the Shares underlying those vested units shall be issued in accordance with Participant's Deferral Election. Alternatively, the Participant's right to the Shares may, pursuant to the terms of the Change in Control transaction, be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of the Change in Control. In such event, the consideration for the Shares shall be distributed to Participant in accordance with the distribution provisions of his or her Deferral Election.

6. **Adjustment in Shares**. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby prevent a dilution or

enlargement of benefits hereunder. In making such equitable adjustments, the Plan Administrator shall take into account any amounts to be credited to Participant's book account under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive.

7. **Issuance of Shares of Common Stock**.

(a) Except as otherwise provided in Paragraph 5, on each applicable issuance date or dates designated in the Deferral Election for the Shares which vest in accordance with the terms of this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on that date and shall concurrently distribute to Participant any deferred phantom dividend equivalents accumulated with respect to those particular vested Shares.

(b) Except as otherwise provided in Paragraph 5, the settlement of all restricted stock units which vest under this Award shall be made solely in shares of Common Stock. In no event, however, shall any fractional shares be issued. Accordingly, the total number of shares of Common Stock to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole share in order to avoid the issuance of a fractional share.

8. **Compliance with Laws and Regulations**.

(a) The issuance of shares of Common Stock pursuant to the Award shall be subject to compliance by the Corporation and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed for trading at the time of such issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Corporation of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

9. **Successors and Assigns**. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Participant, Participant's assigns, the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the Award designated by Participant.

10. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant's signature line on this Agreement, unless Participant notifies the Corporation of a change in address in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

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

12. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without resort to that State's conflict-of-laws rules.

13. **No Impairment of Rights.** This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, this Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its shareholders to remove Participant from the Board at any time in accordance with the provisions of applicable law.

14. **Section 409A Compliance**. Should there occur any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more applicable requirements or limitations of Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder, that provision shall be interpreted and applied in a manner that complies with the applicable requirements of Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Award Date first indicated above.

MATSON, INC.

By: _____

Title: _____

Address:

PARTICIPANT

Signature: _____

Address:

APPENDIX A
DEFINITIONS

A. **Agreement** shall mean this Restricted Stock Unit Award Agreement.

B. **Automatic Grant Program** shall mean the automatic grant program for non-employee Board members in effect under Article Five of the Plan.

C. **Award** shall mean the award of restricted stock units made to Participant pursuant to the terms of this Agreement.

D. **Award Date** shall mean the date the restricted stock units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

E. **Board** shall mean the Corporation's Board of Directors.

F. **Change in Control** shall mean a change of ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing fifty percent (50%) or more of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) acquires directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) thirty-five percent (35%) or more of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

The foregoing definition of Change in Control shall in all instances be applied and interpreted in such manner that the applicable Change in Control transaction will also qualify as: (i) a change in the ownership of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(v) of the Treasury Regulations, (ii) a change in the effective control of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(vi) of the Treasury Regulations, or (iii) a change in the ownership of a substantial portion of the assets of the Corporation, as determined in accordance with Section 1.409A-3(i)(5)(vii) of the Treasury Regulations.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Common Stock** shall mean shares of the Corporation's common stock.

I. **Corporation** shall mean Matson, Inc., a Hawaii corporation (formerly known as Alexander & Baldwin Holdings, Inc.), and any successor corporation to all or substantially all of the assets or voting stock of Matson, Inc. which shall by appropriate action adopt the Plan.

J. **Deferral Election** shall mean the election made by Participant, prior to the start of the calendar year in which this Award is made, in which Participant has, in accordance with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder, designated a deferred commencement date or event for the issuance of the Shares in which he or she vests under this Award and the method of issuance (lump sum or installment) for those vested and deferred Shares and any deferred phantom dividend equivalents pertaining to those Shares.

K. **Family Members** shall mean, with respect to the Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

L. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

M. **Participant** shall mean the non-employee Board member to whom the Award is made pursuant to the Automatic Grant Program.

N. **Permanent Disability** shall mean the inability of Participant to perform his or her usual duties as a Board member 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.

O. **Plan** shall mean the Corporation's 2007 Incentive Compensation Plan.

P. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Q. **Retirement** shall mean the cessation of Board service by reason of retirement at or after the attainment of age seventy-five (75).

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT A CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION: [***]

SHIPBUILDING CONTRACT
Vessel Type Aloha Class- HULL NO. 29

Contents

SHIPBUILDING CONTRACT
Vessel Type Aloha Class- HULL NO. 29

THIS SHIPBUILDING CONTRACT (this "Contract") is made as of November 6, 2013 by and between AKER PHILADELPHIA SHIPYARD, INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (hereinafter called the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its corporate offices at 555 12th Street, Oakland, CA 94607 (hereinafter called the "BUYER").

WITNESSETH:

WHEREAS, the BUILDER agrees to design, engineer, build, launch, equip, outfit, install or load the BUYER's Supplies, as hereinafter defined, test, complete at its Philadelphia shipyard (hereinafter called the "Shipyard") and sell and deliver to the BUYER one (1) containership of the Aloha Class designated as the BUILDER's Hull No. 29, more fully described in Article 1 hereof (hereinafter called the "VESSEL"), and the BUYER agrees to purchase and take delivery of the VESSEL from the BUILDER and to pay for the same, upon the terms and subject to the conditions hereinafter set forth;

WHEREAS, concurrent with the execution of this Contract, the BUYER and the BUILDER have executed a Shipbuilding Contract of even date herewith for the purchase of one (1) additional containership of the Aloha Class designated as the BUILDER's Hull No. 30 (hereinafter called the "Second Contract"); and

WHEREAS, concurrent with the execution of this Contract, Aker Philadelphia Shipyard ASA (the "Guarantor") has executed the Guaranty Agreement dated as of the date hereof guarantying the performance of this Contract by the BUILDER (the "Guaranty").

WHEREAS, in consideration of the mutual covenants herein, intending to be legally bound, the parties agree as follows.

ARTICLE I — DESCRIPTION AND CLASS

1. Description:

The VESSEL shall have the BUILDER's Hull No. 029 and shall be designed, engineered, constructed, equipped, outfitted, installed or loaded with BUYER's Supplies, tested and completed by BUILDER in accordance with the provisions of this Contract, and the Specification, as defined herein. The Specification for the construction of the VESSEL called "Aloha Class Specification," Document No. 029-0101-80-201-A, Rev. 2, dated October 25, 2013, and the related drawings and plans identified in the Specification, including the General Arrangement, Document No. G-00-20 Rev. 1, the Container Stowage Plan, Document No. G-30-14 Rev. 1, and the Capacity Plan, Document No. G-30-10 Rev. 1, are hereby adopted and agreed and made a part of this Contract with the same force and effect as though herein set out in full (herein collectively called the "Specification"). It is further understood by the parties that modifications to the Specification may be required to adjust to the BUILDER's building

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methodologies and practices and the same shall be submitted to the BUYER for the BUYER's approval, which shall not be unreasonably withheld. The BUYER will work with the BUILDER to reach agreement on a specification that meets the technical requirements while at the same time addresses the required goals of the BUILDER for maximizing productivity and minimizing unnecessary costs. The VESSEL shall be constructed, equipped, and maintained to qualify for the ratings of the Germanischer Lloyd (GL) classification society (herein called the "Classification Society"), as described in the Specification, and to be eligible for U. S. registry and U.S. coastwise trade endorsements.

2. Dimensions and Characteristics:

The VESSEL shall have the following dimensions and characteristics and the other dimensions and characteristics stated in the Specification:

Dimensions:

Overall length:	260.3 m
Length between P.P.:	246.5 m
Breadth moulded:	35.0 m
Depth moulded:	21.0 m
Design draft:	[***] m
Scantling draft	12.2 m

Cargo Capacity:

The VESSEL's deadweight shall be approximately 51,400 metric tons, corresponding to a mean draft in seawater (specific gravity 1.025 metric tons/m3) of 12.2 m. The specified deadweight shall include the items as listed in the Specification.

Container Carrying Capacity:

The VESSEL's container carrying capacity shall be 3,596 TEUs and as otherwise set out in the Specification, of which [***] TEUs are loadable hi-cube containers at a homogeneous weight of [***] MT per TEU (hereinafter the "Guaranteed Loadable Container Capacity").

Propulsion Machinery:

Type: Reversible slow speed two stroke dual fuel gas injection diesel engine.
Max. Continuous power (MCR) approx. 38,000 kW.

Auxiliary Generators:

Type: 4 (four stroke) dual fuel gas injection diesel generators.
Max. continuous power approx. 2 (two) 1,620 kW @ 900 rpm; 2(two) 2,430 kW @ 900 rpm.

Speed:

The VESSEL's average speed on a sea trial undertaken in both directions over a measured distance, with clean hull, in calm weather, wind and sea not exceeding Beaufort [***] and with draft [***] m, shall be at least [***] knots with the main engine at NCR of [***] kW and with [***]% sea margin (the "Guaranteed Speed").

Early in the design process ship model tests shall be conducted to refine the hull form and improve the overall efficiency over the range of operating drafts and trims anticipated for the VESSEL for the intended service. Model tests shall be conducted at the drafts defined in the Specification but including the design draft, a deep ballast draft and the Summer Load Line draft. In addition, the model basin shall be tasked with providing a procedure for extrapolating the actual sea trial ship speed at a ballast condition to the speed at the design draft and main engine NCR power with [***]% sea margin. This procedure shall be submitted to the BUYER for approval along with the Model Test report.

The sea trial test for determination and verification of the VESSEL's speed at the design draft and main engine NCR shall be based on the following:

1. The sea trial speed test shall be conducted in water with a depth greater than 100m and at a deep ballast draft corresponding to the model tests.

2. Weather and sea conditions shall be Beaufort 6 or less, subject to approval of both parties.

3. Assessment of the distance traveled for determining the performance speed shall be conducted by means of DGPS (Differential Global Positioning System).

4. The influence of rudder helm during the test shall be avoided.

5. The speed trial shall consist of runs in alternate directions at each of four power levels defined in the Specification.

6. Results of speed trial shall be corrected to calm water (no wind, no waves, no current) according to ISO 15016 “Ships and Marine Technology — Guidelines for the Assessment of Speed and Power Performance by Analysis of Speed Trial Data”.

7. The results of the speed trial at the ballast condition shall be projected, based on the model test results and the procedure developed by the model basin and approved by BUYER, to determine the speed at the design draft and main engine NCR power level with [***]% sea margin.

Fuel Consumption:

The fuel consumptions of the main engine on the test bed shall not exceed [***] grams per kW per hour plus a [***]% tolerance when the engine develops [***]% of SMCR under ISO conditions for Ultra Low Sulfur MGO and shall not exceed [***] kJ/kWh of total energy consumption plus [***]% tolerance on Natural Gas from Liquefied Natural Gas (“LNG”)(hereinafter the “Guaranteed Fuel Consumption of the Main Engine”).

The fuel consumptions of the diesel generators on the test bed shall not exceed [***] grams per kW per hour plus a [***]% tolerance under ISO conditions for Ultra Low Sulfur MGO or [***] kJ/kWh of total energy consumption plus a [***]% tolerance for Natural Gas from Liquefied Natural Gas (hereinafter the “Guaranteed Fuel Consumption of the Diesel Generators”).

3. Classification, Rules and Regulations:

The VESSEL, including its machinery, equipment and outfittings shall be constructed in accordance with the rules of and under special survey of the Classification Society, with the following class notation: Maltese Cross 100A5, Container Ship, Maltese Cross MC, AUT, RSD, GF, NAV-INS, IW, CM-PS, BWM (D2), LC, RSCS, EP-D, DG (herein referred to as the “Class”). Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER a classification certificate with such class notations in accordance with Paragraph 3(d), Article VII hereof. Decisions of the Classification Society as to compliance or non-compliance with the rules thereof shall be final and binding upon both parties hereto.

In its performance of the work under this Contract, the BUILDER shall comply with all applicable laws, rules, regulations, and requirements of the regulatory bodies, which term shall include the Classification Society, the U.S. Coast Guard, and as set forth in the Specification. At delivery thereof, the VESSEL shall be built and equipped in compliance with all rules and regulations for registration under the flag of the United States of America with a Coastwise endorsement and have all certificates and meet all rules, regulations requirements of the Classification Society and of the regulatory bodies required for operation of the VESSEL in the foreign and domestic trades of the United States as described in the Specification. If work in addition to work required by the Specification is required as a result of any statute enacted after the date of execution of this Contract, or by regulations or rules adopted by any of the regulatory bodies after such date, said work shall be performed pursuant to a Change Order under Article V.

All fees and charges incidental to the classification and with respect to compliance with the above referred rules, regulations and requirements applicable as of the date of this Contract shall be for account of the BUILDER.

4. Subcontracting:

The BUILDER may, at its sole discretion and responsibility, subcontract portions of the construction work of the VESSEL. However, to subcontract more than 15% of the total hull steel weight to a single contractor, the BUILDER will need the prior written consent of the BUYER. The BUILDER shall nevertheless always be responsible under this Contract for the quality, workmanship and materials of the VESSEL (excluding, however BUYER’s Supplies). The BUYER’s rights hereunder shall not be in any way reduced in respect of such subcontracted work.

5. Makers List

A makers list of the equipment and machinery for the VESSEL is in Document No. 4059-0101-80-204 revision dated August 2, 2013 (the “Makers List”). The BUILDER shall have the right to select any of the suppliers listed on the Makers List and may, subject to the BUYER’s prior written approval, select additional suppliers not listed on the Makers List. The BUILDER will advise the BUYER of individual suppliers selected by the BUILDER at least 30 days prior to any order being placed. If the BUYER requests the BUILDER to order any equipment or machinery from a supplier not selected by the BUILDER from the Maker’s List, the BUILDER will take reasonable steps to comply with such request, but the BUILDER may refuse to comply with the request unless the BUYER assumes the responsibility for the price and schedule impacts and for possible technical deficiencies, if any, compared with the BUILDER nominated supplier. The BUILDER assumes the responsibility for the price and schedule impacts and, subject to ARTICLE IX, for possible technical deficiencies for the BUILDER nominated supplier.

6. Registration:

The VESSEL shall be registered by the BUYER at its own cost and expense.

ARTICLE II — CONTRACT PRICE AND TERMS OF PAYMENT

1. Contract Price:

The purchase price of the VESSEL is TWO HUNDRED EIGHTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS ($218,500,000) (herein called the “Original Contract Price”). The purchase price of the VESSEL is exclusive of BUYER’s Supplies as provided in Article XVIII hereof. The Original Contract Price shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called

the "Contract Price"). The Contract Price is inclusive of all sales, use, excise taxes and customs duties paid or payable with respect to the delivery and acceptance of the VESSEL, and all federal and state income taxes payable by the BUILDER.

The Contract Price includes a BUYER's allowance of up to [***] DOLLARS ($[***]) for spares including the propeller and tailshaft and other supplies to be selected by the BUYER which the BUILDER shall purchase, arrange for delivery and put these supplies on the VESSEL prior to delivery, at the BUILDER'S cost. Any unexpended amounts of this allowance shall be paid to the BUYER or offset against amounts due the BUILDER at delivery of the VESSEL.

2. **Terms of Payment**:

a. The BUYER shall pay the Contract Price to the BUILDER in: (i) a series of Milestone Payments throughout the construction period as provided in Paragraph 2(b) of this ARTICLE II; (ii) a Delivery Payment as provided in Paragraph 2(c) of this ARTICLE II; and (iii) a Guarantee Payment as provided in Paragraph 2(d) of this ARTICLE II.

b. Milestone Payments shall be calculated as set forth in Exhibit 1. The first Milestone Payment shall be made concurrent with execution of this Contract and the Milestone Payment for Delivery shall be made concurrent with delivery of the VESSEL as provided in subparagraph (c) below. Each other Milestone Payment shall be made within fifteen (15) business days after the BUYER's receipt of an invoice for such Milestone Payment from the BUILDER. The BUILDER's invoice for each Milestone Payment shall be accompanied by the Certificate executed by an officer of the BUILDER and the BUYER certifying as to completion of the applicable milestone and including a no lien's representation, in the forms set forth in Exhibits 2 and 7, supported by such other documentation as reasonably may be required by the BUYER.

c. The Delivery Payment in the amount set forth in Exhibit 1 shall be paid at delivery of the VESSEL, subject to (i) deferral of payment of the amounts stated in the Delivery Certificate agreed to be withheld under the provisions of ARTICLE VII, Paragraph 2, and (ii) less the amount of liquidated damages, if any, at the time of delivery claimed by the BUYER pursuant to ARTICLE III. If there shall be any dispute as to the amount payable, then the BUYER shall deposit the disputed amount into escrow in accordance with subparagraph 2(c) of Article VII.

d. The Guarantee Payment in the amount set forth in Exhibit 1, less the amount of liquidated damages, if any, agreed to be withheld pursuant to ARTICLE III, shall be deposited by the BUYER at the delivery of the VESSEL into escrow subject to the Escrow Instructions in the form of Exhibit 3 (the "Escrow Instructions") and shall be paid to BUILDER as and when provided under subparagraph 5(f) of ARTICLE IX.

e. The BUYER shall be entitled to withhold from any payment any liquidated damages that are payable under ARTICLE III.

f. No payments shall be made by the BUYER to the BUILDER except upon invoices submitted in the form set forth in Exhibit 4 executed and certified by the BUILDER in such manner as the BUYER may reasonably prescribe. Except for the first Milestone Payment, all payments shall be supported by the certificate as provided in Paragraph (d) or (e) of ARTICLE XVI, and in the case of Milestone Payments, by the Certificate and any additional information required by Paragraph 2(b) of this ARTICLE II.

g. Any increase or decrease in the Contract Price resulting from a Contract Change under ARTICLE V shall be deemed a part of the Contract Price for the purpose of determining the payments under this ARTICLE II. Timing of payments or credits for a Contract Change will be mutually agreed as part of the Contract Change under Article V.

3. **Method of Payment**:

The BUYER shall remit the amount of each of the payments required by Paragraph 2 of this Article II by wire transfer in accordance with wire instructions provided by the BUILDER to the BUYER.

4. **Adjustment for Increase or Decrease in Steel Cost**:

The Contract Price shall be subject to adjustment to reflect any increase or decrease in the cost of steel, determined in accordance with this Paragraph 4. The steel cost adjustment shall be computed using the following formula:

$[***] x ((Actual Steel Price / Base Steel Price) — 1)

For purposes of this calculation:

"Actual Steel Price" means the weighted average of the monthly values of the Index published for the months during which the BUILDER actually orders each amount of steel for the VESSEL. The Actual Steel Price shall be expressed as value/short ton.

"Base Steel Price" means $[***]/short ton ($[***]/metric ton).

"Index" means the CRU Plate Index for A36 Plate as published by the CRU / The Independent Authority™ (CRU) in London, England.

Upon completion of the VESSEL, the BUILDER shall compute the steel cost adjustment to the Contract Price pursuant to this Paragraph 4. If a positive adjustment results, the BUILDER shall invoice the BUYER and the BUYER shall pay such amount at delivery of the VESSEL. If a negative adjustment results, the BUILDER shall credit such amount against the delivery payment for the VESSEL.

An example of the steel cost adjustment is attached hereto as Exhibit 5 and is incorporated herein and made part of this Contract.

5. **LNG Option**:

The BUYER may, at its option, on or before January 30, 2015 exercise the change described in the Specification as Priced Option #1. If this option is exercised, then (a) the Contract Price shall be increased by TWENTY MILLION FIVE HUNDRED THOUSAND DOLLARS ($20,500,000) ("LNG Option Purchase Price"), and (b) the Delivery Date shall be extended by fourteen (14) days. All materials and components associated with this change shall be to the BUILDER's account. If there is a change (increase or decrease) between the pricing currently in effect for LNG tanks and cryogenic equipment (as evidenced by the quotes provided by the BUILDER to the BUYER on or prior to November 6, 2013) and the pricing for the same scope of supply as of the date of the exercise of the option, and such increase or decrease exceeds $300,000, then the parties shall work together to adjust the LNG Option Purchase Price to reflect such change.

ARTICLE III — LIQUIDATED DAMAGES AND TERMINATION RIGHTS

The Contract Price shall be subject to adjustment, as hereinafter set forth, in the event of the following contingencies (it being understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty). The BUYER shall be entitled to offset or recoup from payments of the Contract Price as provided in Article II liquidated damages, or to exercise the below rights, upon the occurrence of the following:

1. **Delivery**:

a. The BUILDER shall not pay liquidated damages for the first [***] ([***]) days of delay of the delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof (ending at twelve o'clock midnight of the [***] ([***]) day of delay) (the "Grace Period"). If the last day of the Grace Period does not fall on a Business Day, then the Grace Period shall be extended to the immediately following Business Day. "Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in New York, NY.

b. But, if the delay in delivery of the VESSEL should continue for a period in excess of the Grace Period, then in such event, the BUILDER shall be responsible to the BUYER for payment of liquidated damages in the amount of [***] DOLLARS ($[***]) per day for each day that the delivery of the VESSEL is delayed beyond the end of the Grace Period. The total amount of liquidated damages shall not, however, exceed the amount that would be payable in the case of a delay of [***] ([***]) days beyond the end of the Grace Period. If the delay in delivery of the VESSEL should continue for a period in excess of [***] ([***]) days beyond the end of the Grace Period, then BUYER may at its option terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the expiration of the aforementioned [***] ([***]) days of delay in delivery beyond the end of the Grace Period, if the BUYER has not served notice of termination as provided in Article X hereof, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within fifteen (15) days after such demand is received by the BUYER, notify the BUILDER of its intention either to terminate this Contract or to consent to the acceptance of the VESSEL at an agreed future date; it being understood by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of termination upon the same terms and conditions as hereinabove provided. For clarity, the BUILDER shall not be responsible for, and the BUYER shall not be entitled to receive, liquidated damages for any day of delay of delivery of the VESSEL on account of Permissible Delay as defined in Article VII, Paragraph 1(b).

2. Insufficient Speed

a. The Guaranteed Speed is set forth in Article 1. The Contract Price shall not be affected or changed by reason of the speed of the VESSEL being less than the Guaranteed Speed minus 0.2 knots. However commencing with and including a deficiency of below the Guaranteed Speed, liquidated damages shall be payable as set forth below:
   1. From 0.2 up to and including 0.5 knots below at $[***] per 0.1 knot below,

   2. From 0.6 up to and including 1 knots below at $[***] per 0.1 knot below, and

b. If the deficiency in the Vessel Speed is more than 1 knot, the BUYER shall have the option of a total of $[***] deduction; or a right to reject the VESSEL and terminate this Contract.

3. Excessive Fuel Consumption of the Main Engine

a. The Guaranteed Fuel Consumptions of the Main Engine for Ultra Low Sulfur MGO, Heavy Fuel Oil or Natural Gas from Liquefied Natural Gas are set forth in Article 1. The actual fuel consumptions of the main engine shall be determined by separate shop trials of the model of the VESSEL main engine on the test stand at the manufacturer's Factory Authorized Test.

b. The Contract Price shall not be affected or changed by reason of the fuel consumption of the main engine being more than the Guaranteed Fuel Consumption of the Main Engine up to [***]% over of the Guarantee for Ultra Low Sulfur MGO, Heavy Fuel Oil or Natural Gas from Liquefied Natural Gas. However liquidated damages will be assessed for consumption in excess of the guarantee as follows:

   1. Payment of [***] Dollars ($[***]) for each full gram/kWh above the [***]% tolerance;
   2. Except as provided in subparagraph 3 below, the total amount payable shall not exceed [***] Dollars ($[***]); and
   3. If after all efforts and remedies, the Main Engine fuel consumption is more than [***]% above the Guaranteed Fuel Consumption, the liquidated damages will be [***] ($[***]).

4. Insufficient Loadable Container Capacities

a. The Guaranteed Loadable Container Capacities of the VESSEL are set forth in Article 1 and the Specification.

b. If the aggregate loadable container capacity of the VESSEL of TEUs consisting of hi-cube containers at a homogeneous weight of [***] MT per TEU as determined by the Cargomax load program software utilizing the input data defined by the BUILDER is less than the Guaranteed Loadable Container Capacity, the BUYER shall have the option to: (i) obtain payment of liquidated damages at $[***] for each hi-cube TEU lost or (ii) reject the VESSEL and terminate this Contract.

5. **Effect of Termination and Offset**:

Notwithstanding any other provision of this Article III, it is expressly understood and agreed by the parties hereto that: (a) if the BUYER terminates this Contract under this Article III, the BUYER shall not be entitled to any liquidated damages and in the event that any liquidated damages have been paid to the BUYER, the paid amount shall be deducted from the sums stipulated in Article X, Paragraph 2 which otherwise would be payable to the BUYER; and (b) if BUYER does not terminate this Contract under this Article III, any amount of liquidated damages payable under this Article III may be

offset from all payments due on the Contract Price. In the event the BUYER elects to reject the VESSEL and terminate this Contract, the BUYER shall be entitled to elect any of the remedies provided in Article X.

ARTICLE IV — WORK, SUPERVISION AND INSPECTION AND APPROVAL OF PLANS AND DRAWINGS, REPORTING

1. Work and Material

The VESSEL shall be constructed in a good, sound and workmanlike manner, in accordance with the U.S. and international shipbuilding and marine engineering standards and practices defined in the Specification (including, without limitation, those of ISO9001 and ISO9002). All materials incorporated in the VESSEL shall be new, suitable, and of good commercial marine quality for the service intended.

2. Approval of Plans and Drawings:

Within thirty (30) days after the date hereof, the parties hereto shall mutually agree upon a list of the plans and drawings for the VESSEL to be submitted to the BUYER and the submittal schedule therefor. The BUILDER shall submit electronic copies of such plans and drawings in English to the BUYER and the BUYER shall have fourteen (14) days to review and approve, disapprove or comment. The BUYER shall, within such 14-day period, return to the BUILDER electronic copies of such plans and drawings with the BUYER's approval, disapproval or comments, if any. In the event that the BUYER shall fail to return such plans and drawings to the BUILDER within such 14-day period, such plans and drawings shall be deemed to have been automatically approved without any comment. Any disapproval by the BUYER shall include the reasons for the disapproval and shall be a result of nonconformance with the Specification or good shipbuilding practice (as described in Article IV, Section 1). Any request by the BUYER for changes to any of these plans and drawings not in accordance with the Specification or good commercial shipbuilding practice, except those required by regulatory bodies, shall be handled as a request for change to the Specification in accordance with Paragraph 1, Article V. Any plans which subsequent to the BUYER's approval require alteration shall be resubmitted to the BUYER for approval of the alteration and its impact. The BUILDER shall respond to the BUYER's comments or disapproval within fourteen (14) days of receipt. In the event that the BUILDER shall fail to respond to the BUYER's comments within such 14-day period, such comments shall be deemed to have been accepted.

3. Appointment of Project Manager and Buyer's Representative:

The BUYER shall appoint, at its cost, two representatives who shall be duly authorized in writing by the BUYER (herein called the "Buyer's Representative(s)") to act on behalf of the BUYER in connection with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment and outfitting, and any other matters for which he is specifically authorized by the BUYER. In case the Buyer's Representative is not stationed at the Shipyard, the BUYER shall give clear instructions to the BUILDER regarding the authority of other personnel representing the BUYER at the Shipyard.

The BUILDER shall appoint one representative who shall be duly authorized in writing by the BUILDER (herein called "Builder's Representative") to act on behalf of the BUILDER in connection with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment, and outfitting and any other matters for which he is specifically authorized by the BUILDER.

4. Supervision and Inspection:

a. The necessary inspections of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Buyer's Representative, Classification Society, other regulatory bodies and/or an inspection team of the BUILDER throughout the entire period of construction, in order to ensure that the construction of the VESSEL is duly performed in accordance with this Contract. The BUILDER shall assign quality assurance personnel, who are independent of all production, scheduling, and marketing departments to inspect the work and materials to insure that the Contract requirements are met.

b. The Buyer's Representative and his assistants shall have, during the construction of the VESSEL, the right to attend all tests, trials and inspections of the VESSEL and its materials. The BUILDER shall give notice to the Buyer's Representative reasonably in advance of the date (which in general shall be given no later than 1400 (2:00pm ET) on the prior business day), place and time of such tests, trials and inspections to be attended by him for his convenience. For weekend, or BUILDER holiday inspections, the schedule will be provided by noon on Friday for weekend inspections, or, for holidays, the business day preceding the holiday. The BUILDER shall furnish the BUYER an electronic copy of test procedures, related drawings and technical data required to carry out the inspection prior to the test or inspection in English. Failure of the Buyer's Representative and/or his assistants to be present at such tests, trials and inspections after due notice to

him as above provided shall be deemed a waiver of his right to be present. The BUILDER shall exercise reasonable efforts to schedule tests and, inspections between the hours of 7am and 6pm on workdays. Final results shall be furnished to the BUYER for all tests, trials and inspections.

c. In order to help to determine that the VESSEL is being constructed in accordance with the terms of this Contract and the Specification, the Buyer's Representative and his assistants shall, at all times until delivery and acceptance of the VESSEL, have the right to inspect the VESSEL, her engines and all accessories and all work in progress, or material utilized in connection with the construction of the VESSEL, wherever such work is being done, or such material is stored, including the yards, workshops, stores and offices of the BUILDER and the BUILDER's contractors and subcontractors. The BUILDER shall arrange with its contractors and subcontractors that the Buyer's Representative and his assistants have a similar right of inspection and supervision with respect to the work performed by the contractors and subcontractors.

d. In cases requiring approval from the Classification Society or U.S. Coast Guard, such inspections shall, to the extent possible, be carried out as a joint inspection by the Buyer's Representative and the representative of the Classification Society or U.S. Coast Guard, as applicable.

e. The Buyer's Representative shall, on behalf of the BUYER, make decisions or give advice or suggestions to the BUILDER on all problems arising during the course of or in connection with the construction of the VESSEL with a view to co-operating to the utmost with the BUILDER in the construction process.

f. In the event that the Buyer's Representative discovers any materials, construction or workmanship that is not deemed to conform to the requirements of this Contract, the Buyer's Representative shall promptly give the Builder's Representative a notice in writing as to such non-conformity. Upon receipt of such notice from the Buyer's Representative, the BUILDER shall correct such non-conformity, if the BUILDER agrees to his view. In the event of difference of opinion between the parties hereto, the BUILDER or the BUYER may request resolution of the matter in accordance with the provisions of Article XIV hereof.

g. Any acceptance or approval of the BUYER or the Buyer's Representative or exercise of BUYER's rights hereunder shall in no way alter or diminish the BUILDER's obligations under this Contract or its obligation to comply with regulatory body requirements.

5. Responsibility of the BUILDER:

a. The BUILDER shall furnish the Buyer's Representatives and his assistants with suitably lighted, heated and air conditioned office accommodations and conference facilities for up to ten (10) persons and more particularly as follows:

i. Offices for ten on-site representatives complete with air conditioning and heat and furniture.
ii. Ten dedicated parking spaces proximate to the location of offices.
iii. Lavatory facilities.
iv. At least three individual offices, the remainder of desk locations may be arranged using dividers.
v. Ten internet connections.
vi. Ten telephone lines and telephones. Long distance charges to be billed to the BUYER.
vii. Ten desks, chairs, waste baskets, etc.
viii. Fax machine with dedicated phone line.
ix. Copier able to copy and scan in color, two sided and collate paper sizes of letter, legal and 11x17.
x. Water dispenser with water refill service.
xi. Drawing table.
xii. Ten four drawer legal size file cabinets.

xiii. Conference Table (8 person) with chairs.
xiv. Microwave.
xv. Refrigerator with freezer – 15+ cubic ft.
xvi. Change room with lockers, shower and cleaning services.

6. Liability of the BUILDER:

The Buyer's Representative, and the Buyer's subcontractors. employees and agents, shall at all times be deemed to be employees or agents of the BUYER. The BUILDER shall be under no liability whatsoever for personal injuries to, or death of, such Buyer's Representative or employees or agents of the BUYER, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUILDER and/or its subcontractors and/or their employees or agents.

7. Responsibility of the BUYER:

The BUYER shall undertake and assure that the Buyer's Representative shall carry out his duties hereunder in accordance with the normal shipbuilding practices of the BUILDER and in such a way as to avoid any unnecessary increase in building cost, delay in or interference with the design and construction of the VESSEL, and/or any disturbance in the construction schedule of the BUILDER. The BUILDER has the right to request the BUYER to replace the Buyer's Representative and/or his assistants who may be deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction. The BUYER shall investigate the situation by sending his representatives to the Shipyard if necessary, and if the BUYER considers that such BUILDER's request is justified, the BUYER shall effect such replacement as soon as practicable.

8. Liability of the BUYER:

The employees, agents and subcontractors of the BUILDER shall at all times be deemed to be employees, agents and subcontractors of the BUILDER. The BUYER shall be under no liability whatsoever for personal injuries to, or death of, such BUILDER's employees, agents, or subcontractors, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUYER, and/or its subcontractors and/or their employees or agents (including Buyer's Representative).

9. Approval by Regulatory Bodies; BUYER's access to Communications with Regulatory Bodies:

All plans or data required by the Classification Society or other relevant regulatory bodies in connection with approval of the VESSEL shall be prepared and submitted by the BUILDER or its subcontractors and suppliers, except such data that is explicitly requested by the relevant regulatory body to be submitted by the BUYER. The BUILDER agrees to provide the BUYER with full reading and copying rights for all plan approval documents and written correspondence sent to or received from the Classification Society and other regulatory bodies and to sign the standard Classification Society authorization allowing such access.

10. Master Schedule:

At the time of execution of this Contract, the BUYER shall be provided with the latest official version of the master schedule showing the main production activities for the VESSEL and the main production activities for the final outfitting, mechanical completion and testing of the VESSEL. The master schedule shall include the build strategy, master milestone schedule and key event schedule. The BUILDER shall report to the BUYER as to the purchasing schedule progress and the project progress percentage of completion on the VESSEL and tasks on a bi-weekly basis.

ARTICLE V — MODIFICATIONS

1. Modifications of Specification:

The Specification may only be modified and/or changed by written agreement of the parties hereto. The BUILDER and the BUYER shall first agree, in writing, before such modifications and/or changes are carried out, to alterations in the Contract Price, the Delivery Date and other terms and conditions of this Contract and Specification occasioned by or resulting from such modifications and/or changes. There shall be no cost for the BUILDER'S provision of an estimate regardless whether a proposed change is implemented.

All such agreed changes shall be described on a change order in the form set forth in Exhibit 6 signed by the authorized representatives of the parties hereto manifesting agreements of the parties as to the work to be provided or deleted, and the effect on the Contract Price and the Delivery Date, which shall constitute amendments to this Contract and/or the Specification (each such change, a "Change Order").

The BUILDER may make minor changes to the Specification, if found necessary to suit the BUILDER's local facilities; the availability of materials; introduction of improved production methods or otherwise, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld.

2. Changes Based on Class Requirements, etc.:

In the event that, after the date of this Contract, any requirements as to class, or as to rules and regulations to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the following provisions shall apply:

a. If such alterations or changes are compulsory for the VESSEL, either of the parties hereto, upon receipt of such information from the Classification Society or such other regulatory bodies, shall promptly transmit the same to the other in writing, and the BUILDER shall thereupon incorporate such alterations or changes into the construction of the VESSEL. The BUILDER shall present to the BUYER the

adjustment required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of this Contract occasioned by the change. The adjustment shall then be agreed on as a Change Order in accordance with Paragraph 1 of this Article. If the parties cannot agree on the Change Order, then the matter shall be submitted for final decision in accordance with Article XIV hereof. In such case, work on the compulsory alteration or change shall proceed without waiting for the final decision on the Change Order.

b. If such alterations or changes are not compulsory for the VESSEL, but the BUYER desires to incorporate such alterations or changes into the construction of the VESSEL, then, the BUYER shall notify the BUILDER of such intention and such notice shall be treated as a request for a modification or change in accordance with Paragraph 1 of this Article.

3. Substitution of Materials:

In the event that any of the materials required by the Specification or otherwise under this Contract for the construction of the VESSEL cannot be procured in time or are in short supply to maintain the Delivery Date of the VESSEL, or alternative materials are claimed by the BUILDER to be available which are suitable as substitutes by reason of advances in technology, the updating or improvements of, or changes in, specified materials or changes in the manufacture or production thereof; the BUILDER may, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld, supply other materials capable of meeting the requirements of the Classification Society and of the rules, regulations and requirements with which the construction of the VESSEL must comply. Any agreement as to such substitution of materials shall be effected in the manner provided in Paragraph 1 of this Article, and shall, likewise, include alterations in the Contract Price and other terms and conditions of this Contract occasioned by or resulting from such substitution.

ARTICLE VI — TRIALS

1. Notice:

The BUYER shall receive from the BUILDER at least fourteen (14) days' prior notice in writing of the time and place of the trial run of the VESSEL, and a description of the trials to be performed, and the BUYER shall give prompt written acknowledgment of the receipt of such notice. The BUYER shall have the right to have a reasonable number (up to eight (8)) of authorized representatives, employees, inspectors and any other person reasonably designated by the BUYER present at the trial runs.

The BUILDER may, after due notice as described above, conduct trial runs of the VESSEL without the presence of the Buyer's Representative or other authorized representative of the BUYER provided that the Classification Society and U.S. Coast Guard are present. In such case, the BUYER shall be obligated to accept the results of the trial runs on the basis of a certificate of the BUILDER, confirmed by the Classification Society and U.S. Coast Guard, stating the results of the runs.

2. Weather Condition:

The trial run shall be carried out under weather conditions deemed favorable enough in the judgment of the BUILDER subject to approval by the BUYER. In the event of unfavorable weather on the date specified for the trial run, the same shall take place on the first available day thereafter that the weather condition permits. It is agreed that, if during the trial run of the VESSEL, the weather should suddenly become so unfavorable that orderly conduct of the trial run can no longer be continued, the trial run shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent in writing to acceptance of the VESSEL on the basis of the trial run already made before such discontinuance has occurred.

Any delay of trial run caused by such unfavorable weather condition shall operate to postpone the Delivery Date by the period of delay involved and such delay shall be deemed as a Permissible Delay in the delivery of the VESSEL.

3. How Conducted:

a. All expenses in connection with the trial run are to be for the account of the BUILDER and the BUILDER shall provide at its own expense the necessary crew to comply with conditions of safe navigation. The trial run shall be conducted in the manner prescribed in the Specification, and shall prove fulfillment of the performance requirements for the trial run as set forth in the Specification. The course of trial run shall be determined by the BUILDER.

b. Notwithstanding the foregoing, fuel oil, LNG, lubricating oil, greases and fresh water necessary for the trial run of the VESSEL shall be supplied by the BUILDER at the Shipyard prior to the time of the trial run, and the BUYER shall pay the BUILDER upon delivery of the VESSEL the cost of the quantities of fuel oil, LNG, lubricating oil, greases and fresh water not consumed during the trial run at the original purchase price. In measuring the consumed quantity, lubricating oils and greases remaining in the main engine, other machinery and their pipes, stern tube and the like, shall be excluded. The BUILDER shall arrange for the quantity of fuel oil, LNG, lubricating oils, greases and fresh water to be loaded on the VESSEL at delivery in accordance with the instructions of the BUYER, at the BUYER'S cost. The BUILDER shall remove all waste and debris about the VESSEL and all sludge and oily water wastes from the VESSEL prior to delivery, at the BUILDER'S cost.

4. Method of Acceptance or Rejection:

a. Upon completion of the trial run, the BUILDER shall give the BUYER written notice of completion of the trial run along with copies of all sea trial test reports, including if the BUILDER considers that the results of the trial run indicates the conformity of the VESSEL to this Contract and the Specification. The BUYER shall, within three (3) days after receipt of such notice from the BUILDER, provide the BUILDER written notice of its intent to accept or reject the VESSEL on the Delivery Date.

b. However, should the results of the trial run indicate that the VESSEL, or any part or equipment thereof, does not conform to the requirements of this Contract and/or the Specification, or if the BUILDER is in agreement as to non-conformity as specified in the BUYER's notice of rejection, then, the BUILDER shall with the written concurrence of the BUYER take the necessary steps to correct such non-conformity. Upon completion of correction and testing of such non-conformity, the BUILDER shall give the BUYER written notice thereof. The BUYER shall, within two (2) days after receipt of such notice from the BUILDER, notify the BUILDER of its acceptance or rejection of the VESSEL. The BUYER may only demand a new trial run if this is the only way the BUILDER can prove that the nonconformities have been corrected. In the event a new trial run takes place, the provisions set forth in Paragraphs 1, 2 and 3 hereof shall govern this trial run except that the BUILDER shall be entitled to give a written notice of two (2) days for such new trial run. Upon completion of the additional trial run, the provisions of this Paragraph 4 shall apply.

c. In any event that the BUYER rejects the VESSEL, the BUYER shall specify in its notice of rejection in what respect the VESSEL, or any part or equipment thereof does not conform to this Contract.

d. In event that the BUYER fails to provide the BUILDER written notice of the acceptance of or the rejection together with the reason therefor of the VESSEL within the period as provided in the above subparagraphs (a) or (b), the BUYER shall be deemed to have accepted the VESSEL.

e. The BUILDER may dispute the rejection of the VESSEL by the BUYER under this Paragraph 4, in which case the matter shall be submitted for final decision in accordance with Article XIV hereof.

5. Effect of Acceptance:

a. Acceptance of the VESSEL as above provided shall be final and binding and the VESSEL will be deemed to be in conformity with this Contract except as set forth in subparagraph b immediately below. The BUYER shall not refuse formal delivery of the VESSEL as hereinafter provided, if the BUILDER complies with all other procedural requirements for delivery as provided in Article VII hereof.

b. If minor work or items on the VESSEL are incomplete or missing when the VESSEL otherwise is ready for delivery and such work or items do not materially affect the operation, trade or schedule of the VESSEL nor are likely to cause damage or excessive deterioration to the VESSEL or void warranty requirements, the BUYER shall not withhold its consent to accept delivery of the VESSEL subject to the right of the BUYER to have such items completed by the BUILDER in a reasonable manner and period of time. The parties shall on delivery execute a protocol of outstanding work and a schedule for completion of

such work or agree as to an adjustment of the Contract Price in lieu of completion of such work. The BUILDER agrees that any such monetary payments to and repairs done by BUYER shall not void the BUILDER's or any manufacturer's warranties.

ARTICLE VII — DELIVERY

1. Time and Place:

a. The VESSEL shall be delivered by the BUILDER to the BUYER at the Shipyard or at another location acceptable to both parties hereto. The original Delivery Date for the VESSEL shall be July [***], 2018 (herein called the "Original Delivery Date"). The BUILDER agrees that in the event that for any reason it will not construct one or more of the MT-50 tankers currently planned as Hulls 021-028, it will give prompt notice in writing to the BUYER of such fact, together with a proposed earlier delivery date for the VESSEL. In order to accept the BUILDER's proposal, the BUYER must provide written notice to the BUILDER that it chooses to accept such proposal within thirty (30) days after receipt of the BUILDER's notice. If the BUYER accepts the BUILDER's proposal within such 30-day period, then the proposed earlier delivery date for the VESSEL shall become the Original Delivery Date. If the BUYER declines or fails to accept the BUILDER's proposal within such 30-day period, then the BUILDER may utilize the available shipbuilding capacity in its sole discretion.

b. Delays on account of such causes which under the terms of this Contract permit the BUILDER to postpone the delivery of the VESSEL shall be understood to be Permissible Delay (herein called "Permissible Delay").

c. The Original Delivery Date shall be adjusted by the total Permissible Delay and the adjusted date shall be the Delivery Date (herein called the "Delivery Date"). The VESSEL shall be delivered by the BUILDER to the BUYER on or before the Delivery Date.

d. The BUILDER advises that it has contracts committing the BUILDER to construct four tankers (the "tanker contracts") and has granted options under the tanker contracts for the construction of additional vessels (the "options"). The BUILDER advises that the Original Delivery Date is being committed to taking into account BUILDER's obligations under the tanker contracts and options. The BUILDER agrees that its obligations under the tanker contracts and options and any delay in its deliveries under the tanker contracts and options would not constitute a Permissible Delay as defined in subparagraph b. of this Paragraph 1 or a Force Majeure event under Article VIII of this Contract unless the conditions under Article VIII apply to or otherwise impact the facilities at the Shipyard available for the construction of the VESSEL under this Contract.

2. When and How Effected:

a. When the work on the VESSEL is complete or substantially complete in accordance with this Contract and the VESSEL has passed the tests required by this Contract, the VESSEL as completed or substantially completed shall be delivered by the BUILDER and accepted by the BUYER alongside a safe and accessible pier at the Shipyard, or at such other place as may be mutually agreed to by the BUILDER and the BUYER, where there must be sufficient water for the VESSEL always to be afloat and during egress from the berth, custom to the contrary notwithstanding, free and clear of all liens, security interests, and claims of every nature, excepting, however those in favor of a claimant, other than BUILDER, arising out of the acts or omissions of the BUYER, with not less than ten (10) days' prior written notice to the BUYER of such delivery. As used in this Contract, the term "substantially complete" shall mean complete except for minor items not affecting the commercial utility and safe operation of the VESSEL, with all certificates required for operation of the VESSEL, and not violating any requirement of a regulatory body. Unless waived by the BUYER, the VESSEL shall not be deemed to be "substantially complete" if a delivery deficiency will require the VESSEL to be taken out of service prior to the VESSEL'S regular maintenance schedule or if the aggregate value of such delivery deficiencies is in excess of FIVE HUNDRED THOUSAND DOLLARS ($500,000).

b. Provided that the BUYER shall have fulfilled all of its obligations stipulated under this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto to the other of the PROTOCOL OF DELIVERY AND ACCEPTANCE, acknowledging delivery of the VESSEL by the BUILDER and acceptance thereof by the BUYER. The BUYER and the BUILDER agree to describe in the Protocol of Delivery (i) the amount of reduction in the Contract Price at delivery of the VESSEL in lieu of completion of uncompleted work and correction of defects, deficiencies, or damage by the BUILDER, and, if the amount of the proposed reduction is more than the amounts due from the BUYER at delivery, the amount to be paid by the BUILDER to the BUYER to the extent the price reduction amount is insufficient; and/or (ii) (y) the uncompleted work and defects, deficiencies, or damage to be completed and corrected by the BUILDER after delivery of the VESSEL, such completion and correction to be performed in the same manner as provided for Guarantee work under Article IX, and (z) the amount of the Contract Price to be withheld until the uncompleted work is completed and the defects, deficiencies, or damage are corrected. The BUILDER agrees to perform such completion and correction in such manner after delivery of the VESSEL. The BUYER shall pay the BUILDER for satisfactory performance of such completion and correction after

delivery in the manner set forth in ARTICLE IX. If the BUYER and the BUILDER fail to agree as to any of the items to be included in the Protocol of Delivery pursuant to this Article, such items shall be resolved pursuant to ARTICLE XIV.

c. In the event of any dispute concerning the payment due upon delivery of the VESSEL, including the question of the BUYER's right to offset any claim it may have, the BUYER shall pay the undisputed amount to the BUILDER and shall deposit the disputed amount into escrow subject to the Escrow Instructions. The BUILDER can in such case not refuse to deliver the VESSEL and the BUYER cannot refuse to take delivery of the VESSEL. Any such disputed amount shall be paid as agreed by the parties or as determined by Article XIV.

d. During the period thirty (30) days prior to the expected delivery of the VESSEL, employees of the BUYER or the BUYERS's contractors or agents shall be entitled to access to the VESSEL to engage in such activities and perform such work as the BUYER may specify on a not-to-interfere basis. Two (2) weeks prior to delivery of the VESSEL the BUYER shall have access on a not-to-interfere basis to familiarize the crew with the VESSEL and to provision the VESSEL.

3. Documents to be Delivered to the BUYER:

Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER the following documents, which shall accompany the PROTOCOL OF DELIVERY AND ACCEPTANCE:

a. PROTOCOL OF TRIALS of the VESSEL made pursuant to the Specification.

b. PROTOCOL OF INVENTORY of the equipment of the VESSEL, including spare parts and the like, all as specified in the Specification; and Inventory of Hazardous Material (MEPC.197(2)).

c. PROTOCOL OF STORES OF CONSUMABLE NATURE referred to under subparagraphs 3(b) and 6 of Article VI hereof, including the original purchase price thereof.

d. ALL CERTIFICATES, clean and free of conditions, including the BUILDER's CERTIFICATE on Form CG-1261, USCG CERTIFICATE OF INSPECTION Form CG-841, USCG approved Automation Test Procedures, USCG approved Bunkering Procedures for LNG, HFO, MGO and Lube Oils, USCG approved Cold Ironing (AMP) Procedures, and CLASSIFICATION CERTIFICATES and all type approval certificates required to be furnished upon delivery of the VESSEL pursuant to this Contract and the Specification or that are required by the regulatory bodies. It is agreed that if, through no fault on the part of the BUILDER, the classification and/or other certificates are not available at the time of delivery of the VESSEL, provisional certificates shall be accepted by the BUYER, provided that the BUILDER shall furnish the BUYER with the formal certificates as promptly as possible after such formal certificates have been issued.

e. DECLARATION OF WARRANTY of the BUILDER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages,

or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by local or federal authorities, as well as of all liabilities of the BUILDER to its subcontractors, employees and crew, and of all liabilities arising from the operation of the VESSEL in trial runs, or otherwise, prior to delivery.

f. DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specification together with all drawings required to be submitted to regulatory bodies. Detailed design drawings for hull, structural, electrical, piping and outfitting drawings developed by BUILDER or any design agent for the construction of the VESSEL requested by the BUYER shall be provided in a format to be agreed at an additional cost to be billed at $75.00 per hour.

g. COMMERCIAL INVOICE and BILL OF SALE.

The BUILDER will cooperate with the BUYER to provide any other documents reasonably required by the BUYER to secure financing for the VESSEL.

4. Tender of the VESSEL:

If the BUYER fails to take delivery of the VESSEL after completion thereof according to this Contract without any justifiable reason, the BUILDER shall have the right to tender delivery of the VESSEL after compliance with all procedural requirements as above provided.

5. Risk:

Notwithstanding the provisions of Article XVI concerning passage of title to the material and the VESSEL during the construction period, the risk of loss of the VESSEL shall pass to the BUYER only upon delivery and acceptance thereof having been completed as stated above; it being expressly understood that, until such delivery is effected, risk of loss of the VESSEL and her equipment shall remain with the BUILDER.

The BUILDER warrants that the BUILDER's entering into this Contract, the performance of the BUILDER'S obligations hereunder and the sale of the VESSEL to BUYER will not result in any violation of or be in conflict with, or result in a breach of or constitute a default under, any term or provision of any agreement, instrument or other restriction to which the BUILDER is a party or by which it is bound.

6. Removal of the VESSEL:

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof and shall remove the VESSEL from the premises of the Shipyard within ten (10) days after delivery and acceptance thereof is completed. If the BUYER shall not remove the VESSEL from the premises of the Shipyard within the aforesaid ten (10) days, then, in such event the BUYER shall pay to the BUILDER the mooring charges of the VESSEL at the rate of $800 per day plus utilities. Such additional time on the BUILDER's premises shall not exceed twenty-one (21) days.

ARTICLE VIII-DELAYS AND EXTENSION OF TIME FOR DELIVERY DUE TO FORCE MAJEURE AND TERMINATION FOR EXCESSIVE DELAY

1. Causes of Force Majeure:

Force Majeure (herein called "Force Majeure") is any or more of the events defined below:

Acts of God (other than ordinary storms or ordinary inclement weather conditions); acts of princes or rulers; requirements of government authorities; war or other hostilities or preparations thereto; blockade; revolution; insurrections; mobilizations; civil war; civil commotion; riots; strikes and other labor disturbances including local strikes affecting the BUILDER (not including any strikes or industrial disturbances resulting from unilateral changes made by the BUILDER under existing labor contracts); sabotages; acts of terrorists; lockouts; labor shortages, provided the BUILDER has exercised diligence in the recruitment and training of labor; plague; epidemics; fire; flood; typhoons, hurricanes, storms or other weather conditions (other than ordinary storms or ordinary inclement weather conditions); earthquakes; tidal waves; landslides; explosions; collisions; strandings; embargoes; delays in transportation; import restrictions; shortage of materials, equipment or machinery or delay in delivery or inability to take delivery thereof, provided that such materials, equipment or machinery at the time of ordering could reasonably be expected by the BUILDER to be delivered in time, the BUILDER'S choice of a vendor or subcontractor was reasonable and the BUILDER has exercised due diligence to monitor the actions and to expedite delivery of the vendor or to obtain substitute performance; prolonged failure or restriction of electric current or petroleum; non-delivery or late delivery of BUYER'S Supplies to BUILDER'S custody or other delay caused by any default or omission on the part of the BUYER in carrying out any of its obligations under this Contract; or destruction of or damage to the worksite or other works of the BUILDER, its main subcontractors or to the VESSEL or any part thereof, by any causes heretofore described in this Paragraph and any other causes properly to be considered to be beyond the BUILDER's reasonable control; provided that there shall be excluded any such causes that are in existence as of the date of execution of this Contract or as to a cause impacting a contractor or subcontractor, a cause known to the party as of the date of execution of the contract or subcontract.

Any delay in the delivery of the VESSEL caused by an event of Force Majeure as to which the provisions of this Article VIII have been satisfied shall operate to postpone the Delivery Date by the number of days of delay involved.

2. Notice of Delay:

Within ten (10) days from the date of commencement of the delay on account of which the BUILDER claims that it is entitled under this Contract to a postponement of the Delivery Date of the VESSEL, the BUILDER shall advise the BUYER in writing of the date such delay commences and the reasons therefor along with BUILDER's proposed recovery plan. Failure of the BUILDER to provide notification of any claim for postponement of the Delivery Date within such ten (10) days shall be deemed to be a waiver by the BUILDER of its right to propose such postponement.

Likewise within ten (10) days after such delay ends, the BUILDER shall advise the BUYER in writing of the date such delay ended, and also shall specify the period of time by which the Delivery Date is postponed by reason of such delay. Failure of the BUYER to acknowledge the BUILDER's notification of any claim for postponement of the Delivery Date within ten (10) days after receipt of such notification shall be deemed to be a waiver by the BUYER of its right to object to such postponement.

3. Permissible Delay:

Delays on account of such causes as specified in Paragraph 1 of this Article and any other delays of a nature which under the terms of this Contract permits postponement of the Delivery Date shall be understood to be Permissible Delays provided that the BUILDER provides the notices set forth in Paragraph 2 of this Article.

4. Right to Terminate for Excessive Delay due to Force Majeure:

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of this Article, excluding all other types of delays of a nature which, under the terms of this Contract, permit postponement of the Delivery Date, amounts to six (6) months or more, then, in such event, the BUYER may terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the accumulated time of the aforementioned delays justifying rescission by the BUYER, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within twenty (20) days after such demand is received by the BUYER, either notify in writing the BUILDER of its intention to terminate this Contract, or consent to a postponement of the Delivery Date to a specific future date; it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying termination as specified in this Article, the BUYER shall have the same right of termination upon the same terms as hereinabove provided.

ARTICLE IX-WARRANTY OF QUALITY

1. Guarantees at Delivery.

a. The BUILDER guarantees that at the time of delivery the VESSEL will: (i) comply with applicable laws, lawful regulations, written standards and written interpretations of the regulatory bodies required for the VESSEL's operation in the foreign and domestic trades of the United States in effect on the date of delivery of the VESSEL, except as noted in the PROTOCOL OF DELIVERY; and (ii) meet the requirements in the Specification and plans, except as noted in the PROTOCOL OF DELIVERY. The effect of any changes in laws, lawful regulations, standards and written interpretations of the regulatory bodies between the effective date of this Contract and the delivery of the VESSEL shall be incorporated into this Contract by a Change Order under ARTICLE V.

b. The expense of all changes to the VESSEL noted in the PROTOCOL OF DELIVERY shall be for the account of the BUILDER, except as provided in subparagraph (a) of ARTICLE V, Paragraph 2.

2. **Warranty:**

a. Subject to the provisions hereinafter set forth, the BUILDER undertakes to remedy, free of charge to the BUYER, any deficiency, defects, failure, breaking down or deterioration beyond that caused by ordinary wear and tear (jointly "defects") in the VESSEL which are due to defective material, faulty design and/or bad workmanship on the part of the BUILDER and/or its contractors or subcontractors, provided that the defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL (the "Guarantee Period") and a notice thereof is duly given to the BUILDER as hereinbelow provided. In computing the Guarantee Period there shall be excluded any time the VESSEL is prevented from entering or is taken out of service on account of any defect for which the BUILDER is responsible. For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts of the VESSEL that have been supplied by or on behalf of the BUYER. Upon expiration of the Guarantee Period, and to the extent permitted by vendors and subcontractors, the BUILDER agrees to transfer any guarantees or warranties supplied to it by vendors and subcontractors.

b. The BUILDER's guarantee of the coatings shall be back to back with the guarantee of the coatings by the coatings manufacturer. During the Guarantee Period, the BUILDER shall be responsible for correction of paint defects in accordance with the guarantee of the coatings by the coatings manufacturer. After the expiration of the VESSEL Guarantee Period, the coating manufacturer's extended warranty shall be transferred to the BUYER under this Article IX subparagraph 5d. The coating manufacturer's warranty shall be for at least sixty (60) months from delivery of the VESSEL.

3. Notice of Defects:

The BUYER shall notify the BUILDER in writing of any defects for which claim is made under this guarantee as promptly as possible after discovery thereof. If the defect was discovered during drydocking of the VESSEL, the BUYER must notify the BUILDER in time for the BUILDER to inspect the defect before the VESSEL leaves the drydock if this is necessary for a prudent inspection of the defect. The BUYER's written notice shall in sufficient detail describe the nature and extent of the defects. The BUILDER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the BUILDER not later than thirty (30) days after such expiry date.

4. Remedy of Defects:

a. The BUILDER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Article, by making all necessary repairs or replacements at the Shipyard, if practicable. Upon having remedied such defects the BUILDER shall give the BUYER a further guarantee period of six (6) months for the aforementioned repairs or replacements from the date such repair or replacement is accomplished, which extended period shall not reduce the original twelve (12) month Guarantee Period.

b. However, if it is impractical to bring the VESSEL to the Shipyard, the BUYER may cause the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose, provided that, in such event, the BUILDER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL. In the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL at any other shipyard or works than the Shipyard, the BUYER shall first, but in all events as soon as possible, give the BUILDER notice in writing of the time and place such repairs or replacements will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the BUILDER shall have the right to verify by its own representative(s) the nature and extent of the defects complained of. The BUILDER shall, in such case, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the BUILDER's acceptance of the defects as justifying remedy under this Article, or upon resolution of a dispute in accordance with the provisions of Article XIV hereof, the BUILDER shall immediately pay to the BUYER for such repairs or replacements a sum up to a sum equal to the reasonable cost of making the same repairs or replacements in the Shipyard. Subject to a written agreement with the BUILDER, warranty repairs may be made by the crewmembers of the VESSEL, provided however that the BUYER submits documentation for the work performed and the BUILDER will not reimburse the BUYER at labor rates currently in excess of $68.00 per hour (as escalated at 2.5% per year after delivery).

c. In any case, the VESSEL shall be taken at the BUYER's cost, risk and responsibility to the place elected, ready in all respects for such repairs or replacements. Any preparation, draining of pipes, cleaning of spaces to make them accessible for warranty repairs, marine chemist's certificates, including gas free certificate shall be at the BUILDER's cost.

d. If a defect cannot reasonably be corrected except by drydocking the VESSEL, the BUYER shall be entitled to postpone correction and repair until a subsequent drydocking of the VESSEL. The BUYER may withhold the estimated cost of correction and repair from the

Guarantee Payment until such drydocking.

e. Any dispute under this Article shall be referred to dispute resolution in accordance with the provisions of Article XIV hereof.

5. Extent of the BUILDER's Responsibility:

a. The BUILDER shall have no responsibility or liability for any other defects whatsoever in the VESSEL than the defects specified in Paragraphs 1 and 2 of this Article. Nor shall the BUILDER in any circumstances be responsible or liable for any consequential or special losses, damages or expenses including, but not limited to, loss of time, loss or breach of charters or other contractual commitments, loss of profit or earning or demurrage directly or indirectly occasioned to the BUYER by reason of the defects specified in Paragraphs 1 and 2 of this Article or due to repairs, replacements or other works done to the VESSEL to remedy such defects; except that in the event a defect in an item of equipment or machinery causes any damage to such item of equipment or machinery or to other immediately adjacent equipment, machinery, components or portions of the VESSEL, the BUILDER shall be liable for not only the cost of correcting or repairing the defect but also for the cost of correcting or repairing such damage to such item of equipment or machinery and to such other immediately adjacent equipment, machinery, components or portions of the VESSEL caused by such defect.

b. The BUILDER shall not be responsible for any defects in any part of the VESSEL which may subsequent to delivery of the VESSEL have been replaced or in any way repaired by any other contractor, or for any defects which have been caused or aggravated by omission or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the BUILDER.

c. A final guaranty survey of the VESSEL shall be conducted by the BUYER at or near the expiration of the Guarantee Period. Such survey shall be based on the defects in the contract work appearing or discovered during the Guarantee Period. In the event that the VESSEL is not available for the guarantee survey on or before the end of the Guarantee Period, the BUYER promptly shall submit to the BUILDER a list of all of the defects in the contract work appearing or

discovered during the Guarantee Period and all damage for which the BUILDER is liable under the provisions of this Article IX. The final guarantee survey shall be held at such port in the United States as the BUYER designates and seven (7) days' written notice of time and place for such guarantee survey shall be given to the BUILDER by the BUYER. The BUILDER shall have the right to attend the guarantee survey.

d. At the end of the Guarantee Period, the BUILDER agrees to transfer and assign to the BUYER, as to any item of material installed in the VESSEL, the guarantee rights of the BUILDER against the vendor of such item of material where under the terms of such vendor's guarantee the vendor's obligations extend for a period beyond the Guarantee Period; provided that the BUILDER may exclude from such assignment any rights against the vendor in favor of the BUILDER for guarantee deficiencies and damages within the Guarantee Period. The BUILDER shall advise the BUYER of the terms of any such guarantees that are assigned to the BUYER.

e. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL for and to the BUYER. THE BUILDER MAKES NO FURTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE VESSEL, ITS MACHINERY OR EQUIPMENT FOR A PARTICULAR PURPOSE.

f. The BUYER may withhold the Guarantee Payment and deposit the full amount into an escrow account as provided in Article II. The BUYER shall pay to the BUILDER the entire Guarantee Payment, less any amount to cover any outstanding defect, upon completion of the Guarantee Period for the VESSEL. Any amounts withheld beyond the end of the Guarantee Period pursuant this Article IX shall be paid upon the correction of each defect for which such amounts were withheld. Any dispute with respect to the amounts due under this Paragraph shall be settled pursuant to Article XIV.

6. Guarantee Engineer:

The BUILDER shall have the right (at its cost) to appoint a guarantee engineer to serve on the VESSEL as its representative for such portion of the guarantee period as the BUILDER may decide. The guarantee engineer shall be a properly documented citizen of the United States. The BUYER and its employees shall give the guarantee engineer full cooperation in carrying out his duties as the representative of the BUILDER on board the VESSEL. The BUYER shall accord the guarantee engineer the treatment comparable to the VESSEL's chief engineer and shall provide him with accommodations and subsistence at no cost of the BUILDER and/or the guarantee engineer.

Pertaining to the detailed particulars of this Paragraph, an agreement will be made according to this effect between the parties hereto upon delivery of the VESSEL.

The guarantee engineer shall, at all times and in all respects, be deemed to be an employee of the BUILDER. The BUYER shall be under no liability whatsoever to the BUILDER or the guarantee engineer for personal injuries, including death, suffered by the guarantee engineer during the time when he is on board the VESSEL, unless such injury or death, is shown to have been caused by the gross negligence or willful acts of the BUYER, and/or its subcontractors and/or their employees or agents (including Buyer's Representative), while acting within the scope of their employment or engagement. Nor shall the BUYER be under any liability whatsoever to the guarantee engineer.

ARTICLE X — TERMINATION BY THE BUYER AND OPTIONS ON TERMINATION; GUARANTY AGREEMENT AND BUYER'S RIGHT TO ADDITIONAL SECURITY; AUDIT AND INSPECTION RIGHTS

1. Termination

a. Notice: In the event that the BUYER shall exercise its right of termination of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the BUILDER in writing and such termination shall be effective as of the date notice thereof is received by the BUILDER.

b. Options of BUYER: In the event that the BUYER elects to terminate this Contract, the BUYER may elect to remove the VESSEL, complete the work, sell the work in process or obtain a refund. Such election shall be made by notice to the BUILDER as provided below.

c. Right to Remove: In the event the BUYER shall elect to terminate this Contract, at the BUYER's option the BUYER may elect in writing within thirty (30) days after the termination of this Contract to remove the work in process from the Shipyard. Such removal, including preparation therefor, shall be performed at the BUILDER's expense, and, if reasonably possible, the BUILDER shall furnish forces and equipment for such removal and preparation. The BUYER shall reimburse the BUILDER for the reasonable cost of such removal and preparation. As reasonably practical, the BUILDER shall assign to the BUYER, all existing subcontracts and purchase orders required to complete the VESSEL for which the work in process is being removed as the BUYER may direct.

d. Completion of the Work: In the event the BUYER shall elect to terminate this Contract, at the BUYER's option, the BUYER may elect to have all or part of the work completed. The BUYER for such purposes may take possession and use and occupy so much of the Shipyard and the equipment, tools, machinery, and appliances in the Shipyard as may be needed by the BUYER for such purposes. In such instance as reasonably practical the BUILDER shall assign all subcontracts and orders for material, work, services and supplies to be used in the performance of this Contract to the BUYER as the BUYER may direct. Completion of all or a part of the work shall be performed at the BUILDER's

expense with the BUYER to reimburse the BUILDER for the amount that would have been payable to the BUILDER had such work been completed by the BUILDER, and the BUILDER to reimburse the BUYER for any additional costs incurred by the BUYER in completion of such work in accordance with the terms of this Contract (including the plans and specifications referred to herein) as existing on the date of termination of this Contract, evidenced by documented invoices provided to the BUILDER.

e. Sale of the Work: In the event the BUYER shall elect to terminate this Contract and not complete the construction of the VESSEL and the BUYER so notifies the BUILDER, at any time within one hundred twenty (120) days from the date of delivering such notice to the BUILDER, the BUYER may sell the VESSEL in a partially completed condition, work in progress, material to be installed in the VESSEL, together with copies of all Plans, Specification, working plans, calculations and other records reasonably required to complete the construction of the VESSEL. The BUYER shall have access to the Shipyard in order to conduct the sale. The sale may be consummated without appraisal or evaluation of the VESSEL, and shall be conducted in the manner determined by the BUYER but the BUYER shall use reasonable efforts to secure the best price possible in respect of the VESSEL. Any purchaser at any such sale shall be given reasonable time, not less than sixty (60) days from the date of sale, within which to remove from the Shipyard the VESSEL, work in progress, and material. Either party may become a purchaser at such a sale. The proceeds of the sale shall be applied first to payment of all costs and expenses, including reasonable attorneys' fees incurred by the BUYER or its assigns in making such sale; second, to reimburse the BUYER for payments theretofore made by the BUYER to the BUILDER on account of such VESSEL; and, third, to payment of any damages, demands, or deficiencies arising by reason of default of the BUILDER. In the event the proceeds of the sale shall not be sufficient to make the payments required by the preceding sentence, the difference shall be paid by the BUILDER to the BUYER.

f. Refund**:** If the BUYER elects to obtain a refund the BUILDER shall promptly refund to the BUYER the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL (unless the BUILDER proceeds to dispute resolution under the provisions of Article XIV hereof). In such event, the BUILDER shall pay the BUYER interest at the rate of 250 basis points per annum above the average three-month LIBOR as published in the *Wall Street Journal* on the amount required herein to be refunded to the BUYER, computed from the respective dates on which such sums were paid by the BUYER to the BUILDER to the date of remittance by transfer of such refund to the BUYER by the BUILDER, provided, however, that if such rescission by the BUYER is made under the provisions of Paragraph 4 of Article VIII hereof, the BUILDER shall not be required to pay any interest.

The BUYER shall promptly transfer title to the VESSEL and the work to the BUILDER upon receipt of the payment provided under this subparagraph. Upon such refund by the BUILDER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

2. Guaranty; the BUYER's Right to Receive Additional Financial Information; the BUYER's Right to Demand Additional Security

a. In consideration of the obligations assumed by the BUYER under this Contract, and as an inducement to the BUYER to enter into this Contract, the GUARANTOR has furnished to the BUYER the Guaranty guarantying the BUILDER'S performance of its obligations under this Contract. The commitment made by the Guarantor under the Guaranty is an important consideration to the BUYER under this Contract.

b. The financial conditions of the BUILDER and the GUARANTOR are an important consideration to the BUYER under this Contract. The BUILDER shall provide the BUYER with annual and quarterly financial statements of both the BUILDER and the GUARANTOR in accordance with paragraph (d) below.

c. In the event that there occurs a breach of a "material" covenant (i.e., financial covenant or negative covenant) or any payment default under any bond, debenture, note or other evidence of indebtedness of the BUILDER or the GUARANTOR, in an aggregate principal amount of at least [***] DOLLARS ($[***]), or under any indenture or other instrument under which any such evidence of indebtedness has been issued

or by which it is governed, which breach or default gives the holder the right to accelerate such indebtedness and which breach or default is not cured within any applicable grace or cure period, then, in order to secure the performance by the BUILDER under this Contract, the BUILDER or the GUARANTOR shall provide or maintain upon the BUYER'S request either (x) cash collateral in the amount of [***] DOLLARS ($[***]) deposited in an escrow account, in form and substance reasonably satisfactory to the BUYER (the "Cash Collateral") or (y) a letter of credit or similar instrument, in form and substance reasonably satisfactory to the BUYER, and issued by a bank or other financial institution reasonably satisfactory to the BUYER, in the face amount of [***] DOLLARS ($[***])(the "Letter of Credit"); and if the BUILDER or the GUARANTOR fails to provide the Cash Collateral or to provide or maintain the Letter of Credit (as applicable, the "Security") within fifteen (15) days after the BUYER's request, then the BUYER shall be entitled to terminate this Contract and exercise any of the rights in Paragraph 1 of this Article X. If, after the Security is provided to the BUYER, the underlying breach or default is cured or waived, unless the BUILDER has elected to cure a BUILDER's Default under Article XII, subparagraph 1(g) by providing Security, then the requirement to provide the Security shall cease to apply and the Cash Collateral shall be returned or the Letter of Credit shall be cancelled, as applicable. The provision of the Security to the BUYER under this Paragraph 2(c) will also satisfy the requirements of Paragraph 2(c) of Article X of the Second Contract. The BUYER shall not access the Cash Collateral or draw on the Letter of Credit unless and until this Contract has been terminated by the BUYER.

d. The BUILDER will provide the BUYER with: (i) audited annual financial statements of the GUARANTOR and its subsidiaries, on a consolidated basis, that shall be accompanied by an opinion thereon of KPMG AS or other independent certified public accountants of recognized standing that such statements present fairly, in all material respects, the consolidated financial position of the companies being reported, within one hundred twenty (120) days of the close of each fiscal year, and (ii) unaudited quarterly financial statements of the GUARANTOR and its subsidiaries, on a consolidated basis, certified, as appropriate, by a senior financial officer of the BUILDER or the GUARANTOR on behalf of such entity as fairly presenting, in all material respects, the consolidated financial position of the companies being reported, within sixty (60) days of the close of each fiscal quarter (other than the fourth fiscal quarter of each fiscal year). The BUILDER shall provide unaudited quarterly financial statements of the BUILDER on a stand-alone basis to the extent there is any material difference in such unaudited quarterly financial statements and the unaudited quarterly financial statements required by clause (ii) above with respect to any fiscal quarter.

ARTICLE XI-BUYER'S DEFAULT

1. Definition of BUYER's Default:

The BUYER shall be deemed to be in default of performance of its obligations under this Contract in the following cases:

a. If the BUYER fails to take delivery of the VESSEL, when the VESSEL is duly tendered for delivery by the BUILDER under the provisions of Article VII hereof.

b. If the BUYER fails to make any payment under Article II in this Contract when such payment is due and such failure is not remedied within 10 days after written notice thereof from BUILDER.

c. The BUYER being dissolved or adjudged bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUYER, or the filing by the BUYER of a petition for reorganization or other proceedings with reference to the BUYER, under the Bankruptcy Code of the United States or any similar law, state or federal or in any other jurisdiction in which the BUYER has assets or is registered to do business, or the filing of such petition of creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such a petition admitting insolvency or inability to pay its debts.

2. Interest and Charge:

If the BUYER is in default of a payment as to any installment as provided in Paragraph 1(a) and (b) of this Article, the BUYER shall pay interest on such installment at the rate of the three-month LIBOR as published in the *Wall Street Journal* plus 250 basis points per annum from the due date thereof to the date of payment to the BUILDER on the full amount including interest. In case the BUYER shall fail to take delivery of the VESSEL as provided in Paragraph 1(a) of this Article, the BUYER shall be deemed in default of the final payment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the BUILDER. In any event of default by the BUYER, the BUYER shall also pay all charges and expenses incurred by the BUILDER in connection with such default.

3. Effect of Default:

a. If any default by the BUYER occurs as provided hereinbefore, the Delivery Date shall be postponed for the period of continuance of such default by the BUYER.

b. If any default by the BUYER continues for a period of fifteen (15) days after receipt of written notice from the BUILDER, the BUILDER may, at its option, cancel this Contract by giving notice of such effect to the BUYER in writing. Upon receipt by the BUYER of such notice of cancellation, this Contract shall forthwith become cancelled and any of the BUYER's Supplies in the BUILDER's custody shall be tendered to the BUYER and if not promptly removed up by the BUYER shall become the sole property of the BUILDER.

c. In the event of such cancellation of this Contract, the BUILDER shall be entitled to retain any installments theretofore paid by the BUYER to the BUILDER on account of this Contract in trust (both for itself and the BUYER) until disposition of the VESSEL as hereinafter provided, whereupon the same shall be applied as provided in Paragraph 4 below.

4. Sale of the VESSEL:

a. In the event of cancellation of this Contract as above provided, the BUILDER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the BUILDER thinks fit without being answerable for any loss or damage.

b. In the event of the sale of the VESSEL in its completed state, the proceeds of the sale received by the BUILDER shall be applied as follows: first, to the payment of all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default; and second, to payment of all unpaid installments of the Contract Price and interest on such installments at the rate of the three-month LIBOR as published in the *Wall Street Journal* plus 250 basis points per annum from the respective due dates thereof to the date of application.

c. In the event of sale of the VESSEL in its incomplete state, the proceeds of sale received by the BUILDER shall be applied as follows: first, to all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default; second, to payment of all costs of construction of the VESSEL less the installments paid to the BUILDER; and third, to payment of compensation to the BUILDER in an amount equal to ten percent (10%) of all costs of construction of the VESSEL, representing a reasonable loss of profit on such costs due to the rescission of this Contract.

d. In either of the above events of sale, if the proceeds of sale exceeds the total of amounts to which such proceeds are to be applied under subparagraphs b or c of this Paragraph 4, the BUILDER shall promptly pay the excess to the BUYER without interest, provided, however, that the amount of such payment to the BUYER shall in no event exceed the total amount of installments already paid by the BUYER.

e. If the proceeds of sale are insufficient to pay such total amounts payable under subparagraphs b or c of this Paragraph 4, the BUYER shall promptly pay the deficiency, plus interest thereon at the rate of three month LIBOR as published in the *Wall Street Journal* plus two percent (2%) per annum running on and from the date of the sale closing until the date the full amount of said deficiency and interest is received by the BUILDER, to the BUILDER upon request.

ARTICLE XII —BUILDER'S DEFAULT

1. **Definition of BUILDER's Default:**

The following shall constitute events of default of the BUILDER under this Contract (each a "BUILDER'S Default"):

a. If the BUILDER fails to timely perform any obligation of the BUILDER under this Contract, and such failure is material and not remedied within thirty (30) days after written notice thereof from the BUYER; provided that if such default is not capable of cure within such 30-day period, the BUILDER shall not be in default hereunder if within such 30-day period the BUILDER has commenced the work or performance required to cure such failure and thereafter diligently prosecutes to completion all such work and performance required to cure such failure.

b. The BUILDER or the GUARANTOR (the "BUILDER PARTIES") being dissolved or adjudged as bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUILDER, or the filing by any of the BUILDER PARTIES of a petition for reorganization or other proceedings with reference to any of the BUILDER PARTIES, under any of the provisions of the Bankruptcy Code of the United States or any similar law, state or federal or in any jurisdiction in which any of the BUILDER PARTIES has assets or is registered to do

business, or the filing of such petition by creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such petition admitting insolvency or inability to pay its debts, or if the BUILDER fails to assume this Contract within thirty (30) days of the filing of a petition by or against the BUILDER under the U.S. Bankruptcy Code or similar law.

c. The failure of the BUILDER to prosecute the work with such diligence and in such manner as will clearly prevent it from completing said work in accordance with the Delivery Date as adjusted plus one hundred eighty (180) days, except and to the extent that such failure is due to one or more of the causes stated in ARTICLE VIII, which default continues unremedied for a period of thirty (30) days after written notice to the BUILDER thereof; provided that if such default is not capable of cure within such 30-day period, the BUILDER shall not be in default hereunder if within such 30-day period the BUILDER has commenced the work or performance required to cure such failure and thereafter diligently prosecutes to completion all such work and performance required to cure such failure;

d. If solely due to the fault of the BUILDER a total of one hundred eighty (180) days of delay in delivery of the VESSEL has elapsed after the Delivery Date as adjusted; or

e. Any BUILDER's Default under the Second Contract continues unremedied beyond any applicable notice and cure period specified therein.

f. Any representation, warranty or statement made or deemed to be made by the BUILDER herein or in any statement or certificate delivered or required to be delivered by an officer of the BUILDER pursuant hereto shall prove to be untrue in any material respect on the date as of which it was made or deemed to have been made.

g. If (i) there occurs a default under any bond, debenture, note or other evidence of indebtedness of the BUILDER or the GUARANTOR, or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which it is governed, which default gives the holder the right to accelerate such indebtedness and which breach is not cured within any applicable grace or cure period, and (ii) such default results in the acceleration of the maturity of indebtedness in an aggregate principal amount of at least [***] DOLLARS ($[***]), unless the BUILDER and/or the GUARANTOR provides Security to the BUYER. Any Security provided to cure a BUILDER's Default under this Article XII subparagraph 1(g) shall be maintained by the BUILDER for the benefit of the BUYER until the earlier of (x) delivery of the VESSEL and the vessel subject to the Second Contract or (y) four (4) consecutive quarters of debt compliance during which the BUILDER is not in bankruptcy.

2. BUYER's Remedies:

Upon the occurrence of a BUILDER's Default, the BUYER may, at its option, cease to make payments hereunder and exercise any other remedy available to it by law, including

without limitation, to terminate this Contract by giving notice of such effect to the BUILDER in accordance with ARTICLE X hereof, which termination shall be effective, without further act or deed immediately upon the receipt of such notice provided, such termination shall not prevent either party from initiating proceedings pursuant to the provisions of Article XIV with respect to any claim it may allege concerning rights and obligations under this Contract. Upon the giving of such notice, the BUYER may elect any of the options set forth in Article X.

ARTICLE XIII-INSURANCE

1. Builder's Insurance:

At any and all times during the term of this Contract, BUILDER shall at its own expense maintain, with an insurance company or companies, with a minimum rating by A.M. Best Company and/or Standard & Poor's of A minus or equivalent, and authorized to do business in the state in which work is to be performed, insurance and surety coverage's of the kind and in the minimum amounts as follows:

a. Builder's Risk Insurance and Property Insurance:

(i) Property insurance covering all materials at the Shipyard, including BUYER-Supplies until Builder's Risk insurance becomes applicable.

(ii) Builder's risk insurance:

(1) Requirement. From the time of the laying of the keel of the VESSEL, and until delivery of the VESSEL, BUILDER, at its expense, shall keep the VESSEL and all machinery, material and equipment to be installed in the VESSEL, including all items furnished by BUYER (to the extent that BUYER has declared the value of such items to BUILDER) insured at all times under an all-risk form Marine Builders Risk policy, acceptable to BUYER (such acceptance not to be unreasonably withheld), it being agreed that if such policy is acceptable to the lender(s) providing construction period financing for the VESSEL, if any, then such policy shall be deemed to be acceptable to BUYER. BUILDER may utilize existing policies of insurance that cover the risks listed in subparagraph (a)(ii)(2) of this Article, provided that such policies are maintained by BUILDER in accordance with the provisions of paragraph (a) of this Article.

(2) Coverage. The insurance shall cover all usual marine risks, and in particular, but without prejudice to the generality of the foregoing, shall cover the following risks to the extent such insurance is available on commercially reasonable terms:

(i) All risks of loss or damage, including earthquake, volcanic eruption, hurricane, named windstorm and tidal wave, in respect

of the VESSEL and all machinery, material and equipment, whether at the Shipyard or BUILDER's suppliers' premises or in transit to the Shipyard or other place of BUILDER custody, including and during launching and trials;

(ii) Strikes, riots, civil commotions, and malicious damage;

(iii) Hull War Risks while the VESSEL is at the Shipyard or other premises of BUILDER or any subcontractor, including after the VESSEL has been launched and is either dockside or in sea trials;

(iv) Coverage for Terrorism while the VESSEL is at the Shipyard or other premises of BUILDER or any subcontractor, including after the VESSEL has been launched and is either dockside or in sea trials;

(v) Protection and indemnity coverage including full Collision; and

(vi) Sudden and accidental pollution.

Coverage shall include two percent (2%) cost escalation coverage and coverage for soft costs including liquidated damages for delay, additional construction financing interest, construction loan fees, engineering expenses/fees, insurance premiums, accounting fees, project administration expenses, attorneys' fees and fees and other costs associated with such damage or loss and with Regulatory Agency approvals. Policy deductible shall be no more than $[***] per occurrence. Coverage shall be the equivalent of the American Institute Builder's Risk Clauses (Feb 8, 1979) and American Hull Insurance Syndicate Addendum No. 1 (May 15, 1985, SRCC) and 2 (May 15,

1985) and shall include Pre-Keel coverage. Coverage shall be written without risk of liability of the BUYER for payment and without deduction for depreciation. There shall be no coinsurance penalty provision in any such policy.

In addition to liability for physical loss of, damage to, or damage caused by the VESSEL imposed upon the BUILDER by law or by the Contract, the Marine Builder's Risk Insurance Policy shall be written to specifically include, in part:

(i) All Ship underway activity as often as necessary for completion and testing of the VESSEL;
(ii) Coverage for BUYER's Supplies, if any, from the time of delivery of the BUYER's Supplies to the BUILDER;
(iii) A statement that the policy is primary to all other collectible insurance; and
(iv) Underwriters' waiver of subrogation in favor of the BUYER and all subcontractors of any tier.

(3) Minimum Sum. The minimum sum insured, and the limit of the BUILDER's liability, shall be the Contract Price plus the value declared by the BUYER to the BUILDER for the BUYER's Supplies.

b. Other Insurance:

BUILDER, at its expense, shall keep and maintain in effect the following additional insurance for the duration of this Contract:

(1) Commercial General Liability coverage to include, but not limited to, broad form property damage, personal injury, premises, completed operations and products liability, non-owned watercraft coverage with an "in rem" endorsement, and contractual liability covering all liability assumed by BUILDER under the terms of this Contract and with limits of liability not less than $5,000,000 any one occurrence or series of occurrences arising out of any one event, subject to an aggregate limit of $5,000,000 in the period of insurance for Products Liability. The BUILDER shall maintain such insurance through the expiration of the Guarantee Period. This coverage shall include broad form property damage, personal injury, broad form blanket contractual liability, products and completed operations (for one year following final acceptance of the VESSEL), time element and named perils pollution and insured indemnity obligations.

(2) Automobile Liability insurance with a combined single limit of $2,000,000 each accident for bodily injury and property damage.

(3) Worker's Compensation and Longshore and Harbor Worker's Compensation Act insurance (or an authorized and approved program of self-insurance therefor) conforming to the statutory requirements of the Commonwealth of Pennsylvania and the United States of America, respectively, and including Employers Liability with minimum limits of $1,000,000 each accident.

(4) Maritime Employer's Liability Insurance (including transportation, wages, Maintenance and Cure) for limits not less than $2,000,000 each person and each occurrence.

(5) Excess Liability insurance in the minimum amount of $[***] per occurrence, subject to an aggregate limit of $[***] in the period of insurance for Products Liability, in excess of the liability coverages specified in Article XIII, subparagraphs (b)(1), (b)(2), (b)(3) for employers liability only, and (b)(4).

The insurance coverage limits stated above can be met utilizing the BUILDER's umbrella/excess liability policy.

c. Certificates of Insurance:

(1) Each policy identified in paragraph (a) of Article XIII shall provide that it is primary insurance to and noncontributing with any other insurance carried by the BUYER, and shall obligate the insurer to give the BUYER not less than 14 days prior written notice in the event of policy cancellation (except for war risk insurance, which shall be not less than 7 days advance written notification). Each policy identified in paragraphs (b)(1) and (2) of Article XIII shall provide that it is primary insurance to and noncontributing with any other insurance carried by the BUYER, and shall obligate the insurer to give the BUYER not less than 30 days' prior written notice in the event of policy cancellation (or 10 days' prior written notice in the event of policy cancellation due to failure to pay premiums). Primary and noncontributing language shall be stated affirmatively on the certificates, and the insurance required under subparagraphs (a)(2)(iii) and (b)(1, 2, and 5) of Article XIII shall include appropriate endorsements evidencing such additional insured language required of the BUILDER and the insurance required under subparagraphs (a)(2)(iii) and (b)(1,2,3,4, and 5) of Article XIII shall include appropriate endorsements evidencing waiver of subrogation language required of the BUILDER.

(2) Certificates evidencing the policies described in this Article, in a form reasonably satisfactory to the BUYER, shall be delivered to the BUYER within ten (10) days of the date of this Contract and renewals thereof shall be delivered to the BUYER within ten (10) days after expiration of the respective policy terms. Upon request by the BUYER, the BUILDER shall provide a copy of the Marine Builders Risk policy.

(3) The policies referred to in Paragraph (a) of Article XIII shall name the BUYER and its assigns as loss payee as their interests may appear, subject to the prior senior assignment of such policies to the lender(s) providing construction period financing for the VESSEL, if any.

(4) With respect to the policies referenced in subparagraphs (b) (3) and (4) the BUILDER agrees that for all Worker's Compensation and Longshore and Harbor Worker's Compensation Act Insurance, or authorized and approved self-insurance therefor, and all

Employer's Liability and Maritime Employer's Liability Insurance policies, they shall contain waivers of rights of subrogation against the BUYER and its parent, subsidiaries, and affiliated companies.

(5) With respect to the policies referenced in subparagraphs (a)(2)(iii), and (b) (1) and (2), the BUILDER agrees that for all Collision, Protection and Indemnity Liability, Commercial General Liability and Automobile Liability that the BUYER and its parent, subsidiaries, and affiliated companies shall be named as additional assured on those policies and such policies shall contain waivers of underwriter's rights of subrogation. It is agreed that such naming and waiving shall apply only to the extent of the legally enforceable indemnity obligations and risks assumed by the BUILDER in this Contract.

2. Application of Recovered Amount:

a. Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the BUILDER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society, and the BUYER shall accept the VESSEL under this Contract if completed in accordance with this Contract and Specification.

b. Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the BUILDER shall by the mutual agreement between the parties hereto, either:

i. Proceed in accordance with the terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction of the VESSEL and/or replacement of any damaged BUYER's Supplies, provided the parties hereto shall have first agreed in writing to such reasonable postponement of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

ii. Refund immediately to the BUYER the amount of all installments paid to the BUILDER under this Contract without any interest and the value of all BUYER's Supplies in BUILDER custody that were damaged or not returned to the BUYER, whereupon this Contract shall be deemed to be terminated and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

If the parties hereto fail to reach such agreement within two (2) months after the VESSEL is determined to be an actual or constructive total loss, the provisions of subparagraph (b)(ii) as above shall apply.

c.Termination of the BUILDER's Obligation to Insure:

The BUILDER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof and acceptance by the BUYER.

ARTICLE XIV-DISPUTE RESOLUTION

1. Technical Disputes:

Any dispute or any difference of opinion between the parties hereto relating to conformity of the construction of the VESSEL or material used to Classification requirements shall be referred to the Classification Society or the USCG (MSC) for matters within their authority for settlement by and between the parties and the Classification Society or USCG (MSC), as applicable. Decisions of the Classification Society or USCG (MSC) with regards to conformity with the rules shall be final and binding upon both parties hereto.

2. Arbitration:

Except for cases which are settled under Paragraph 1 hereof, all claims, counterclaims, demands, controversies, disputes, actions or causes of action of any nature or character arising out of or in connection with this Contract or the transactions contemplated hereby or thereby, whether legal or equitable, known or unknown, contingent or otherwise ("Claims") shall be finally settled by arbitration, held in the city of New York, New York, pursuant to the Rules of the Society of Maritime Arbitrators, Inc. ("SMA"), before a panel of three persons consisting of one arbitrator to be appointed by the BUILDER, one arbitrator to be appointed by the BUYER, and one arbitrator to be appointed by the two so chosen, unless the parties otherwise agree that a single arbitrator may be used. The single arbitrator or the third arbitrator shall be an attorney practicing maritime law. The decision of the sole arbitrator or any two of the panel of three arbitrators on any point or points shall be final and binding and may include costs, including reasonable attorneys' fees. The arbitrators shall be directed to undertake proceedings on an expedited basis so that a prompt decision of the question or questions can be announced by the arbitrators to the parties. Upon the selection of the arbitrators, each of the parties shall be entitled to commence reasonable discovery through exchange of documents, requests for admissions or depositions, subject to the sole discretion of the arbitrators, provided, however, that the arbitrators shall limit depositions, if any, to those deemed essential to the fair and reasonable resolution of the Claim. The parties shall use their reasonable best efforts to have the arbitral proceeding concluded and a judgment rendered by the arbitrator(s) within forty-five (45) days of the initiation of the arbitration proceeding. The arbitrators shall be entitled to award interest, but shall not be entitled to award special, incidental, consequential or punitive damages. Judgment may be entered upon any award made hereunder, in any court having jurisdiction, and the parties hereby waive any right to appeal such award on the merits or to challenge the award except on the grounds set forth under United States Law (Federal Arbitration Act). Notwithstanding the foregoing agreement to arbitrate, the parties expressly reserve the right

to seek provisional relief from any court of competent jurisdiction to preserve their respective rights pending arbitration, and in seeking such relief shall not waive the right of arbitration. Any dispute relating to claims of $100,000 or less in the aggregate shall be governed by the Shortened Arbitration Procedures adopted by the SMA.

3. Alteration of Delivery Date:

In the event of arbitration of any dispute arising or occurring prior to delivery of the VESSEL, an award of the arbitrators shall include a finding as to whether or not the delivery date of the VESSEL is in any way altered thereby.

ARTICLE XV- ASSIGNMENT OF CONTRACT

The benefits and obligations of this Contract shall inure to and be binding upon the successors and assigns of the original parties hereto, respectively; provided, however, that no assignment of this Contract (other than a Permitted Financing Assignment made by the BUYER) shall be made by either party without the prior written consent of the other. "Permitted Financing Assignment" shall mean any granting of any security interest or lien, or any other assignment (including without limitation any assignment in connection with the exercise of remedies by any Lender Party, as defined below) by the BUYER of (a) this Contract and the BUYER's rights hereunder, and/or (b) the BUYER'S rights to and with respect to the VESSEL and the work in process with respect to the VESSEL, in each case to or for the benefit of MARAD, as defined in Article XIX, or any lender providing construction period financing to the BUYER or any affiliate of the BUYER or any other financing or refinancing to the BUYER or any affiliate of the BUYER relating to or secured directly or indirectly by this Contract, the VESSEL and/or any work in process (any such lender, a "Lender Party"), or any designee of any such Lender Party; provided that no such assignment shall diminish the BUYER'S obligations to perform under this Contract. The term Lender Party shall include MARAD. The BUILDER hereby expressly consents to any such Permitted Financing Assignment by the BUYER. Notwithstanding the foregoing, at delivery of the VESSEL, the BUYER shall have the right, subject to BUILDER's prior written consent, which shall not be unreasonably withheld or delayed, to assign this Contract to a third party nominee for delivery and final delivery payment purposes, provided the BUYER shall remain responsible for the performance by such assignee of the obligations of the BUYER under this Contract.

ARTICLE XVI-TITLE AND LIENS

1. Title

Title to the BUYER's Supplies is and shall continue to be vested in the BUYER and title to all material paid for by the BUYER shall vest in the BUYER and shall continue to be vested in the BUYER until delivery of the VESSEL. To the extent not so vested in the BUYER, title to the VESSEL, to the extent completed, and title to all work and material performed upon or installed in the VESSEL or placed on board the VESSEL shall vest in the BUYER; provided, however, that except as may otherwise be provided in this Contract, the risk of loss of or damage to such material and the VESSEL shall remain with the BUILDER, and the BUYER shall not be deemed to have waived its rights to require the BUILDER to replace, at the BUILDER's expense, defective, damaged or destroyed work or material, and to deliver the VESSEL with the work completed and material furnished, as provided in this Contract. Title to all scrap and title to any material which is surplus to the requirements of this Contract shall vest in the BUILDER.

2. Liens

a. The term "Liens" means any lien, security interest, encumbrance or other right in rem against the VESSEL, work or material enforceable in a court of competent jurisdiction, other than the liens in favor of the BUYER or its assignees.

b. The BUILDER shall not permit or cause any Lien to come into existence arising out of the BUILDER's performance under this Contract, The BUILDER waives any and all rights to any Lien, and the BUILDER shall not permit or cause any claim against the BUILDER or any subcontractor furnishing or performing work or material under this Contract to lie or attach against the VESSEL, work or material.

c. If a Lien is filed or asserted against or attached upon the VESSEL, work or material (whether or not arising under this Contract), the BUILDER shall promptly notify the BUYER. The BUILDER shall secure the discharge or release of any such Lien arising out of the BUILDER's performance or the performance of the BUILDER's subcontractors or vendors under this Contract not later than thirty (30) days after it is filed, asserted or attached, provided that the BUILDER may contest such Lien or the claim upon which it is based, and if the BUILDER shall not have secured the discharge or release of such Lien by court order within the time provided in this Contract, then the BUILDER shall furnish to the BUYER, or the appropriate court having jurisdiction in such matters, such bond or security therefor as the BUYER or such court shall reasonably require, and the BUILDER shall indemnify the BUYER and save the BUYER harmless from all costs, charges, damages and attorneys' fees by reason of such Lien or claims in any way attributable thereto.

d. At the time of each Milestone Payment to the BUILDER, the BUILDER shall furnish to the BUYER a certificate executed by the BUILDER certifying freedom of the VESSEL, work and material from Liens arising out of the BUILDER's performance or the performance of the BUILDER's subcontractors or vendors under this Contract in the form of Exhibit 7.

e. At the time of delivery of the VESSEL, the BUILDER shall deliver the VESSEL to the BUYER free and clear of all Liens other than those Liens resulting from an act or omission on the part of the BUYER. At the time of delivery of the VESSEL, the BUILDER shall furnish to the BUYER a certificate executed by the BUILDER certifying freedom of the VESSEL from such Liens and confirming the indemnity stated above in the form of Exhibit 7, provided the BUYER has paid to the BUILDER or into escrow all amounts required to be paid into escrow by ARTICLE II.

ARTICLE XVII-PATENTS, TRADEMARKS, COPYRIGHTS, ETC.

1. Patents, Trademarks and Copyrights:

Machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers.

Nothing contained herein shall be construed as transferring any patent or trademark rights or copyrights in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof.

2. General Plans, Specification and Working Drawings:

The BUILDER retains all rights with respect to the Specification, and plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL and the BUYER undertakes therefore not to disclose the same or divulge any information contained therein to any third parties, without the prior written consent of the BUILDER, excepting where it is necessary for usual operation, repair and maintenance of the VESSEL.

The BUILDER grants to the BUYER and its assignees and any subsequent purchaser or operator of the VESSEL a perpetual, worldwide, royalty-free license to use the Specification, and the plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL (jointly the "BUILDER's Vessel Design Materials") as may be required for the operation, repair, maintenance, modification, classification of the VESSEL or must otherwise be provided to regulatory authorities in connection therewith, subject to confidentiality requirements for any third party contractor. The BUILDER warrants that it has full right, title and interest in the BUILDER's Vessel Design Materials and is entitled to grant the licenses to the BUYER under this Contract and that the BUILDER's contribution to the BUILDER's Vessel Design Materials, including the plans, will not infringe the patent, copyright, trademark or trade secrets rights of any third party. In making any disclosures of any BUILDER's Vessel Design Materials to any third party contractor, the BUYER shall impose upon such third persons restrictions relating to the safeguarding to the same extent as have been imposed on the BUYER. The BUYER shall not be liable for unauthorized actions of its employees in disclosing the BUILDER's Vessel Design Materials, provided that the BUYER has taken commercially reasonable precautions to safeguard such data.

The BUILDER agrees not to utilize the ballast water ring main and flat rack container cell guide spacing design elements contributed to the Specification solely by the BUYER in the construction of any other vessels without the BUYER'S prior written consent.

3. Non-infringement:

The BUILDER shall defend, indemnify and save harmless the BUYER and its affiliates, agents, contractors, servants or employees from and against all loss, cost, liability and claims, plus attorneys' fees, resulting from any claim by any third party that the VESSEL,

or any material used in the construction of the VESSEL or incorporated in the VESSEL by the BUILDER, other than (x) the BUYER's Supplies, (y) a design feature of the VESSEL specified by the BUYER, or (z) material for which the BUYER has specified the sole acceptable manufacturer, infringes any United States or foreign patent, copyright, trademark or trade secret rights ("BUYER's Exclusions"). If the VESSEL or any material incorporated in the VESSEL by the BUILDER, other than the BUYER's Exclusions, shall be held by a court having jurisdiction to constitute such an infringement and the use thereof shall be enjoined, the BUILDER shall procure for the BUYER at the its sole cost and expense (i) the right to continue using the VESSEL with any such infringement, (ii) replace infringing material with noninfringing material of equal quality, function and performance, or (iii) modify the VESSEL so it becomes noninfringing, as may be required to eliminate all problems of infringement. Prompt written notice of the assertion of any claim or the bringing of any suit shall be given by the BUYER to the BUILDER, and thirty (30) days shall be given to the BUILDER from giving of such notice to settle or defend it as they may see fit. The BUYER shall provide every reasonable assistance in settling or defending such claim or suit. If, at the end of thirty (30) days, the BUILDER failed to undertake such settlement or defense, the BUYER shall undertake settlement or defense as it sees fit, with full reimbursement for damages, costs and attorneys' fees as herein provided, it being understood and agreed that the BUYER, in such case, shall keep the BUILDER informed, on a regular basis, of the progress of the matter and shall not settle any claims without prior written approval of the BUILDER, which approval shall not be unreasonably withheld. The BUYER warrants that the technical contribution to the Specification contributed solely by the BUYER will not infringe the patent, copyright, trademark or trade secrets of any third party. With respect to any such infringement, the BUYER will indemnify, defend and hold the BUILDER or its subcontractors or vendors harmless against any and all liability, cost, or expense resulting from such infringement.

ARTICLE XVIII-BUYER'S SUPPLIES

1. Responsibility of the BUYER:

a. The BUYER shall, at its own risk, cost and expense, including the payment of any applicable sales, use or excise taxes, supply and deliver to the BUILDER all of the items to be furnished by the BUYER according to an agreed list, which list is included in the Specification and is incorporated herein and made part of this Contract ("BUYER'S Contract Equipment", and together with BUYER'S supplies, materials, stores, spares and gear, herein jointly called the "BUYER's Supplies"), at a warehouse or other storage facility of the Shipyard in the proper condition ready for installation in or on the VESSEL, in accordance with the time schedule designated by the BUILDER. The BUILDER shall, within one hundred twenty (120) days after the effective date of this Contract, submit to the BUYER a schedule setting out the timing for the BUYER's delivery to the BUILDER of the BUYER's Supplies. Such schedule shall (i) be reviewed and approved by the BUYER, such approval to not be unreasonably withheld, and any comments provided to the BUILDER shall be made within thirty (30) days of receipt of the schedule, provided always that the schedule shall enable BUILDER to deliver the VESSEL in accordance with this Contract, and (ii) be updated as needed and, following any such required update, be resubmitted to the BUYER for review and approval, as aforesaid.

b. In order to facilitate installation or loading by the BUILDER of the BUYER's Supplies in or on the VESSEL, the BUYER shall furnish the BUILDER with necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the applicable rules and regulations. The BUYER, if so requested by the BUILDER, shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplies to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments thereof at the Shipyard.

c. Any and all of the BUYER's Supplies shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation. However, if so requested by the BUYER, the BUILDER may repair or adjust the BUYER's Supplies without prejudice to the BUILDER's other rights hereunder and without being responsible for any consequences therefrom. In such case, the BUYER shall reimburse the BUILDER for all costs and expenses incurred by the BUILDER in such repair or adjustment and the Delivery Date shall be postponed for a period of time necessary for such repair or replacement to the extent it impacts the construction schedule and such schedule cannot reasonably be adjusted by the BUILDER to meet the Delivery Date.

d. Should the BUYER fail to deliver any of the BUYER's Supplies within the time designated, the Delivery Date shall be extended for a period of such delay in delivery if such delay affects the Delivery Date and the effects of the delayed delivery cannot reasonably be made up in the construction schedule. In such event, the BUYER shall be responsible for and pay to the BUILDER all losses and damages incurred by the BUILDER by reason of such delay in delivery of the BUYER's Supplies and such payment shall be made upon delivery of the VESSEL. If delay in delivery of any of the BUYER's Supplies exceeds thirty (30) days, then, the BUILDER shall be entitled to proceed with construction of the VESSEL without installation thereof in or on the VESSEL, without prejudice to the BUILDER's other rights as hereinabove provided, and the BUYER shall accept and take delivery of the VESSEL so constructed.

2. Responsibility of BUILDER:

The BUILDER shall, at its own risk and expense, receive, inspect, check as to agreement with bill of lading, store, protect and handle with reasonable care all of the BUYER's Supplies after delivery thereof at the Shipyard, and shall install or load them in or on the VESSEL, unless otherwise provided herein or agreed by the parties hereto, provided, always, that the BUILDER shall not be responsible for quality, efficiency and/or performance of any of the BUYER's Supplies.

If the BUILDER does not deliver the VESSEL, except as otherwise expressly provided herein, the BUILDER shall return all of the BUYER's Supplies to the BUYER or shall reimburse the BUYER for the cost of such supplies, at the BUYER'S option.

3. Title and Risk

a. Title to the BUYER's Supplies shall remain in the BUYER at all times while such items are in the custody of the BUILDER, as provided in ARTICLE XVIII. The BUILDER shall be liable to the BUYER for all damage to or loss of the BUYER's Supplies occurring during the BUILDER's custody thereof, which may arise from any event, excepting from acts or omissions of the BUYER, and excluding all war risks, except to the extent such war risks are insurable at the time and place of loss and the BUYER has requested the BUILDER to insure such war risks at the BUYER's expense under a Change Order. The BUYER shall have reasonable access to the BUYER's Supplies during the construction. The BUILDER shall not be deemed to have extended to the BUYER any warranty as to the BUYER's Supplies other than the warranty of workmanship in the installation thereof, as set forth in ARTICLE IX.

b. If the BUYER requests that the BUILDER furnish all or any of the BUYER's Supplies, the furnishing of such BUYER's Supplies by the BUILDER shall be treated as a Change Order under ARTICLE IX, and such equipment shall be treated as material.

ARTICLE XIX COOPERATION REGARDING FINANCING AND RELATED MATTERS

The BUYER anticipates that it will require financing under the Title XI program administered by the United States Department of Transportation, acting by and through the Maritime Administrator ("MARAD"), under 46 U.S.C. chapter 537 ("Title XI"), and/or private or bank financing. The BUYER intends to make qualified withdrawals from its Capital Construction Fund ("CCF") for some or all of the construction cost. Commencing on the date of execution of this Contract and continuing through the date that is one year following the Delivery Date of the VESSEL, the BUILDER agrees to reasonably cooperate with the BUYER to assist the BUYER in arranging construction period or permanent financing in connection with the VESSEL. At this time it is anticipated that this cooperation will entail the following:

a. providing information of any nature with respect to the VESSEL, its construction, and the BUILDER (including confidential information) in the possession of the BUILDER or its suppliers and not otherwise readily available to the BUYER that is reasonably requested by (i) MARAD as a condition to processing or approving any application for Title XI financing submitted by the BUYER, including Forms MA-163, MA-440 and MA-133, and (ii) the lenders under a non-Title XI financing; and in all cases as soon as reasonably practicable after it is requested;

b. (i) making any amendments to this Contract and the Guaranty that are reasonably requested by MARAD as a condition to processing or approving any application

for Title XI financing submitted by the BUYER or any affiliate of the BUYER, or that are reasonably requested by any non-Title XI lenders, provided such amendments are customarily requested by MARAD or such non-Title XI lenders in connection with other financings and do not unreasonably increase the obligations or decrease the rights of the BUILDER or the GUARANTOR, it being understood that

such amendments may include, without limitation, documentation in support of invoices, audit, inspection, and consent rights, copies of drawings, notices, insurance coverages and loss payable clauses, naming MARAD or such lenders as beneficiary of the Guaranty or any other security provided in respect of BUILDER's performance under this Contract, any amendments or supplements relating to the assignment of, or the granting of security interest in, this Contract to MARAD or any other Lender Party as security for the Title XI financing or any private or bank financing, allowing the Lender Parties to have reasonable access to the Shipyard to inspect the work in process on the VESSEL, certifying substantial completion of the VESSEL at delivery, and attending any tests and sea trials; and (ii) providing documentation evidencing (x) its consent to any assignment of, or the granting of security interest in, this Contract, the VESSEL or any work in process with respect to the VESSEL as security for the Title XI financing or any private or bank financing or otherwise in connection therewith, including without limitation any Permitted Financing Assignment, in each case in form and substance reasonably requested by MARAD or any other applicable Lender Party; and (y) its consent to subordination of its interests herein and with respect to the VESSEL and any work in process with respect to the VESSEL to any such lien or security interest of the Lender Parties to the extent of the aggregate of the initial payments and all milestone payments made by BUYER from time to time, in each case in form and substance reasonably requested by MARAD or any other applicable Lender Party;

c. identifying and tracking from the time the BUILDER places orders for the same, the foreign components and services that will be utilized in the construction of the VESSEL and providing all information requested by MARAD in the possession of the BUILDER or its suppliers and not otherwise readily available to the BUYER that is to support a waiver to include in "Actual Cost" the cost of any foreign components (including information that substantiates the choice of foreign over domestic), and complying with MARAD's cargo preference requirements and policies regarding the transport of such foreign components to the U.S. by ocean on U.S.-flag vessels in order to satisfy MARAD's foreign components waiver requirements, and providing such information as soon as reasonably practicable after it is requested;

d. supporting the BUYER's efforts to secure any grants or awards that might be available related to the LNG features on the VESSEL; and

e. applying for and providing the BUYER a U.S. Coast Guard ruling confirming the U.S. construction of the VESSEL to enable the BUYER to treat the VESSEL as a "qualified vessel" under the BUYER's CCF for purposes of 46 USC Chapter 535 §53501(2)(B) and 46 C.F.R. §390.5.

All of the foregoing the BUILDER shall perform with no changes to the Delivery Date and with no costs to the BUYER other than such actual out-of-pocket costs paid by the BUILDER to third parties which the BUYER shall have previously approved in writing.

ARTICLE XX -NOTICE

1. Address:

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the BUYER:

Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Vice President — Vessel Operations
Telephone No.: 510-628-4283
Facsimile No.: 510-628-7344

with a copy to (which shall not constitute notice):

Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Vice President & Deputy General Counsel
Telephone No.: 510-628-4541
Facsimile No.: 510-628-7331

To the BUILDER:

Aker Philadelphia Shipyard, Inc.
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Attn: Scott B. Clapham, Senior Vice President
Telephone No.: 215-875 2694
Facsimile No.: 215-875 2700

with a copy to (which shall not constitute notice):

Aker Philadelphia Shipyard, Inc.
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Attn: Dean E. Grabelle, General Counsel
Telephone No.: 215-875-2687
Facsimile No.: 215-875-2700

Any notice, including any written notice, required hereunder, shall be effected and deemed received only as follows:

a. In the case of e-mail, at the time of transmission recorded on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day.

b. In the case of a letter, whether sent by registered mail or delivered by hand or by courier, at the date and time of its actual delivery if delivered within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day.

c. In the case of a telecopier/photographic facsimile transmission, at the time recorded together with the telephone dialing code of the receiving machine on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, but only if the time of receipt and the said code appear on the received facsimile copy.

2. Language:

Any and all notices and communications in connection with this Contract shall be written in the English language.

ARTICLE XXI - INTERPRETATION

1. Laws Applicable:

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part thereof shall be governed by the laws of the State of New York applicable to a contract executed and performed in such State without giving effect to the conflicts of laws principles thereof.

2. Discrepancies:

If there is any discrepancy, difference or conflict between the provisions of the Articles of this Contract and the Specification, then to the extent of such discrepancy, difference or conflict only, the Specification shall be ineffectual and the provisions of the Articles of this Contract shall prevail; but in all other aspects, the Specification shall be in full force and effect.

If there is any discrepancy, difference or conflict between the plans of the Specification and the text of the Specification, then to the extent of such discrepancy, difference or conflict the text of the Specification shall prevail; provided, however, any work called for by the text of the Specification and not shown on the plans of the Specification and any work shown on the plans of the Specification but not called for in the text of the Specification shall be performed by the BUILDER as part of the Contract work.

Any discrepancy, difference or conflict described hereabove discovered by one of the parties hereto shall be brought to the attention of the other party hereto promptly in writing.

3. Counterparts:

This Contract may be executed and delivered, including execution and delivery by facsimile or portable data format (PDF) transmission, in counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

4. Prior Agreements:

This Contract, including the Specification and Plans and Exhibits, which are incorporated herein and made part of this Contract, and the Guaranty constitute the entire agreement of the parties with respect to the subject matter hereof and thereof and shall supersede any and all prior negotiations, understandings and agreements between the parties.

5. Amendments and Waivers:

Any provision of this Contract may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of any amendment, by each party to this Contract, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

6. Third Party Beneficiaries:

No provision of this Contract is intended to confer upon any party other than the parties hereto any rights or remedies hereunder.

7. Rules of Construction:

Unless the context otherwise requires:
a) “or” is not exclusive;
b) “including” means “including, without limitation”;
c) words in the singular include the plural and words in the plural include the singular;

d) for purposes of computation of periods of time hereunder, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”;

e) references in this Contract to Articles, Paragraphs, subparagraphs or Exhibits shall be to Articles, Paragraphs. subparagraphs or Exhibits of or to this Contract unless otherwise specifically provided;

f) the headings of the Articles, Paragraphs and other parts hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Contract; and

g) the term “contractor” includes “subcontractor” and vice versa.

ARTICLE XXII — LIMITATION OF LIABILITY; INDEMNIFICATION AND NO BROKERAGE; AND FEDERAL CONTRACTOR REQUIREMENTS

1. Limitation of Liability:

The parties confirm that the express remedies and measures of damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy or measure of damages therefor. If no remedy or measure of damages is expressly herein provided, the obligor’s liability shall be limited to direct actual damages only; such direct actual damages shall be the sole and exclusive remedy. The parties confirm and agree that under this Contract, notwithstanding anything to the contrary set forth herein, no party shall be required to pay or be liable for special, consequential, incidental, punitive, exemplary or indirect damages, including, without limitation, lost profit, revenue or business interruption damages, by statute, in tort, contract or otherwise. For clarity, the foregoing limitation of liability does not limit the liability of any party for direct lost profit damages under this Contract. To the extent any damages required to be paid hereunder are liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine, otherwise obtaining an adequate remedy is inconvenient and the liquidated damages constitute a reasonable approximation of the harm and loss.

2. Indemnification

The BUILDER shall also be responsible for, and shall defend, indemnify and hold harmless the BUYER and its agents against and from any and all loss, expense, attorneys’ fees, claims, actions or liability for injuries to or death of any person or persons including employees of the BUILDER and damage to property occurring at or prior to delivery of the VESSEL in the course of or in connection with the BUILDER’s performance of this Contract caused in whole or in part, or alleged to be caused in whole or in part, by any act of the BUILDER, its agents, employees or subcontractors or their employees, but only as and to the extent the liability is alleged to be that of the BUILDER, its agents, employees or subcontractors. It is the intention of the parties hereto that the indemnity provisions herein pertaining to employees of the BUILDER shall be effective despite the provisions of 33 U.S.C. § 905(b) as and to the extent that in any claim or action liability is alleged to be that of the BUILDER, its agents, employees, or subcontractors, it being agreed that for purposes of said section the VESSEL being constructed shall not become a “vessel” until such time as the VESSEL is officially documented by the United States Coast Guard and the Classification Society and becomes a vessel capable of being legally used for transportation of goods on water. The BUILDER’s indemnity set forth hereinabove shall not apply to any injury or death of any person or to any damage to or loss of property of third parties occurring in connection with the VESSEL after the delivery and acceptance of the VESSEL by the BUYER, provided that this exclusion shall not apply to claims for

injury or death of any person, or to any damage to or loss of property of third parties occurring prior to delivery but for which a claim is not instituted until after delivery and acceptance of the VESSEL by the BUYER.

3. Brokerage:

No third party shall be entitled to receive any brokerage commissions, finder’s fees, fees for financial advisory services or similar compensation in connection with the transaction contemplated by this Contract based on any arrangement or agreement made by or on behalf of the BUYER or the BUILDER.

4. Federal Contractor Requirements:

The BUILDER warrants that the BUILDER is not (a) a person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, U.S. Department of Treasury (“OFAC Listed Person”) or (b) a department, agency or instrumentality of, or is otherwise controlled by or acting on behalf of, directly or indirectly, any OFAC Listed Person or the government of a country subject to comprehensive U.S. economic sanctions administered by OFAC, currently Iran, Sudan, Cuba, Burma, Syria and North Korea.

ARTICLE XXIII — CONFIDENTIALITY; PUBLIC ANNOUNCEMENTS

1. Confidentiality:

a. All information and data disclosed by either party to the other party pursuant to this Contract is the sole and exclusive property of the disclosing party and shall be deemed proprietary, secret, and confidential, regardless of the manner in which it is or was delivered, disclosed or furnished, and whether prepared by or on behalf of the disclosing party and whether delivered, disclosed or furnished prior to, on or after the date of this Contract (collectively, “Confidential Information”); provided that Confidential Information does not include information:

(i) that was in the public domain at the time of the disclosing party’s communication thereof to the other;

(ii) that becomes publicly available after the communication thereof other than through a breach of this Confidentiality provision;

(iii) that was in the receiving party’s possession free of any obligation of confidentiality at the time of disclosure thereof; or

(iv) that was developed by the receiving party independently of and without reference to any Confidential Information or other proprietary information that the disclosing party has disclosed in confidence to the other.

b. The parties hereto agree that all Confidential Information shall remain the property of the disclosing party, shall be kept in strictest confidence by the receiving party, its parent and its and their directors, officers, direct employees,

contractors, attorneys and advisors, and other parties engaged to carry out a party's obligations hereunder and who need to know such information for such purpose (collectively, the "Party's Representatives"), and shall not be disclosed to any other party except as provided herein, without the express prior written consent of the disclosing party. Each party hereto hereby acknowledges (i) that a breach hereof by either party or its Party's Representatives may endanger and damage the other irreparably, and that (ii) money damages may not be a sufficient remedy for any such breach and that the non-breaching party may be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach. Each party agrees to be responsible for any breach of this Contract by its respective Party's Representatives.

c. The parties agree that Confidential Information may be retained and disclosed as follows:

(i) Confidential Information of the BUYER may be disclosed by the BUILDER to third parties as may be required for the design and construction of the VESSEL; and Confidential Information of the BUILDER may be retained and copied by the BUYER or any transferees of the VESSEL for the life of the VESSEL and may be disclosed by such parties to third parties as may be required in connection with the design, operation, repair, modification, chartering, insuring, financing, sale of the VESSEL; provided that in each case the BUILDER or the BUYER or a transferee has entered into a confidentiality agreement having provisions providing substantially the same protections as in this Article XXIII, Paragraph 1.

(ii) Confidential Information that is required to be disclosed by applicable law or by order of a court or governmental authority may be disclosed by either party; provided, however, that the receiving party will give notice to the disclosing party in sufficient time as to permit a protective order to be sought by the disclosing party thereon.

(iii) Confidential Information that is required to be disclosed to a regulatory body in furtherance of the purposes of this Contract, or that is required to be disclosed in a filing with the Securities and Exchange Commission or other government agency having jurisdiction over a party may be disclosed by such party, provided, however, that to the extent such regulatory bodies or government agencies permit a party to assert a claim of confidentiality with respect to such filings, the party making the filings will assert the same.

2. Public Announcements:

The parties hereto will coordinate the issuance of any public announcement (including a press release or public filing) by them or their affiliates with respect to this Contract and the transactions contemplated hereby (an "Announcement"). Neither any party hereto nor any of its affiliates may issue an Announcement unless that party has consulted with and received approval for such Announcement from each other party hereto with respect to the content and timing of such Announcement; provided that a party hereto or its affiliates may make an Announcement as may be required by applicable law or any

listing agreement related to the trading of the shares of such party or its affiliates on any securities exchange without such approval upon advance written notice to each other party.

ARTICLE XXIV — OPTIONS

1. Options:

The BUILDER hereby grants to the BUYER options (each, an "Option"), to be exercised on or before [***] (such date, as it may be extended from time to time by mutual agreement of the parties, the "Option Expiration Date"), to purchase up to three additional ships (each, an "Option Vessel") to be constructed and sold by the BUILDER immediately after the ships being built under this Contract and the Second Contract, with substantially the same specifications as the VESSEL, on the terms set forth in this Contract and the Second Contract, but with changes to the Original Contract Price and Original Delivery Date, and with the differential cost of any design changes, to be agreed to between the BUYER and the BUILDER. The parties confirm that the vessel constructed and sold by the BUILDER pursuant to the Second Contract is not considered one of the Option Vessels. The BUYER may exercise any Option by giving written notice of exercise to the BUILDER prior to the Option Expiration Date, provided that if the BUYER exercises less than all of the Options, the Options must be exercised in numerical order based on the BUILDER's hull numbers.

2. Right of First Refusal:

The BUILDER hereby grants to the BUYER a right of first refusal (a "First Refusal Right"), to be exercised during the period commencing on the Option Expiration Date and ending six (6) months after the Option Expiration Date (such date, the "FRR Expiration Date" and such period, the "FRR Period"), to purchase up to three additional ships (each, a "FRR Vessel") to be constructed and sold by the BUILDER in the building slots for Hulls 031-033, with substantially the same specifications as the VESSEL, on the terms set forth in this Contract and the Second Contract, but with changes to the Original Contract Price and Original Delivery Date, and with the differential cost of any design changes, to be agreed to between the BUYER and the BUILDER. The parties confirm that the vessel constructed and sold by APSI pursuant to the Second Contract is not considered one of the FRR Vessels; however, each of the Option Vessels will be considered one of the FRR Vessels. For example, if the BUYER exercises an Option with respect to an Option Vessel, then the maximum number of FRR Vessels shall be reduced from three to two. During the FRR Period, the BUILDER will notify the BUYER if the BUILDER is having serious discussions with a third party to build vessels in the building slots for Hulls 031-033 (a "FRR Builder Notice"). The BUYER may exercise the First Refusal Right with respect to one or more FRR Vessels by giving written notice of exercise to the BUILDER within seven (7) days after receipt of the FRR Builder Notice (a "FRR Buyer Notice"), provided that such

exercise shall become effective or deemed rescinded as set forth in the last two sentences of this paragraph. Upon receipt of the FRR Buyer Notice, and for a period of fourteen (14) days thereafter, the BUILDER and the BUYER will negotiate in good faith to enter into a mutually

acceptable term sheet for the construction and sale of the FRR Vessel(s) subject to the FRR Buyer Notice (the "Term Sheet"). If the BUILDER and the BUYER enter into the Term Sheet within such 14-day period, then the exercise of the First Refusal Right with respect to the FRR Vessel(s) subject to the FRR Buyer Notice shall become effective. If the BUILDER and the BUYER do not enter into the Term Sheet within such 14-day period, then the exercise of the First Refusal Right with respect to the FRR Vessel(s) subject to the FRR Buyer Notice shall be deemed rescinded and the BUYER may exercise such First Refusal Right again in accordance with this Article XXIV. For clarity, the BUYER may not exercise such First Refusal Right again unless and until the BUILDER provides a FRR Builder Notice with respect to serious discussions with a different third party to build vessels in the building slots for Hulls 031-033.

3. Closing:

With respect to each Option or First Refusal Right that is exercised and becomes effective in accordance with this Article XXIV, not more than sixty (60) days after the exercise of such Option or thirty-nine (39) days after the signing of the Term Sheet, as applicable, the BUILDER and the BUYER shall use good faith efforts to do or cause to be done the following: (a) the BUILDER and the BUYER shall enter into a shipbuilding contract for the Option Vessel or RFF Vessel, as applicable (each such shipbuilding contract, an "Additional Shipbuilding Contract") on the same terms and conditions (other than the Original Contract Price and the Original Delivery Date, which shall be mutually agreed-upon by the parties) as those set forth in this Contract and the Second Contract; and (b) the Guarantor shall execute and deliver to the BUYER a guaranty with respect to the Additional Shipbuilding Contract (each such guaranty, an "Additional Guaranty") on the same terms and conditions as those set forth in the Guaranty. If the parties do not enter into the Additional Shipbuilding Contract and Additional Guaranty with respect to the Option Vessel or FRR Vessel, as applicable, within such 60-day or 39-day period, as applicable, for any reason (including, without limitation, they fail to mutually agree upon the Original Contract Price and/or Original Delivery Date), then the exercise of the Option for the Option Vessel or the First Refusal Right for the FRR Vessel, as applicable, shall be deemed rescinded and the BUYER may exercise such Option or First Refusal Right again in accordance with this Article XXIV. For clarity, the BUYER may not exercise such First Refusal Right again unless and until the BUILDER provides a FRR Builder Notice with respect to serious discussions with a different third party to build vessels in the building slots for Hulls 031-033.

[*Remainder of this page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Shipbuilding Contract to be duly executed as of the date first written above.

AKER PHILADELPHIA SHIPYARD, INC.

By: /s/ Kristian Rokke
Kristian Rokke
President and Chief Executive Officer

MATSON NAVIGATION COMPANY, INC.

By: /s/ Ronald J. Forest
Name: Ronald J. Forest
Title: Senior Vice President

Signature page to
Shipbuilding Contract — Hull No. 29

Exhibit 1 Schedule of Milestone Payments for Each Vessel

The milestone payments are intended to be as cash neutral as practical. If at any time either party expects the scheduled milestone payments will have a material variance from being cash neutral, the parties shall discuss if any adjustments to the percentages for the remaining payments should be made.

Milestones:	Payment (% of Contract Price)
Contract Signing	2%
Completion of Plan Approval	[***]%
Completion of 50 t SOLAS block	[***]%
Completion of second 50 t block	[***]%
Completion of first Grand Block	[***]%
First Dock Mounting	[***]%
Skidding	[***]%
Main Engine onboard	[***]%
Launch	[***]%
Delivery	[***]%
Guarantee Payment	[***]%

Milestone	Definition

Contract Signing	Contract signing date.
Completion of Plan Approval	The date that 90% of drawings have been approved by GL
Completion of 50 t SOLAS block	GL inspection of first complete 50 Ton Block (defines SOLAS keel laying date).
Completion of second 50 t block	GL inspection of second complete 50 Ton Block
Completion of first Grand Block	Completion of first Grand Block larger than 200 t
First Dock Mounting	Placement of the first grand block in the graving dock which has been painted, inspected and accepted by the BUYER and the Classification Society.
Skidding	Skidding of the Vessel in the graving dock to its southern building position
Main Engine onboard	Mounting of the Vessel's Main Engine in the hull of the ship in the graving dock, after all required prior blocks of the Vessel have been landed in the graving dock.
Launch	The Vessel is safely free floating alongside the quay; provided that the outside hull of the Vessel is then fully welded and the Classification Society confirms, in writing, that there is an adequate completion of the hull for launching.
Delivery	Delivery of the Vessel.

Exhibit 2 Milestone Certificate

Hull No. (the "Vessel") under the Shipbuilding Contract dated the 6th day of November 2013, made between Matson Navigation Company, Inc. (BUYER) and Aker Philadelphia Shipyard, Inc. (BUILDER).

We hereby certify in connection with the building of the Vessel that: _[milestone X] has been completed as substantiated by the attached documentation [Attach relevant documentation, such as pictures, class verification of milestone, tonnage calculations etc.].

Dated: , 201

For and on behalf of

AKER PHILADELPHIA SHIPYARD, INC.
BUILDER

By; _____
Title; _____

For and on behalf of

MATSON NAVIGATION COMPANY, INC.
BUYER

By; _____
Title; _____

Exhibit 3 Escrow Instructions

[bank]

Attention: Escrow Office

Dear Sir:

The undersigned, MATSON NAVIGATION COMPANY, INC. (the "BUYER") and AKER PHILADELPHIA SHIPYARD, INC. (the "BUILDER") have entered into a certain Shipbuilding Contract dated November 6, 2013, for construction of one (1) Containership (the "Contract"), a copy of which is provided to you herewith for your information.

The BUYER and the BUILDER have designated you as Escrow Holder to hold the amount of the Guarantee Payment and any disputed amounts as may be paid into escrow pursuant to the Contract.

The following shall constitute the joint Escrow Instructions of the BUYER and the BUILDER:

1. All Guarantee Payment amounts paid into escrow by the BUYER shall be held by you for a period of 12 months after the date of receipt by you of said amounts, and thereafter for such additional period as may be jointly advised to you in writing by the BUYER and the BUILDER before the expiration of such 12-month period, and promptly upon the expiration of such initial 12-month period or additional period, as applicable, said amounts shall be paid to the BUILDER, except for such amounts as the BUYER shall have made written demand on you to retain.

2. All disputed amounts paid into escrow by the BUYER shall be held by you until your receipt of joint written instructions of both parties hereto to release such amounts.

3. Any and all amounts paid into escrow may be paid out earlier than herein provided upon the joint written instructions of both parties hereto.

4. All amounts held by you shall be deposited in 30-day time deposits with a minimum rating of A-1 / P-1 bearing interest at the prevailing rates for such deposits, unless otherwise instructed by both parties hereto and approved by you, such approval not to be unreasonably withheld. Instructions by the parties and approved by you to make any other investment must be in writing and shall specify the type and identity of the investments to be

purchased and/or sold. Interest shall be accumulated, accounted for separately, and deposited in like time deposits or other investments. All earned interest shall be paid to the parties in the same proportion as the principal amounts are paid out.

5. During the period or periods that you hold monies in escrow under this agreement, a monthly itemized accounting of all transactions by the BUYER and/or the BUILDER shall be provided to each party. Said accounting shall reflect receipts into the account, disbursements from the account and accumulated interest earned on the funds held in the account.

6. The copy of the Contract provided is for your general information and you shall not be concerned with the contents thereof.

BUYER:

MATSON NAVIGATION COMPANY, INC.

By: _____

Its: _____

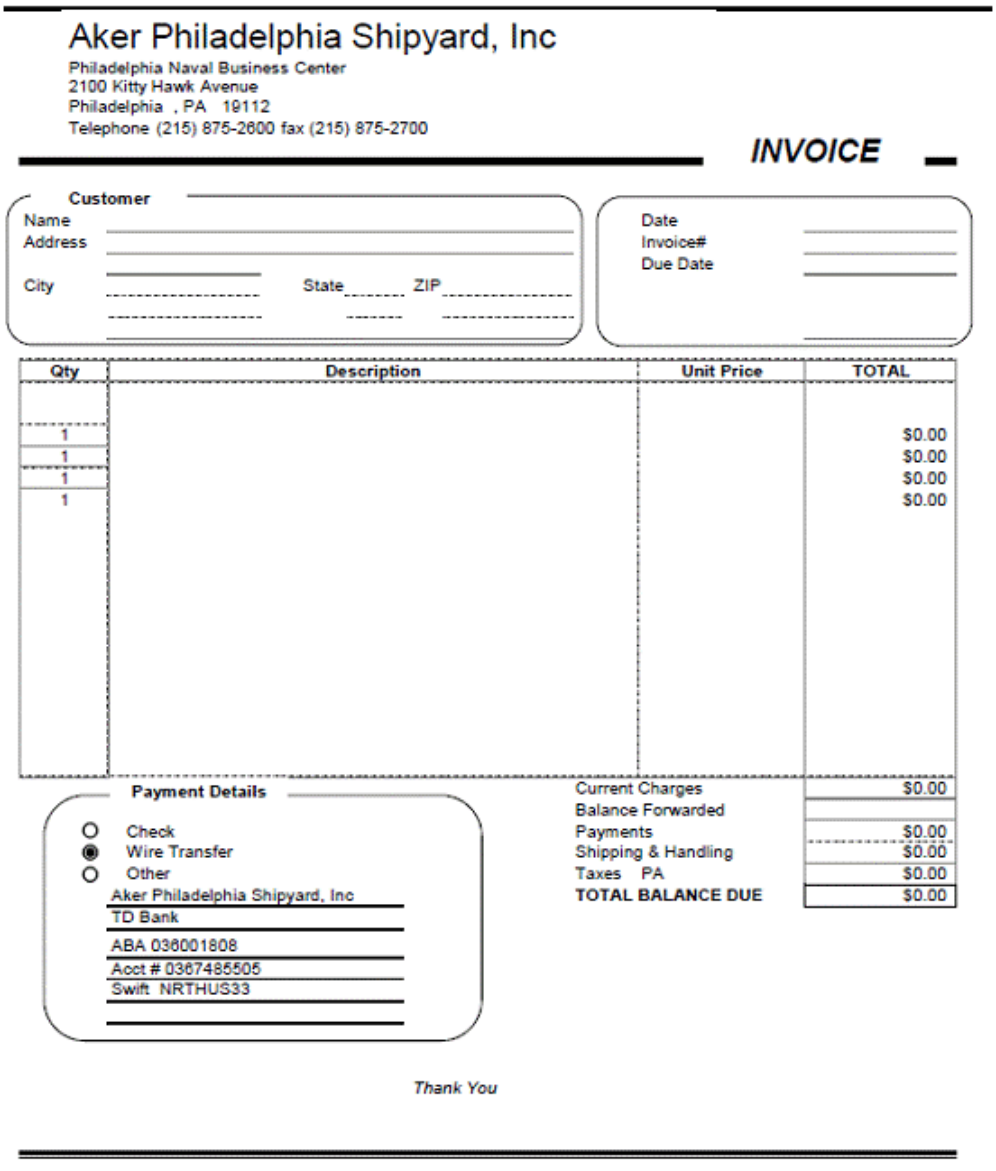
BUILDER:

AKER PHILADELPHIA SHIPYARD, INC.

By: _____

Its: _____

Exhibit 4 Form of Invoice



Aker Philadelphia Shipyard, Inc

Philadelphia Naval Business Center
2100 Kitty Hawk Avenue
Philadelphia , PA 19112
Telephone (215) 875-2600 fax (215) 875-2700

INVOICE

Customer
Name
Address
City State ZIP

Date
Invoice#
Due Date

Qty	Description	Unit Price	TOTAL
1			$0.00
1			$0.00
1			$0.00
1			$0.00

Payment Details

- Check
- Wire Transfer
- Other

Aker Philadelphia Shipyard, Inc
TD Bank
ABA 036001808
Acct # 0367485505
Swift NRTHUS33

Current Charges	$0.00
Balance Forwarded	
Payments	$0.00
Shipping & Handling	$0.00
Taxes PA	$0.00
TOTAL BALANCE DUE	$0.00

Thank You

Exhibit 5 Sample Steel Adjustment Calculation

Month	Steel	CRU Index

	Ordered (metric tons)		
1	750	$	719
2	1000	$	819
3	1000	$	919
4	2000	$	1,100
5	2000	$	1,100
6	2000	$	1,100
7	2000	$	1,100
8	2000	$	1,100
9	1000	$	1,100
10	1000	$	1,100
11	250	$	1,100
Total	15000	$	1,050

$ [***]	Base Steel Price
$ 1,050.00	Actual Steel Price
$ [***]	Contract Price Adjustment

Exhibit 6 Form of Change Order

CHANGE ORDER FORM

SHIPBUILDING CONTRACT FOR HULL NO.: 29

BUILDER CHANGE ORDER NUMBER:

DATE OF CHANGE ORDER:

BUYER: MATSON NAVIGATION COMPANY, INC.

BUILDER: AKER PHILADELPHIA SHIPYARD, INC.

The Contract is changed as follows: *(attach additional documentation if necessary)*

Adjustment to Contract Price *(if any)*:

The Contract Price will be (increased) (decreased) (unchanged) by this Change Order in the amount of United States Dollars

Changes to Adjusted Delivery Date *(attach additional documentation if necessary)*:

The Adjusted Delivery Date will be (increased) (decreased) (unchanged) by ( ) Days.

The Adjusted Delivery Date as a result of this Change Order therefore is , 201 .

Impact to other Changed Criteria *(insert N/A if no changes or impact; attach additional documentation if necessary)*:

Describe as Appropriate:

Impact on Appurtenances and/or Materials:

Impact on Planned Program:

Impact on Specifications:

Impact on Containers:

Impact on other Vessel Particulars:

Other impacts to liability or obligation of BUILDER or BUYER under the Contract:

Upon execution of this Change Order by BUYER and BUILDER, the above-referenced change(s) shall become a valid and binding part of the original Contract without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Contract shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

MATSON NAVIGATION COMPANY, INC. **AKER PHILADELPHIA SHIPYARD, INC.**

BUYER	BUILDER
Name	Name
Title	Title
Date of Signing	Date of Signing

Exhibit 7 Freedom of Liens Certificate

AKER PHILADELPHIA SHIPYARD, INC. (the "BUILDER"), in accordance with the provisions of that certain Shipbuilding Contract dated November 6, 2013, (the "Contract") with MATSON NAVIGATION COMPANY, INC. ("BUYER") providing for the construction of one containership, BUILDER's Hull No. 29 (the "VESSEL"), hereby certifies that as of the date of this Certificate:

(a) the VESSEL, all work in process with respect to the VESSEL, and all materials, components, equipment, machinery or supplies incorporated into the VESSEL or located at the BUILDER's Shipyard or other facilities and to be incorporated into the VESSEL, and all BUYER's Supplies, whether located at the BUILDER's Shipyard or other facilities, are free and clear of any and all Liens in favor of BUILDER and in favor of BUILDER's contractors, subcontractors, materialmen, workmen, or vendors other than those Liens resulting from an act or omission on the part of the BUYER, and Liens previously disclosed to BUYER that BUILDER is contesting in accordance with Article XVI, Paragraph 2(c) of the Contract;

(b) the BUILDER (i) for itself hereby expressly waives and releases any and all such Liens referred to in (a) above, and (ii) has secured effective waivers and releases of such Liens referred to in (a) above from BUILDER's contractors, subcontractors, materialmen, workmen, or vendors; and

(c) all taxes, assessments and duties lawfully assessed or levied, and due to date, against the VESSEL, work and material or against the materials, components, equipment, machinery, or supplies furnished to the BUILDER in the performance of the Contract, except any such taxes, assessments and duties that are being contested in good faith by the BUILDER, have been paid.

The capitalized terms used herein which are defined in the Contract or by reference therein to other documents, shall have the respective meanings stated in the Contract or such other documents.

IN WITNESS WHEREOF, BUILDER has caused this Certificate to be duly executed and delivered this day of , 201 .

AKER PHILADELPHIA SHIPYARD, INC. BUILDER

By _____

Title _____

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT A CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION: [***]

SHIPBUILDING CONTRACT
Vessel Type Aloha Class- HULL NO. 30

Contents

SHIPBUILDING CONTRACT
Vessel Type Aloha Class- HULL NO. 30

THIS SHIPBUILDING CONTRACT (this "Contract") is made as of November 6, 2013 by and between AKER PHILADELPHIA SHIPYARD, INC., a corporation organized under the laws of Pennsylvania, having its principal office at 2100 Kitty Hawk Avenue, Philadelphia, PA 19112 (hereinafter called the "BUILDER"), and MATSON NAVIGATION COMPANY, INC., a corporation organized under the laws of Hawaii, having its corporate offices at 555 12th Street, Oakland, CA 94607 (hereinafter called the "BUYER").

WITNESSETH:

WHEREAS, the BUILDER agrees to design, engineer, build, launch, equip, outfit, install or load the BUYER's Supplies, as hereinafter defined, test, complete at its Philadelphia shipyard (hereinafter called the "Shipyard") and sell and deliver to the BUYER one (1) containership of the Aloha Class designated as the BUILDER's Hull No. 30, more fully described in Article 1 hereof (hereinafter called the "VESSEL"), and the BUYER agrees to purchase and take delivery of the VESSEL from the BUILDER and to pay for the same, upon the terms and subject to the conditions hereinafter set forth;

WHEREAS, concurrent with the execution of this Contract, the BUYER and the BUILDER have executed a Shipbuilding Contract of even date herewith for the purchase of one (1) additional containership of the Aloha Class designated as the BUILDER's Hull No. 29 (hereinafter called the "Second Contract"); and

WHEREAS, concurrent with the execution of this Contract, Aker Philadelphia Shipyard ASA (the "Guarantor") has executed the Guaranty Agreement dated as of the date hereof guarantying the performance of this Contract by the BUILDER (the "Guaranty").

WHEREAS, in consideration of the mutual covenants herein, intending to be legally bound, the parties agree as follows.

ARTICLE I — DESCRIPTION AND CLASS

1. Description:

The VESSEL shall have the BUILDER's Hull No. 030 and shall be designed, engineered, constructed, equipped, outfitted, installed or loaded with BUYER's Supplies, tested and completed by BUILDER in accordance with the provisions of this Contract, and the Specification, as defined herein. The Specification for the construction of the VESSEL called "Aloha Class Specification," Document No. 029-0101-80-201-A, Rev. 2, dated October 25, 2013, and the related drawings and plans identified in the Specification, including the General Arrangement, Document No. G-00-20 Rev. 1, the Container Stowage Plan, Document No. G-30-14 Rev. 1, and the Capacity Plan, Document No. G-30-10 Rev. 1, are hereby adopted and agreed and made a part of this Contract with the same force and effect as though herein set out in full (herein collectively called the "Specification"). It is further understood by the parties that modifications to the Specification may be required to adjust to the BUILDER's building

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methodologies and practices and the same shall be submitted to the BUYER for the BUYER's approval, which shall not be unreasonably withheld. The BUYER will work with the BUILDER to reach agreement on a specification that meets the technical requirements while at the same time addresses the required goals of the BUILDER for maximizing productivity and minimizing unnecessary costs. The VESSEL shall be constructed, equipped, and maintained to qualify for the ratings of the Germanischer Lloyd (GL) classification society (herein called the "Classification Society"), as described in the Specification, and to be eligible for U. S. registry and U.S. coastwise trade endorsements.

2. Dimensions and Characteristics:

The VESSEL shall have the following dimensions and characteristics and the other dimensions and characteristics stated in the Specification:

Dimensions:

Overall length:	260.3 m
Length between P.P.:	246.5 m
Breadth moulded:	35.0 m
Depth moulded:	21.0 m
Design draft:	[***] m
Scantling draft	12.2 m

Cargo Capacity:

The VESSEL's deadweight shall be approximately 51,400 metric tons, corresponding to a mean draft in seawater (specific gravity 1.025 metric tons/m3) of 12.2 m. The specified deadweight shall include the items as listed in the Specification.

Container Carrying Capacity:

The VESSEL's container carrying capacity shall be 3,596 TEUs and as otherwise set out in the Specification, of which [***] TEUs are loadable hi-cube containers at a homogeneous weight of [***] MT per TEU (hereinafter the "Guaranteed Loadable Container Capacity").

Propulsion Machinery:

Type: Reversible slow speed two stroke dual fuel gas injection diesel engine.
Max. Continuous power (MCR) approx. 38,000 kW.

Auxiliary Generators:

Type: 4 (four stroke) dual fuel gas injection diesel generators.
Max. continuous power approx. 2 (two) 1,620 kW @ 900 rpm; 2(two) 2,430 kW @ 900 rpm.

Speed:

The VESSEL's average speed on a sea trial undertaken in both directions over a measured distance, with clean hull, in calm weather, wind and sea not exceeding Beaufort [***] and with draft [***] m, shall be at least [***] knots with the main engine at NCR of [***] kW and with [***]% sea margin (the "Guaranteed Speed").

Early in the design process ship model tests shall be conducted to refine the hull form and improve the overall efficiency over the range of operating drafts and trims anticipated for the VESSEL for the intended service. Model tests shall be conducted at the drafts defined in the Specification but including the design draft, a deep ballast draft and the Summer Load Line draft. In addition, the model basin shall be tasked with providing a procedure for extrapolating the actual sea trial ship speed at a ballast condition to the speed at the design draft and main engine NCR power with [***]% sea margin. This procedure shall be submitted to the BUYER for approval along with the Model Test report.

The sea trial test for determination and verification of the VESSEL's speed at the design draft and main engine NCR shall be based on the following:

1. The sea trial speed test shall be conducted in water with a depth greater than 100m and at a deep ballast draft corresponding to the model tests.

2. Weather and sea conditions shall be Beaufort 6 or less, subject to approval of both parties.

3. Assessment of the distance traveled for determining the performance speed shall be conducted by means of DGPS (Differential Global Positioning System).

4. The influence of rudder helm during the test shall be avoided.

5. The speed trial shall consist of runs in alternate directions at each of four power levels defined in the Specification.

6. Results of speed trial shall be corrected to calm water (no wind, no waves, no current) according to ISO 15016 “Ships and Marine Technology — Guidelines for the Assessment of Speed and Power Performance by Analysis of Speed Trial Data”.

7. The results of the speed trial at the ballast condition shall be projected, based on the model test results and the procedure developed by the model basin and approved by BUYER, to determine the speed at the design draft and main engine NCR power level with [***]% sea margin.

Fuel Consumption:

The fuel consumptions of the main engine on the test bed shall not exceed [***] grams per kW per hour plus a [***]% tolerance when the engine develops [***]% of SMCR under ISO conditions for Ultra Low Sulfur MGO and shall not exceed [***] kJ/kWh of total energy consumption plus [***]% tolerance on Natural Gas from Liquefied Natural Gas (“LNG”)(hereinafter the “Guaranteed Fuel Consumption of the Main Engine”).

The fuel consumptions of the diesel generators on the test bed shall not exceed [***] grams per kW per hour plus a [***]% tolerance under ISO conditions for Ultra Low Sulfur MGO or [***] kJ/kWh of total energy consumption plus a [***]% tolerance for Natural Gas from Liquefied Natural Gas (hereinafter the “Guaranteed Fuel Consumption of the Diesel Generators”).

3. Classification, Rules and Regulations:

The VESSEL, including its machinery, equipment and outfittings shall be constructed in accordance with the rules of and under special survey of the Classification Society, with the following class notation: Maltese Cross 100A5, Container Ship, Maltese Cross MC, AUT, RSD, GF, NAV-INS, IW, CM-PS, BWM (D2), LC, RSCS, EP-D, DG (herein referred to as the “Class”). Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER a classification certificate with such class notations in accordance with Paragraph 3(d), Article VII hereof. Decisions of the Classification Society as to compliance or non-compliance with the rules thereof shall be final and binding upon both parties hereto.

In its performance of the work under this Contract, the BUILDER shall comply with all applicable laws, rules, regulations, and requirements of the regulatory bodies, which term shall include the Classification Society, the U.S. Coast Guard, and as set forth in the Specification. At delivery thereof, the VESSEL shall be built and equipped in compliance with all rules and regulations for registration under the flag of the United States of America with a Coastwise endorsement and have all certificates and meet all rules, regulations requirements of the Classification Society and of the regulatory bodies required for operation of the VESSEL in the foreign and domestic trades of the United States as described in the Specification. If work in addition to work required by the Specification is required as a result of any statute enacted after the date of execution of this Contract, or by regulations or rules adopted by any of the regulatory bodies after such date, said work shall be performed pursuant to a Change Order under Article V.

All fees and charges incidental to the classification and with respect to compliance with the above referred rules, regulations and requirements applicable as of the date of this Contract shall be for account of the BUILDER.

4. Subcontracting:

The BUILDER may, at its sole discretion and responsibility, subcontract portions of the construction work of the VESSEL. However, to subcontract more than 15% of the total hull steel weight to a single contractor, the BUILDER will need the prior written consent of the BUYER. The BUILDER shall nevertheless always be responsible under this Contract for the quality, workmanship and materials of the VESSEL (excluding, however BUYER’s Supplies). The BUYER’s rights hereunder shall not be in any way reduced in respect of such subcontracted work.

5. Makers List

A makers list of the equipment and machinery for the VESSEL is in Document No. 4059-0101-80-204 revision dated August 2, 2013 (the “Makers List”). The BUILDER shall have the right to select any of the suppliers listed on the Makers List and may, subject to the BUYER’s prior written approval, select additional suppliers not listed on the Makers List. The BUILDER will advise the BUYER of individual suppliers selected by the BUILDER at least 30 days prior to any order being placed. If the BUYER requests the BUILDER to order any equipment or machinery from a supplier not selected by the BUILDER from the Maker’s List, the BUILDER will take reasonable steps to comply with such request, but the BUILDER may refuse to comply with the request unless the BUYER assumes the responsibility for the price and schedule impacts and for possible technical deficiencies, if any, compared with the BUILDER nominated supplier. The BUILDER assumes the responsibility for the price and schedule impacts and, subject to ARTICLE IX, for possible technical deficiencies for the BUILDER nominated supplier.

6. Registration:

The VESSEL shall be registered by the BUYER at its own cost and expense.

ARTICLE II — CONTRACT PRICE AND TERMS OF PAYMENT

1. Contract Price:

The purchase price of the VESSEL is ONE HUNDRED NINETY NINE MILLION FIVE HUNDRED THOUSAND DOLLARS ($199,500,000) (herein called the “Original Contract Price”). The purchase price of the VESSEL is exclusive of BUYER’s Supplies as provided in Article XVIII hereof. The Original Contract Price shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract (herein called

the "Contract Price"). The Contract Price is inclusive of all sales, use, excise taxes and customs duties paid or payable with respect to the delivery and acceptance of the VESSEL, and all federal and state income taxes payable by the BUILDER.

The Contract Price includes a BUYER's allowance of up to [***] DOLLARS ($[***]) for spares including the propeller and tailshaft and other supplies to be selected by the BUYER which the BUILDER shall purchase, arrange for delivery and put these supplies on the VESSEL prior to delivery, at the BUILDER'S cost. Any unexpended amounts of this allowance shall be paid to the BUYER or offset against amounts due the BUILDER at delivery of the VESSEL.

2. **Terms of Payment**:

a. The BUYER shall pay the Contract Price to the BUILDER in: (i) a series of Milestone Payments throughout the construction period as provided in Paragraph 2(b) of this ARTICLE II; (ii) a Delivery Payment as provided in Paragraph 2(c) of this ARTICLE II; and (iii) a Guarantee Payment as provided in Paragraph 2(d) of this ARTICLE II.

b. Milestone Payments shall be calculated as set forth in Exhibit 1. The first Milestone Payment shall be made concurrent with execution of this Contract and the Milestone Payment for Delivery shall be made concurrent with delivery of the VESSEL as provided in subparagraph (c) below. Each other Milestone Payment shall be made within fifteen (15) business days after the BUYER's receipt of an invoice for such Milestone Payment from the BUILDER. The BUILDER's invoice for each Milestone Payment shall be accompanied by the Certificate executed by an officer of the BUILDER and the BUYER certifying as to completion of the applicable milestone and including a no lien's representation, in the forms set forth in Exhibits 2 and 7, supported by such other documentation as reasonably may be required by the BUYER.

c. The Delivery Payment in the amount set forth in Exhibit 1 shall be paid at delivery of the VESSEL, subject to (i) deferral of payment of the amounts stated in the Delivery Certificate agreed to be withheld under the provisions of ARTICLE VII, Paragraph 2, and (ii) less the amount of liquidated damages, if any, at the time of delivery claimed by the BUYER pursuant to ARTICLE III. If there shall be any dispute as to the amount payable, then the BUYER shall deposit the disputed amount into escrow in accordance with subparagraph 2(c) of Article VII.

d. The Guarantee Payment in the amount set forth in Exhibit 1, less the amount of liquidated damages, if any, agreed to be withheld pursuant to ARTICLE III, shall be deposited by the BUYER at the delivery of the VESSEL into escrow subject to the Escrow Instructions in the form of Exhibit 3 (the "Escrow Instructions") and shall be paid to BUILDER as and when provided under subparagraph 5(f) of ARTICLE IX.

e. The BUYER shall be entitled to withhold from any payment any liquidated damages that are payable under ARTICLE III.

f. No payments shall be made by the BUYER to the BUILDER except upon invoices submitted in the form set forth in Exhibit 4 executed and certified by the BUILDER in such manner as the BUYER may reasonably prescribe. Except for the first Milestone Payment, all payments shall be supported by the certificate as provided in Paragraph (d) or (e) of ARTICLE XVI, and in the case of Milestone Payments, by the Certificate and any additional information required by Paragraph 2(b) of this ARTICLE II.

g. Any increase or decrease in the Contract Price resulting from a Contract Change under ARTICLE V shall be deemed a part of the Contract Price for the purpose of determining the payments under this ARTICLE II. Timing of payments or credits for a Contract Change will be mutually agreed as part of the Contract Change under Article V.

3. **Method of Payment**:

The BUYER shall remit the amount of each of the payments required by Paragraph 2 of this Article II by wire transfer in accordance with wire instructions provided by the BUILDER to the BUYER.

4. **Adjustment for Increase or Decrease in Steel Cost**:

The Contract Price shall be subject to adjustment to reflect any increase or decrease in the cost of steel, determined in accordance with this Paragraph 4. The steel cost adjustment shall be computed using the following formula:

$[***] x ((Actual Steel Price / Base Steel Price) — 1)

For purposes of this calculation:

"Actual Steel Price" means the weighted average of the monthly values of the Index published for the months during which the BUILDER actually orders each amount of steel for the VESSEL. The Actual Steel Price shall be expressed as value/short ton.

"Base Steel Price" means $[***]/short ton ($[***]/metric ton).

"Index" means the CRU Plate Index for A36 Plate as published by the CRU / The Independent Authority™ (CRU) in London, England.

Upon completion of the VESSEL, the BUILDER shall compute the steel cost adjustment to the Contract Price pursuant to this Paragraph 4. If a positive adjustment results, the BUILDER shall invoice the BUYER and the BUYER shall pay such amount at delivery of the VESSEL. If a negative adjustment results, the BUILDER shall credit such amount against the delivery payment for the VESSEL.

An example of the steel cost adjustment is attached hereto as Exhibit 5 and is incorporated herein and made part of this Contract.

5. **LNG Option**:

The BUYER may, at its option, on or before January 30, 2015 exercise the change described in the Specification as Priced Option #1. If this option is exercised, then (a) the Contract Price shall be increased by TWENTY MILLION FIVE HUNDRED THOUSAND DOLLARS ($20,500,000) ("LNG Option Purchase Price"), and (b) the Delivery Date shall be extended by fourteen (14) days. All materials and components associated with this change shall be to the BUILDER's account. If there is a change (increase or decrease) between the pricing currently in effect for LNG tanks and cryogenic equipment (as evidenced by the quotes provided by the BUILDER to the BUYER on or prior to November 6, 2013) and the pricing for the same scope of supply as of the date of the exercise of the option, and such increase or decrease exceeds $300,000, then the parties shall work together to adjust the LNG Option Purchase Price to reflect such change.

ARTICLE III — LIQUIDATED DAMAGES AND TERMINATION RIGHTS

The Contract Price shall be subject to adjustment, as hereinafter set forth, in the event of the following contingencies (it being understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty). The BUYER shall be entitled to offset or recoup from payments of the Contract Price as provided in Article II liquidated damages, or to exercise the below rights, upon the occurrence of the following:

1. **Delivery**:

a. The BUILDER shall not pay liquidated damages for the first [***] ([***]) days of delay of the delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof (ending at twelve o'clock midnight of the [***] ([***]) day of delay) (the "Grace Period"). If the last day of the Grace Period does not fall on a Business Day, then the Grace Period shall be extended to the immediately following Business Day. "Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in New York, NY.

b. But, if the delay in delivery of the VESSEL should continue for a period in excess of the Grace Period, then in such event, the BUILDER shall be responsible to the BUYER for payment of liquidated damages in the amount of [***] DOLLARS ($[***]) per day for each day that the delivery of the VESSEL is delayed beyond the end of the Grace Period. The total amount of liquidated damages shall not, however, exceed the amount that would be payable in the case of a delay of [***] ([***]) days beyond the end of the Grace Period. If the delay in delivery of the VESSEL should continue for a period in excess of [***] ([***]) days beyond the end of the Grace Period, then BUYER may at its option terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the expiration of the aforementioned [***] ([***]) days of delay in delivery beyond the end of the Grace Period, if the BUYER has not served notice of termination as provided in Article X hereof, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within fifteen (15) days after such demand is received by the BUYER, notify the BUILDER of its intention either to terminate this Contract or to consent to the acceptance of the VESSEL at an agreed future date; it being understood by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of termination upon the same terms and conditions as hereinabove provided. For clarity, the BUILDER shall not be responsible for, and the BUYER shall not be entitled to receive, liquidated damages for any day of delay of delivery of the VESSEL on account of Permissible Delay as defined in Article VII, Paragraph 1(b).

2. Insufficient Speed

a. The Guaranteed Speed is set forth in Article 1. The Contract Price shall not be affected or changed by reason of the speed of the VESSEL being less than the Guaranteed Speed minus 0.2 knots. However commencing with and including a deficiency of below the Guaranteed Speed, liquidated damages shall be payable as set forth below:
    1. From 0.2 up to and including 0.5 knots below at $[***] per 0.1 knot below,

    2. From 0.6 up to and including 1 knots below at $[***] per 0.1 knot below, and

b. If the deficiency in the Vessel Speed is more than 1 knot, the BUYER shall have the option of a total of $[***] deduction; or a right to reject the VESSEL and terminate this Contract.

3. Excessive Fuel Consumption of the Main Engine

a. The Guaranteed Fuel Consumptions of the Main Engine for Ultra Low Sulfur MGO, Heavy Fuel Oil or Natural Gas from Liquefied Natural Gas are set forth in Article 1. The actual fuel consumptions of the main engine shall be determined by separate shop trials of the model of the VESSEL main engine on the test stand at the manufacturer's Factory Authorized Test.

b. The Contract Price shall not be affected or changed by reason of the fuel consumption of the main engine being more than the Guaranteed Fuel Consumption of the Main Engine up to [***]% over of the Guarantee for Ultra Low Sulfur MGO, Heavy Fuel Oil or Natural Gas from Liquefied Natural Gas. However liquidated damages will be assessed for consumption in excess of the guarantee as follows:

    1. Payment of [***] Dollars ($[***]) for each full gram/kWh above the [***]% tolerance;
    2. Except as provided in subparagraph 3 below, the total amount payable shall not exceed [***] Dollars ($[***]); and
    3. If after all efforts and remedies, the Main Engine fuel consumption is more than [***]% above the Guaranteed Fuel Consumption, the liquidated damages will be [***] ($[***]).

4. Insufficient Loadable Container Capacities

a. The Guaranteed Loadable Container Capacities of the VESSEL are set forth in Article 1 and the Specification.

b. If the aggregate loadable container capacity of the VESSEL of TEUs consisting of hi-cube containers at a homogeneous weight of [***] MT per TEU as determined by the Cargomax load program software utilizing the input data defined by the BUILDER is less than the Guaranteed Loadable Container Capacity, the BUYER shall have the option to: (i) obtain payment of liquidated damages at $[***] for each hi-cube TEU lost or (ii) reject the VESSEL and terminate this Contract.

5. **Effect of Termination and Offset**:

Notwithstanding any other provision of this Article III, it is expressly understood and agreed by the parties hereto that: (a) if the BUYER terminates this Contract under this Article III, the BUYER shall not be entitled to any liquidated damages and in the event that any liquidated damages have been paid to the BUYER, the paid amount shall be deducted from the sums stipulated in Article X, Paragraph 2 which otherwise would be payable to the BUYER; and (b) if BUYER does not terminate this Contract under this Article III, any amount of liquidated damages payable under this Article III may be

offset from all payments due on the Contract Price. In the event the BUYER elects to reject the VESSEL and terminate this Contract, the BUYER shall be entitled to elect any of the remedies provided in Article X.

ARTICLE IV — WORK, SUPERVISION AND INSPECTION AND APPROVAL OF PLANS AND DRAWINGS, REPORTING

1. Work and Material

The VESSEL shall be constructed in a good, sound and workmanlike manner, in accordance with the U.S. and international shipbuilding and marine engineering standards and practices defined in the Specification (including, without limitation, those of ISO9001 and ISO9002). All materials incorporated in the VESSEL shall be new, suitable, and of good commercial marine quality for the service intended.

2. Approval of Plans and Drawings:

Within thirty (30) days after the date hereof, the parties hereto shall mutually agree upon a list of the plans and drawings for the VESSEL to be submitted to the BUYER and the submittal schedule therefor. The BUILDER shall submit electronic copies of such plans and drawings in English to the BUYER and the BUYER shall have fourteen (14) days to review and approve, disapprove or comment. The BUYER shall, within such 14-day period, return to the BUILDER electronic copies of such plans and drawings with the BUYER's approval, disapproval or comments, if any. In the event that the BUYER shall fail to return such plans and drawings to the BUILDER within such 14-day period, such plans and drawings shall be deemed to have been automatically approved without any comment. Any disapproval by the BUYER shall include the reasons for the disapproval and shall be a result of nonconformance with the Specification or good shipbuilding practice (as described in Article IV, Section 1). Any request by the BUYER for changes to any of these plans and drawings not in accordance with the Specification or good commercial shipbuilding practice, except those required by regulatory bodies, shall be handled as a request for change to the Specification in accordance with Paragraph 1, Article V. Any plans which subsequent to the BUYER's approval require alteration shall be resubmitted to the BUYER for approval of the alteration and its impact. The BUILDER shall respond to the BUYER's comments or disapproval within fourteen (14) days of receipt. In the event that the BUILDER shall fail to respond to the BUYER's comments within such 14-day period, such comments shall be deemed to have been accepted.

3. Appointment of Project Manager and Buyer's Representative:

The BUYER shall appoint, at its cost, two representatives who shall be duly authorized in writing by the BUYER (herein called the "Buyer's Representative(s)") to act on behalf of the BUYER in connection with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment and outfitting, and any other matters for which he is specifically authorized by the BUYER. In case the Buyer's Representative is not stationed at the Shipyard, the BUYER shall give clear instructions to the BUILDER regarding the authority of other personnel representing the BUYER at the Shipyard.

The BUILDER shall appoint one representative who shall be duly authorized in writing by the BUILDER (herein called "Builder's Representative") to act on behalf of the BUILDER in connection with changes of the Specification, approval of Change Orders, approval of the plans and drawings, attendance at the tests and inspections relating to the VESSEL, its machinery, equipment, and outfitting and any other matters for which he is specifically authorized by the BUILDER.

4. Supervision and Inspection:

a. The necessary inspections of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Buyer's Representative, Classification Society, other regulatory bodies and/or an inspection team of the BUILDER throughout the entire period of construction, in order to ensure that the construction of the VESSEL is duly performed in accordance with this Contract. The BUILDER shall assign quality assurance personnel, who are independent of all production, scheduling, and marketing departments to inspect the work and materials to insure that the Contract requirements are met.

b. The Buyer's Representative and his assistants shall have, during the construction of the VESSEL, the right to attend all tests, trials and inspections of the VESSEL and its materials. The BUILDER shall give notice to the Buyer's Representative reasonably in advance of the date (which in general shall be given no later than 1400 (2:00pm ET) on the prior business day), place and time of such tests, trials and inspections to be attended by him for his convenience. For weekend, or BUILDER holiday inspections, the schedule will be provided by noon on Friday for weekend inspections, or, for holidays, the business day preceding the holiday. The BUILDER shall furnish the BUYER an electronic copy of test procedures, related drawings and technical data required to carry out the inspection prior to the test or inspection in English. Failure of the Buyer's Representative and/or his assistants to be present at such tests, trials and inspections after due notice to him as above provided shall be deemed a waiver of his right to be present. The BUILDER shall exercise reasonable efforts to schedule tests

and, inspections between the hours of 7am and 6pm on workdays. Final results shall be furnished to the BUYER for all tests, trials and inspections.

c. In order to help to determine that the VESSEL is being constructed in accordance with the terms of this Contract and the Specification, the Buyer's Representative and his assistants shall, at all times until delivery and acceptance of the VESSEL, have the right to inspect the VESSEL, her engines and all accessories and all work in progress, or material utilized in connection with the construction of the VESSEL, wherever such work is being done, or such material is stored, including the yards, workshops, stores and offices of the BUILDER and the BUILDER's contractors and subcontractors. The BUILDER shall arrange with its contractors and subcontractors that the Buyer's Representative and his assistants have a similar right of inspection and supervision with respect to the work performed by the contractors and subcontractors.

d. In cases requiring approval from the Classification Society or U.S. Coast Guard, such inspections shall, to the extent possible, be carried out as a joint inspection by the Buyer's Representative and the representative of the Classification Society or U.S. Coast Guard, as applicable.

e. The Buyer's Representative shall, on behalf of the BUYER, make decisions or give advice or suggestions to the BUILDER on all problems arising during the course of or in connection with the construction of the VESSEL with a view to co-operating to the utmost with the BUILDER in the construction process.

f. In the event that the Buyer's Representative discovers any materials, construction or workmanship that is not deemed to conform to the requirements of this Contract, the Buyer's Representative shall promptly give the Builder's Representative a notice in writing as to such non-conformity. Upon receipt of such notice from the Buyer's Representative, the BUILDER shall correct such non-conformity, if the BUILDER agrees to his view. In the event of difference of opinion between the parties hereto, the BUILDER or the BUYER may request resolution of the matter in accordance with the provisions of Article XIV hereof.

g. Any acceptance or approval of the BUYER or the Buyer's Representative or exercise of BUYER's rights hereunder shall in no way alter or diminish the BUILDER's obligations under this Contract or its obligation to comply with regulatory body requirements.

5. Responsibility of the BUILDER:

a. The BUILDER shall furnish the Buyer's Representatives and his assistants with suitably lighted, heated and air conditioned office accommodations and conference facilities for up to ten (10) persons and more particularly as follows:
   i. Offices for ten on-site representatives complete with air conditioning and heat and furniture.
   ii. Ten dedicated parking spaces proximate to the location of offices.
   iii. Lavatory facilities.
   iv. At least three individual offices, the remainder of desk locations may be arranged using dividers.
   v. Ten internet connections.
   vi. Ten telephone lines and telephones. Long distance charges to be billed to the BUYER.
   vii. Ten desks, chairs, waste baskets, etc.
   viii. Fax machine with dedicated phone line.
   ix. Copier able to copy and scan in color, two sided and collate paper sizes of letter, legal and 11x17.
   x. Water dispenser with water refill service.
   xi. Drawing table.
   xii. Ten four drawer legal size file cabinets.

   xiii. Conference Table (8 person) with chairs.
   xiv. Microwave.
   xv. Refrigerator with freezer – 15+ cubic ft.
   xvi. Change room with lockers, shower and cleaning services.

6. Liability of the BUILDER:

The Buyer's Representative, and the Buyer's subcontractors. employees and agents, shall at all times be deemed to be employees or agents of the BUYER. The BUILDER shall be under no liability whatsoever for personal injuries to, or death of, such Buyer's Representative or employees or agents of the BUYER, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUILDER and/or its subcontractors and/or their employees or agents.

7. Responsibility of the BUYER:

The BUYER shall undertake and assure that the Buyer's Representative shall carry out his duties hereunder in accordance with the normal shipbuilding practices of the BUILDER and in such a way as to avoid any unnecessary increase in building cost, delay in or interference with the design and construction of the VESSEL, and/or any disturbance in the construction schedule of the BUILDER. The BUILDER has the right to request the BUYER to replace the Buyer's Representative and/or his assistants who may be deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction. The BUYER shall investigate the situation by sending his representatives to the Shipyard if necessary, and if the BUYER considers that such BUILDER's request is justified, the BUYER shall effect such replacement as soon as practicable.

8. Liability of the BUYER:

The employees, agents and subcontractors of the BUILDER shall at all times be deemed to be employees, agents and subcontractors of the BUILDER. The BUYER shall be under no liability whatsoever for personal injuries to, or death of, such BUILDER's employees, agents, or subcontractors, or for damage to, or loss or destruction of, their property, unless such injury, death, damage, loss or destruction is shown to have been caused by the gross negligence or willful acts of the BUYER, and/or its subcontractors and/or their employees or agents (including Buyer's Representative).

9. Approval by Regulatory Bodies; BUYER's access to Communications with Regulatory Bodies:

All plans or data required by the Classification Society or other relevant regulatory bodies in connection with approval of the VESSEL shall be prepared and submitted by the BUILDER or its subcontractors and suppliers, except such data that is explicitly requested by the relevant regulatory body to be submitted by the BUYER. The BUILDER agrees to provide the BUYER with full reading and copying rights for all plan approval documents and written correspondence sent to or received from the Classification Society and other regulatory bodies and to sign the standard Classification Society authorization allowing such access.

10. Master Schedule:

At the time of execution of this Contract, the BUYER shall be provided with the latest official version of the master schedule showing the main production activities for the VESSEL and the main production activities for the final outfitting, mechanical completion and testing of the VESSEL. The master schedule shall include the build strategy, master milestone schedule and key event schedule. The BUILDER shall report to the BUYER as to the purchasing schedule progress and the project progress percentage of completion on the VESSEL and tasks on a bi-weekly basis.

ARTICLE V — MODIFICATIONS

1. Modifications of Specification:

The Specification may only be modified and/or changed by written agreement of the parties hereto. The BUILDER and the BUYER shall first agree, in writing, before such modifications and/or changes are carried out, to alterations in the Contract Price, the Delivery Date and other terms and conditions of this Contract and Specification occasioned by or resulting from such modifications and/or changes. There shall be no cost for the BUILDER'S provision of an estimate regardless whether a proposed change is implemented.

All such agreed changes shall be described on a change order in the form set forth in Exhibit 6 signed by the authorized representatives of the parties hereto manifesting agreements of the parties as to the work to be provided or deleted, and the effect on the Contract Price and the Delivery Date, which shall constitute amendments to this Contract and/or the Specification (each such change, a "Change Order").

The BUILDER may make minor changes to the Specification, if found necessary to suit the BUILDER's local facilities; the availability of materials; introduction of improved production methods or otherwise, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld.

2. Changes Based on Class Requirements, etc.:

In the event that, after the date of this Contract, any requirements as to class, or as to rules and regulations to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the following provisions shall apply:

a. If such alterations or changes are compulsory for the VESSEL, either of the parties hereto, upon receipt of such information from the Classification Society or such other regulatory bodies, shall promptly transmit the same to the other in writing, and the BUILDER shall thereupon incorporate such alterations or changes into the construction of the VESSEL. The BUILDER shall present to the BUYER the

adjustment required by the BUILDER in the Contract Price, the Delivery Date and other terms and conditions of this Contract occasioned by the change. The adjustment shall then be agreed on as a Change Order in accordance with Paragraph 1 of this Article. If the parties cannot agree on the Change Order, then the matter shall be submitted for final decision in accordance with Article XIV hereof. In such case, work on the compulsory alteration or change shall proceed without waiting for the final decision on the Change Order.

b. If such alterations or changes are not compulsory for the VESSEL, but the BUYER desires to incorporate such alterations or changes into the construction of the VESSEL, then, the BUYER shall notify the BUILDER of such intention and such notice shall be treated as a request for a modification or change in accordance with Paragraph 1 of this Article.

3. Substitution of Materials:

In the event that any of the materials required by the Specification or otherwise under this Contract for the construction of the VESSEL cannot be procured in time or are in short supply to maintain the Delivery Date of the VESSEL, or alternative materials are claimed by the BUILDER to be available which are suitable as substitutes by reason of advances in technology, the updating or improvements of, or changes in, specified materials or changes in the manufacture or production thereof; the BUILDER may, provided that the BUILDER shall obtain the BUYER's prior written approval, which shall not be unreasonably withheld, supply other materials capable of meeting the requirements of the Classification Society and of the rules, regulations and requirements with which the construction of the VESSEL must comply. Any agreement as to such substitution of materials shall be effected in the manner provided in Paragraph 1 of this Article, and shall, likewise, include alterations in the Contract Price and other terms and conditions of this Contract occasioned by or resulting from such substitution.

ARTICLE VI — TRIALS

1. Notice:

The BUYER shall receive from the BUILDER at least fourteen (14) days' prior notice in writing of the time and place of the trial run of the VESSEL, and a description of the trials to be performed, and the BUYER shall give prompt written acknowledgment of the receipt of such notice. The BUYER shall have the right to have a reasonable number (up to eight (8)) of authorized representatives, employees, inspectors and any other person reasonably designated by the BUYER present at the trial runs.

The BUILDER may, after due notice as described above, conduct trial runs of the VESSEL without the presence of the Buyer's Representative or other authorized representative of the BUYER provided that the Classification Society and U.S. Coast Guard are present. In such case, the BUYER shall be obligated to accept the results of the trial runs on the basis of a certificate of the BUILDER, confirmed by the Classification Society and U.S. Coast Guard, stating the results of the runs.

2. Weather Condition:

The trial run shall be carried out under weather conditions deemed favorable enough in the judgment of the BUILDER subject to approval by the BUYER. In the event of unfavorable weather on the date specified for the trial run, the same shall take place on the first available day thereafter that the weather condition permits. It is agreed that, if during the trial run of the VESSEL, the weather should suddenly become so unfavorable that orderly conduct of the trial run can no longer be continued, the trial run shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent in writing to acceptance of the VESSEL on the basis of the trial run already made before such discontinuance has occurred.

Any delay of trial run caused by such unfavorable weather condition shall operate to postpone the Delivery Date by the period of delay involved and such delay shall be deemed as a Permissible Delay in the delivery of the VESSEL.

3. How Conducted:

a. All expenses in connection with the trial run are to be for the account of the BUILDER and the BUILDER shall provide at its own expense the necessary crew to comply with conditions of safe navigation. The trial run shall be conducted in the manner prescribed in the Specification, and shall prove fulfillment of the performance requirements for the trial run as set forth in the Specification. The course of trial run shall be determined by the BUILDER.

b. Notwithstanding the foregoing, fuel oil, LNG, lubricating oil, greases and fresh water necessary for the trial run of the VESSEL shall be supplied by the BUILDER at the Shipyard prior to the time of the trial run, and the BUYER shall pay the BUILDER upon delivery of the VESSEL the cost of the quantities of fuel oil, LNG, lubricating oil, greases and fresh water not consumed during the trial run at the original purchase price. In measuring the consumed quantity, lubricating oils and greases remaining in the main engine, other machinery and their pipes, stern tube and the like, shall be excluded. The BUILDER shall arrange for the quantity of fuel oil, LNG, lubricating oils, greases and fresh water to be loaded on the VESSEL at delivery in accordance with the instructions of the BUYER, at the BUYER'S cost. The BUILDER shall remove all waste and debris about the VESSEL and all sludge and oily water wastes from the VESSEL prior to delivery, at the BUILDER'S cost.

4. Method of Acceptance or Rejection:

a. Upon completion of the trial run, the BUILDER shall give the BUYER written notice of completion of the trial run along with copies of all sea trial test reports, including if the BUILDER considers that the results of the trial run indicates the conformity of the VESSEL to this Contract and the Specification. The BUYER shall, within three (3) days after receipt of such notice from the BUILDER, provide the BUILDER written notice of its intent to accept or reject the VESSEL on the Delivery Date.

b. However, should the results of the trial run indicate that the VESSEL, or any part or equipment thereof, does not conform to the requirements of this Contract and/or the Specification, or if the BUILDER is in agreement as to non-conformity as specified in the BUYER's notice of rejection, then, the BUILDER shall with the written concurrence of the BUYER take the necessary steps to correct such non-conformity. Upon completion of correction and testing of such non-conformity, the BUILDER shall give the BUYER written notice thereof. The BUYER shall, within two (2) days after receipt of such notice from the BUILDER, notify the BUILDER of its acceptance or rejection of the VESSEL. The BUYER may only demand a new trial run if this is the only way the BUILDER can prove that the nonconformities have been corrected. In the event a new trial run takes place, the provisions set forth in Paragraphs 1, 2 and 3 hereof shall govern this trial run except that the BUILDER shall be entitled to give a written notice of two (2) days for such new trial run. Upon completion of the additional trial run, the provisions of this Paragraph 4 shall apply.

c. In any event that the BUYER rejects the VESSEL, the BUYER shall specify in its notice of rejection in what respect the VESSEL, or any part or equipment thereof does not conform to this Contract.

d. In event that the BUYER fails to provide the BUILDER written notice of the acceptance of or the rejection together with the reason therefor of the VESSEL within the period as provided in the above subparagraphs (a) or (b), the BUYER shall be deemed to have accepted the VESSEL.

e. The BUILDER may dispute the rejection of the VESSEL by the BUYER under this Paragraph 4, in which case the matter shall be submitted for final decision in accordance with Article XIV hereof.

5. Effect of Acceptance:

a. Acceptance of the VESSEL as above provided shall be final and binding and the VESSEL will be deemed to be in conformity with this Contract except as set forth in subparagraph b immediately below. The BUYER shall not refuse formal delivery of the VESSEL as hereinafter provided, if the BUILDER complies with all other procedural requirements for delivery as provided in Article VII hereof.

b. If minor work or items on the VESSEL are incomplete or missing when the VESSEL otherwise is ready for delivery and such work or items do not materially affect the operation, trade or schedule of the VESSEL nor are likely to cause damage or excessive deterioration to the VESSEL or void warranty requirements, the BUYER shall not withhold its consent to accept delivery of the VESSEL subject to the right of the BUYER to have such items completed by the BUILDER in a reasonable manner and period of time. The parties shall on delivery execute a protocol of outstanding work and a schedule for completion of

such work or agree as to an adjustment of the Contract Price in lieu of completion of such work. The BUILDER agrees that any such monetary payments to and repairs done by BUYER shall not void the BUILDER's or any manufacturer's warranties.

ARTICLE VII — DELIVERY

1. Time and Place:

a. The VESSEL shall be delivered by the BUILDER to the BUYER at the Shipyard or at another location acceptable to both parties hereto. The original Delivery Date for the VESSEL shall be December [***], 2018 (herein called the "Original Delivery Date"). The BUILDER agrees that in the event that for any reason it will not construct one or more of the MT-50 tankers currently planned as Hulls 021-028, it will give prompt notice in writing to the BUYER of such fact, together with a proposed earlier delivery date for the VESSEL. In order to accept the BUILDER's proposal, the BUYER must provide written notice to the BUILDER that it chooses to accept such proposal within thirty (30) days after receipt of the BUILDER's notice. If the BUYER accepts the BUILDER's proposal within such 30-day period, then the proposed earlier delivery date for the VESSEL shall become the Original Delivery Date. If the BUYER declines or fails to accept the BUILDER's proposal within such 30-day period, then the BUILDER may utilize the available shipbuilding capacity in its sole discretion.

b. Delays on account of such causes which under the terms of this Contract permit the BUILDER to postpone the delivery of the VESSEL shall be understood to be Permissible Delay (herein called "Permissible Delay").

c. The Original Delivery Date shall be adjusted by the total Permissible Delay and the adjusted date shall be the Delivery Date (herein called the "Delivery Date"). The VESSEL shall be delivered by the BUILDER to the BUYER on or before the Delivery Date.

d. The BUILDER advises that it has contracts committing the BUILDER to construct four tankers (the "tanker contracts") and has granted options under the tanker contracts for the construction of additional vessels (the "options"). The BUILDER advises that the Original Delivery Date is being committed to taking into account BUILDER's obligations under the tanker contracts and options. The BUILDER agrees that its obligations under the tanker contracts and options and any delay in its deliveries under the tanker contracts and options would not constitute a Permissible Delay as defined in subparagraph b. of this Paragraph 1 or a Force Majeure event under Article VIII of this Contract unless the conditions under Article VIII apply to or otherwise impact the facilities at the Shipyard available for the construction of the VESSEL under this Contract.

2. When and How Effected:

a. When the work on the VESSEL is complete or substantially complete in accordance with this Contract and the VESSEL has passed the tests required by this Contract, the VESSEL as completed or substantially completed shall be delivered by the BUILDER and accepted by the BUYER alongside a safe and accessible pier at the Shipyard, or at such other place as may be mutually agreed to by the BUILDER and the BUYER, where there must be sufficient water for the VESSEL always to be afloat and during egress from the berth, custom to the contrary notwithstanding, free and clear of all liens, security interests, and claims of every nature, excepting, however those in favor of a claimant, other than BUILDER, arising out of the acts or omissions of the BUYER, with not less than ten (10) days' prior written notice to the BUYER of such delivery. As used in this Contract, the term "substantially complete" shall mean complete except for minor items not affecting the commercial utility and safe operation of the VESSEL, with all certificates required for operation of the VESSEL, and not violating any requirement of a regulatory body. Unless waived by the BUYER, the VESSEL shall not be deemed to be "substantially complete" if a delivery deficiency will require the VESSEL to be taken out of service prior to the VESSEL'S regular maintenance schedule or if the aggregate value of such delivery deficiencies is in excess of FIVE HUNDRED THOUSAND DOLLARS ($500,000).

b. Provided that the BUYER shall have fulfilled all of its obligations stipulated under this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto to the other of the PROTOCOL OF DELIVERY AND ACCEPTANCE, acknowledging delivery of the VESSEL by the BUILDER and acceptance thereof by the BUYER. The BUYER and the BUILDER agree to describe in the Protocol of Delivery (i) the amount of reduction in the Contract Price at delivery of the VESSEL in lieu of completion of uncompleted work and correction of defects, deficiencies, or damage by the BUILDER, and, if the amount of the proposed reduction is more than the amounts due from the BUYER at delivery, the amount to be paid by the BUILDER to the BUYER to the extent the price reduction amount is insufficient; and/or (ii) (y) the uncompleted work and defects, deficiencies, or damage to be completed and corrected by the BUILDER after delivery of the VESSEL, such completion and correction to be performed in the same manner as provided for Guarantee work under Article IX, and (z) the amount of the Contract Price to be withheld until the uncompleted work is completed and the defects, deficiencies, or damage are corrected. The BUILDER agrees to perform such completion and correction in such manner after delivery of the VESSEL. The BUYER shall pay the BUILDER for satisfactory performance of such completion and correction after

delivery in the manner set forth in ARTICLE IX. If the BUYER and the BUILDER fail to agree as to any of the items to be included in the Protocol of Delivery pursuant to this Article, such items shall be resolved pursuant to ARTICLE XIV.

c. In the event of any dispute concerning the payment due upon delivery of the VESSEL, including the question of the BUYER's right to offset any claim it may have, the BUYER shall pay the undisputed amount to the BUILDER and shall deposit the disputed amount into escrow subject to the Escrow Instructions. The BUILDER can in such case not refuse to deliver the VESSEL and the BUYER cannot refuse to take delivery of the VESSEL. Any such disputed amount shall be paid as agreed by the parties or as determined by Article XIV.

d. During the period thirty (30) days prior to the expected delivery of the VESSEL, employees of the BUYER or the BUYERS's contractors or agents shall be entitled to access to the VESSEL to engage in such activities and perform such work as the BUYER may specify on a not-to-interfere basis. Two (2) weeks prior to delivery of the VESSEL the BUYER shall have access on a not-to-interfere basis to familiarize the crew with the VESSEL and to provision the VESSEL.

3. Documents to be Delivered to the BUYER:

Upon delivery and acceptance of the VESSEL, the BUILDER shall deliver to the BUYER the following documents, which shall accompany the PROTOCOL OF DELIVERY AND ACCEPTANCE:

a. PROTOCOL OF TRIALS of the VESSEL made pursuant to the Specification.

b. PROTOCOL OF INVENTORY of the equipment of the VESSEL, including spare parts and the like, all as specified in the Specification; and Inventory of Hazardous Material (MEPC.197(2)).

c. PROTOCOL OF STORES OF CONSUMABLE NATURE referred to under subparagraphs 3(b) and 6 of Article VI hereof, including the original purchase price thereof.

d. ALL CERTIFICATES, clean and free of conditions, including the BUILDER's CERTIFICATE on Form CG-1261, USCG CERTIFICATE OF INSPECTION Form CG-841, USCG approved Automation Test Procedures, USCG approved Bunkering Procedures for LNG, HFO, MGO and Lube Oils, USCG approved Cold Ironing (AMP) Procedures, and CLASSIFICATION CERTIFICATES and all type approval certificates required to be furnished upon delivery of the VESSEL pursuant to this Contract and the Specification or that are required by the regulatory bodies. It is agreed that if, through no fault on the part of the BUILDER, the classification and/or other certificates are not available at the time of delivery of the VESSEL, provisional certificates shall be accepted by the BUYER, provided that the BUILDER shall furnish the BUYER with the formal certificates as promptly as possible after such formal certificates have been issued.

e. DECLARATION OF WARRANTY of the BUILDER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages,

or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by local or federal authorities, as well as of all liabilities of the BUILDER to its subcontractors, employees and crew, and of all liabilities arising from the operation of the VESSEL in trial runs, or otherwise, prior to delivery.

f. DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specification together with all drawings required to be submitted to regulatory bodies. Detailed design drawings for hull, structural, electrical, piping and outfitting drawings developed by BUILDER or any design agent for the construction of the VESSEL requested by the BUYER shall be provided in a format to be agreed at an additional cost to be billed at $75.00 per hour.

g. COMMERCIAL INVOICE and BILL OF SALE.

The BUILDER will cooperate with the BUYER to provide any other documents reasonably required by the BUYER to secure financing for the VESSEL.

4. Tender of the VESSEL:

If the BUYER fails to take delivery of the VESSEL after completion thereof according to this Contract without any justifiable reason, the BUILDER shall have the right to tender delivery of the VESSEL after compliance with all procedural requirements as above provided.

5. Risk:

Notwithstanding the provisions of Article XVI concerning passage of title to the material and the VESSEL during the construction period, the risk of loss of the VESSEL shall pass to the BUYER only upon delivery and acceptance thereof having been completed as stated above; it being expressly understood that, until such delivery is effected, risk of loss of the VESSEL and her equipment shall remain with the BUILDER.

The BUILDER warrants that the BUILDER's entering into this Contract, the performance of the BUILDER'S obligations hereunder and the sale of the VESSEL to BUYER will not result in any violation of or be in conflict with, or result in a breach of or constitute a default under, any term or provision of any agreement, instrument or other restriction to which the BUILDER is a party or by which it is bound.

6. Removal of the VESSEL:

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof and shall remove the VESSEL from the premises of the Shipyard within ten (10) days after delivery and acceptance thereof is completed. If the BUYER shall not remove the VESSEL from the premises of the Shipyard within the aforesaid ten (10) days, then, in such event the BUYER shall pay to the BUILDER the mooring charges of the VESSEL at the rate of $800 per day plus utilities. Such additional time on the BUILDER's premises shall not exceed twenty-one (21) days.

ARTICLE VIII-DELAYS AND EXTENSION OF TIME FOR DELIVERY DUE TO FORCE MAJEURE AND TERMINATION FOR EXCESSIVE DELAY

1. Causes of Force Majeure:

Force Majeure (herein called "Force Majeure") is any or more of the events defined below:

Acts of God (other than ordinary storms or ordinary inclement weather conditions); acts of princes or rulers; requirements of government authorities; war or other hostilities or preparations thereto; blockade; revolution; insurrections; mobilizations; civil war; civil commotion; riots; strikes and other labor disturbances including local strikes affecting the BUILDER (not including any strikes or industrial disturbances resulting from unilateral changes made by the BUILDER under existing labor contracts); sabotages; acts of terrorists; lockouts; labor shortages, provided the BUILDER has exercised diligence in the recruitment and training of labor; plague; epidemics; fire; flood; typhoons, hurricanes, storms or other weather conditions (other than ordinary storms or ordinary inclement weather conditions); earthquakes; tidal waves; landslides; explosions; collisions; strandings; embargoes; delays in transportation; import restrictions; shortage of materials, equipment or machinery or delay in delivery or inability to take delivery thereof, provided that such materials, equipment or machinery at the time of ordering could reasonably be expected by the BUILDER to be delivered in time, the BUILDER'S choice of a vendor or subcontractor was reasonable and the BUILDER has exercised due diligence to monitor the actions and to expedite delivery of the vendor or to obtain substitute performance; prolonged failure or restriction of electric current or petroleum; non-delivery or late delivery of BUYER'S Supplies to BUILDER'S custody or other delay caused by any default or omission on the part of the BUYER in carrying out any of its obligations under this Contract; or destruction of or damage to the worksite or other works of the BUILDER, its main subcontractors or to the VESSEL or any part thereof, by any causes heretofore described in this Paragraph and any other causes properly to be considered to be beyond the BUILDER's reasonable control; provided that there shall be excluded any such causes that are in existence as of the date of execution of this Contract or as to a cause impacting a contractor or subcontractor, a cause known to the party as of the date of execution of the contract or subcontract.

Any delay in the delivery of the VESSEL caused by an event of Force Majeure as to which the provisions of this Article VIII have been satisfied shall operate to postpone the Delivery Date by the number of days of delay involved.

2. Notice of Delay:

Within ten (10) days from the date of commencement of the delay on account of which the BUILDER claims that it is entitled under this Contract to a postponement of the Delivery Date of the VESSEL, the BUILDER shall advise the BUYER in writing of the date such delay commences and the reasons therefor along with BUILDER's proposed recovery plan. Failure of the BUILDER to provide notification of any claim for postponement of the Delivery Date within such ten (10) days shall be deemed to be a waiver by the BUILDER of its right to propose such postponement.

Likewise within ten (10) days after such delay ends, the BUILDER shall advise the BUYER in writing of the date such delay ended, and also shall specify the period of time by which the Delivery Date is postponed by reason of such delay. Failure of the BUYER to acknowledge the BUILDER's notification of any claim for postponement of the Delivery Date within ten (10) days after receipt of such notification shall be deemed to be a waiver by the BUYER of its right to object to such postponement.

3. Permissible Delay:

Delays on account of such causes as specified in Paragraph 1 of this Article and any other delays of a nature which under the terms of this Contract permits postponement of the Delivery Date shall be understood to be Permissible Delays provided that the BUILDER provides the notices set forth in Paragraph 2 of this Article.

4. Right to Terminate for Excessive Delay due to Force Majeure:

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of this Article, excluding all other types of delays of a nature which, under the terms of this Contract, permit postponement of the Delivery Date, amounts to six (6) months or more, then, in such event, the BUYER may terminate this Contract in accordance with the provisions of Article X hereof. The BUILDER may, at any time after the accumulated time of the aforementioned delays justifying rescission by the BUYER, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within twenty (20) days after such demand is received by the BUYER, either notify in writing the BUILDER of its intention to terminate this Contract, or consent to a postponement of the Delivery Date to a specific future date; it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying termination as specified in this Article, the BUYER shall have the same right of termination upon the same terms as hereinabove provided.

ARTICLE IX-WARRANTY OF QUALITY

1. Guarantees at Delivery.

a. The BUILDER guarantees that at the time of delivery the VESSEL will: (i) comply with applicable laws, lawful regulations, written standards and written interpretations of the regulatory bodies required for the VESSEL's operation in the foreign and domestic trades of the United States in effect on the date of delivery of the VESSEL, except as noted in the PROTOCOL OF DELIVERY; and (ii) meet the requirements in the Specification and plans, except as noted in the PROTOCOL OF DELIVERY. The effect of any changes in laws, lawful regulations, standards and written interpretations of the regulatory bodies between the effective date of this Contract and the delivery of the VESSEL shall be incorporated into this Contract by a Change Order under ARTICLE V.

b. The expense of all changes to the VESSEL noted in the PROTOCOL OF DELIVERY shall be for the account of the BUILDER, except as provided in subparagraph (a) of ARTICLE V, Paragraph 2.

2. **Warranty:**

a. Subject to the provisions hereinafter set forth, the BUILDER undertakes to remedy, free of charge to the BUYER, any deficiency, defects, failure, breaking down or deterioration beyond that caused by ordinary wear and tear (jointly "defects") in the VESSEL which are due to defective material, faulty design and/or bad workmanship on the part of the BUILDER and/or its contractors or subcontractors, provided that the defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL (the "Guarantee Period") and a notice thereof is duly given to the BUILDER as hereinbelow provided. In computing the Guarantee Period there shall be excluded any time the VESSEL is prevented from entering or is taken out of service on account of any defect for which the BUILDER is responsible. For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts of the VESSEL that have been supplied by or on behalf of the BUYER. Upon expiration of the Guarantee Period, and to the extent permitted by vendors and subcontractors, the BUILDER agrees to transfer any guarantees or warranties supplied to it by vendors and subcontractors.

b. The BUILDER's guarantee of the coatings shall be back to back with the guarantee of the coatings by the coatings manufacturer. During the Guarantee Period, the BUILDER shall be responsible for correction of paint defects in accordance with the guarantee of the coatings by the coatings manufacturer. After the expiration of the VESSEL Guarantee Period, the coating manufacturer's extended warranty shall be transferred to the BUYER under this Article IX subparagraph 5d. The coating manufacturer's warranty shall be for at least sixty (60) months from delivery of the VESSEL.

3. Notice of Defects:

The BUYER shall notify the BUILDER in writing of any defects for which claim is made under this guarantee as promptly as possible after discovery thereof. If the defect was discovered during drydocking of the VESSEL, the BUYER must notify the BUILDER in time for the BUILDER to inspect the defect before the VESSEL leaves the drydock if this is necessary for a prudent inspection of the defect. The BUYER's written notice shall in sufficient detail describe the nature and extent of the defects. The BUILDER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the BUILDER not later than thirty (30) days after such expiry date.

4. Remedy of Defects:

a. The BUILDER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Article, by making all necessary repairs or replacements at the Shipyard, if practicable. Upon having remedied such defects the BUILDER shall give the BUYER a further guarantee period of six (6) months for the aforementioned repairs or replacements from the date such repair or replacement is accomplished, which extended period shall not reduce the original twelve (12) month Guarantee Period.

b. However, if it is impractical to bring the VESSEL to the Shipyard, the BUYER may cause the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose, provided that, in such event, the BUILDER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL. In the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL at any other shipyard or works than the Shipyard, the BUYER shall first, but in all events as soon as possible, give the BUILDER notice in writing of the time and place such repairs or replacements will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the BUILDER shall have the right to verify by its own representative(s) the nature and extent of the defects complained of. The BUILDER shall, in such case, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the BUILDER's acceptance of the defects as justifying remedy under this Article, or upon resolution of a dispute in accordance with the provisions of Article XIV hereof, the BUILDER shall immediately pay to the BUYER for such repairs or replacements a sum up to a sum equal to the reasonable cost of making the same repairs or replacements in the Shipyard. Subject to a written agreement with the BUILDER, warranty repairs may be made by the crewmembers of the VESSEL, provided however that the BUYER submits documentation for the work performed and the BUILDER will not reimburse the BUYER at labor rates currently in excess of $68.00 per hour (as escalated at 2.5% per year after delivery).

c. In any case, the VESSEL shall be taken at the BUYER's cost, risk and responsibility to the place elected, ready in all respects for such repairs or replacements. Any preparation, draining of pipes, cleaning of spaces to make them accessible for warranty repairs, marine chemist's certificates, including gas free certificate shall be at the BUILDER's cost.

d. If a defect cannot reasonably be corrected except by drydocking the VESSEL, the BUYER shall be entitled to postpone correction and repair until a subsequent drydocking of the VESSEL. The BUYER may withhold the estimated cost of correction and repair from the

Guarantee Payment until such drydocking.

e. Any dispute under this Article shall be referred to dispute resolution in accordance with the provisions of Article XIV hereof.

5. Extent of the BUILDER's Responsibility:

a. The BUILDER shall have no responsibility or liability for any other defects whatsoever in the VESSEL than the defects specified in Paragraphs 1 and 2 of this Article. Nor shall the BUILDER in any circumstances be responsible or liable for any consequential or special losses, damages or expenses including, but not limited to, loss of time, loss or breach of charters or other contractual commitments, loss of profit or earning or demurrage directly or indirectly occasioned to the BUYER by reason of the defects specified in Paragraphs 1 and 2 of this Article or due to repairs, replacements or other works done to the VESSEL to remedy such defects; except that in the event a defect in an item of equipment or machinery causes any damage to such item of equipment or machinery or to other immediately adjacent equipment, machinery, components or portions of the VESSEL, the BUILDER shall be liable for not only the cost of correcting or repairing the defect but also for the cost of correcting or repairing such damage to such item of equipment or machinery and to such other immediately adjacent equipment, machinery, components or portions of the VESSEL caused by such defect.

b. The BUILDER shall not be responsible for any defects in any part of the VESSEL which may subsequent to delivery of the VESSEL have been replaced or in any way repaired by any other contractor, or for any defects which have been caused or aggravated by omission or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the BUILDER.

c. A final guaranty survey of the VESSEL shall be conducted by the BUYER at or near the expiration of the Guarantee Period. Such survey shall be based on the defects in the contract work appearing or discovered during the Guarantee Period. In the event that the VESSEL is not available for the guarantee survey on or before the end of the Guarantee Period, the BUYER promptly shall submit to the BUILDER a list of all of the defects in the contract work appearing or

discovered during the Guarantee Period and all damage for which the BUILDER is liable under the provisions of this Article IX. The final guarantee survey shall be held at such port in the United States as the BUYER designates and seven (7) days' written notice of time and place for such guarantee survey shall be given to the BUILDER by the BUYER. The BUILDER shall have the right to attend the guarantee survey.

d. At the end of the Guarantee Period, the BUILDER agrees to transfer and assign to the BUYER, as to any item of material installed in the VESSEL, the guarantee rights of the BUILDER against the vendor of such item of material where under the terms of such vendor's guarantee the vendor's obligations extend for a period beyond the Guarantee Period; provided that the BUILDER may exclude from such assignment any rights against the vendor in favor of the BUILDER for guarantee deficiencies and damages within the Guarantee Period. The BUILDER shall advise the BUYER of the terms of any such guarantees that are assigned to the BUYER.

e. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL for and to the BUYER. THE BUILDER MAKES NO FURTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE VESSEL, ITS MACHINERY OR EQUIPMENT FOR A PARTICULAR PURPOSE.

f. The BUYER may withhold the Guarantee Payment and deposit the full amount into an escrow account as provided in Article II. The BUYER shall pay to the BUILDER the entire Guarantee Payment, less any amount to cover any outstanding defect, upon completion of the Guarantee Period for the VESSEL. Any amounts withheld beyond the end of the Guarantee Period pursuant this Article IX shall be paid upon the correction of each defect for which such amounts were withheld. Any dispute with respect to the amounts due under this Paragraph shall be settled pursuant to Article XIV.

6. Guarantee Engineer:

The BUILDER shall have the right (at its cost) to appoint a guarantee engineer to serve on the VESSEL as its representative for such portion of the guarantee period as the BUILDER may decide. The guarantee engineer shall be a properly documented citizen of the United States. The BUYER and its employees shall give the guarantee engineer full cooperation in carrying out his duties as the representative of the BUILDER on board the VESSEL. The BUYER shall accord the guarantee engineer the treatment comparable to the VESSEL's chief engineer and shall provide him with accommodations and subsistence at no cost of the BUILDER and/or the guarantee engineer.

Pertaining to the detailed particulars of this Paragraph, an agreement will be made according to this effect between the parties hereto upon delivery of the VESSEL.

The guarantee engineer shall, at all times and in all respects, be deemed to be an employee of the BUILDER. The BUYER shall be under no liability whatsoever to the BUILDER or the guarantee engineer for personal injuries, including death, suffered by the guarantee engineer during the time when he is on board the VESSEL, unless such injury or death, is shown to have been caused by the gross negligence or willful acts of the BUYER, and/or its subcontractors and/or their employees or agents (including Buyer's Representative), while acting within the scope of their employment or engagement. Nor shall the BUYER be under any liability whatsoever to the guarantee engineer.

ARTICLE X — TERMINATION BY THE BUYER AND OPTIONS ON TERMINATION; GUARANTY AGREEMENT AND BUYER'S RIGHT TO ADDITIONAL SECURITY; AUDIT AND INSPECTION RIGHTS

1. Termination

a. Notice: In the event that the BUYER shall exercise its right of termination of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the BUILDER in writing and such termination shall be effective as of the date notice thereof is received by the BUILDER.

b. Options of BUYER: In the event that the BUYER elects to terminate this Contract, the BUYER may elect to remove the VESSEL, complete the work, sell the work in process or obtain a refund. Such election shall be made by notice to the BUILDER as provided below.

c. Right to Remove: In the event the BUYER shall elect to terminate this Contract, at the BUYER's option the BUYER may elect in writing within thirty (30) days after the termination of this Contract to remove the work in process from the Shipyard. Such removal, including preparation therefor, shall be performed at the BUILDER's expense, and, if reasonably possible, the BUILDER shall furnish forces and equipment for such removal and preparation. The BUYER shall reimburse the BUILDER for the reasonable cost of such removal and preparation. As reasonably practical, the BUILDER shall assign to the BUYER, all existing subcontracts and purchase orders required to complete the VESSEL for which the work in process is being removed as the BUYER may direct.

d. Completion of the Work: In the event the BUYER shall elect to terminate this Contract, at the BUYER's option, the BUYER may elect to have all or part of the work completed. The BUYER for such purposes may take possession and use and occupy so much of the Shipyard and the equipment, tools, machinery, and appliances in the Shipyard as may be needed by the BUYER for such purposes. In such instance as reasonably practical the BUILDER shall assign all subcontracts and orders for material, work, services and supplies to be used in the performance of this Contract to the BUYER as the BUYER may direct. Completion of all or a part of the work shall be performed at the BUILDER's

expense with the BUYER to reimburse the BUILDER for the amount that would have been payable to the BUILDER had such work been completed by the BUILDER, and the BUILDER to reimburse the BUYER for any additional costs incurred by the BUYER in completion of such work in accordance with the terms of this Contract (including the plans and specifications referred to herein) as existing on the date of termination of this Contract, evidenced by documented invoices provided to the BUILDER.

e. Sale of the Work: In the event the BUYER shall elect to terminate this Contract and not complete the construction of the VESSEL and the BUYER so notifies the BUILDER, at any time within one hundred twenty (120) days from the date of delivering such notice to the BUILDER, the BUYER may sell the VESSEL in a partially completed condition, work in progress, material to be installed in the VESSEL, together with copies of all Plans, Specification, working plans, calculations and other records reasonably required to complete the construction of the VESSEL. The BUYER shall have access to the Shipyard in order to conduct the sale. The sale may be consummated without appraisal or evaluation of the VESSEL, and shall be conducted in the manner determined by the BUYER but the BUYER shall use reasonable efforts to secure the best price possible in respect of the VESSEL. Any purchaser at any such sale shall be given reasonable time, not less than sixty (60) days from the date of sale, within which to remove from the Shipyard the VESSEL, work in progress, and material. Either party may become a purchaser at such a sale. The proceeds of the sale shall be applied first to payment of all costs and expenses, including reasonable attorneys' fees incurred by the BUYER or its assigns in making such sale; second, to reimburse the BUYER for payments theretofore made by the BUYER to the BUILDER on account of such VESSEL; and, third, to payment of any damages, demands, or deficiencies arising by reason of default of the BUILDER. In the event the proceeds of the sale shall not be sufficient to make the payments required by the preceding sentence, the difference shall be paid by the BUILDER to the BUYER.

f. Refund**:** If the BUYER elects to obtain a refund the BUILDER shall promptly refund to the BUYER the full amount of all sums paid by the BUYER to the BUILDER on account of the VESSEL (unless the BUILDER proceeds to dispute resolution under the provisions of Article XIV hereof). In such event, the BUILDER shall pay the BUYER interest at the rate of 250 basis points per annum above the average three-month LIBOR as published in the *Wall Street Journal* on the amount required herein to be refunded to the BUYER, computed from the respective dates on which such sums were paid by the BUYER to the BUILDER to the date of remittance by transfer of such refund to the BUYER by the BUILDER, provided, however, that if such rescission by the BUYER is made under the provisions of Paragraph 4 of Article VIII hereof, the BUILDER shall not be required to pay any interest.

The BUYER shall promptly transfer title to the VESSEL and the work to the BUILDER upon receipt of the payment provided under this subparagraph. Upon such refund by the BUILDER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

2. Guaranty; the BUYER's Right to Receive Additional Financial Information; the BUYER's Right to Demand Additional Security

a. In consideration of the obligations assumed by the BUYER under this Contract, and as an inducement to the BUYER to enter into this Contract, the GUARANTOR has furnished to the BUYER the Guaranty guarantying the BUILDER'S performance of its obligations under this Contract. The commitment made by the Guarantor under the Guaranty is an important consideration to the BUYER under this Contract.

b. The financial conditions of the BUILDER and the GUARANTOR are an important consideration to the BUYER under this Contract. The BUILDER shall provide the BUYER with annual and quarterly financial statements of both the BUILDER and the GUARANTOR in accordance with paragraph (d) below.

c. In the event that there occurs a breach of a "material" covenant (i.e., financial covenant or negative covenant) or any payment default under any bond, debenture, note or other evidence of indebtedness of the BUILDER or the GUARANTOR, in an aggregate principal amount of at least [***] DOLLARS ($[***]), or under any indenture or other instrument under which any such evidence of indebtedness has been issued

or by which it is governed, which breach or default gives the holder the right to accelerate such indebtedness and which breach or default is not cured within any applicable grace or cure period, then, in order to secure the performance by the BUILDER under this Contract, the BUILDER or the GUARANTOR shall provide or maintain upon the BUYER'S request either (x) cash collateral in the amount of [***] DOLLARS ($[***]) deposited in an escrow account, in form and substance reasonably satisfactory to the BUYER (the "Cash Collateral") or (y) a letter of credit or similar instrument, in form and substance reasonably satisfactory to the BUYER, and issued by a bank or other financial institution reasonably satisfactory to the BUYER, in the face amount of [***] DOLLARS ($[***])(the "Letter of Credit"); and if the BUILDER or the GUARANTOR fails to provide the Cash Collateral or to provide or maintain the Letter of Credit (as applicable, the "Security") within fifteen (15) days after the BUYER's request, then the BUYER shall be entitled to terminate this Contract and exercise any of the rights in Paragraph 1 of this Article X. If, after the Security is provided to the BUYER, the underlying breach or default is cured or waived, unless the BUILDER has elected to cure a BUILDER's Default under Article XII, subparagraph 1(g) by providing Security, then the requirement to provide the Security shall cease to apply and the Cash Collateral shall be returned or the Letter of Credit shall be cancelled, as applicable. The provision of the Security to the BUYER under this Paragraph 2(c) will also satisfy the requirements of Paragraph 2(c) of Article X of the Second Contract. The BUYER shall not access the Cash Collateral or draw on the Letter of Credit unless and until this Contract has been terminated by the BUYER

d. The BUILDER will provide the BUYER with: (i) audited annual financial statements of the GUARANTOR and its subsidiaries, on a consolidated basis, that shall be accompanied by an opinion thereon of KPMG AS or other independent certified public accountants of recognized standing that such statements present fairly, in all material respects, the consolidated financial position of the companies being reported, within one hundred twenty (120) days of the close of each fiscal year, and (ii) unaudited quarterly financial statements of the GUARANTOR and its subsidiaries, on a consolidated basis, certified, as appropriate, by a senior financial officer of the BUILDER or the GUARANTOR on behalf of such entity as fairly presenting, in all material respects, the consolidated financial position of the companies being reported, within sixty (60) days of the close of each fiscal quarter (other than the fourth fiscal quarter of each fiscal year). The BUILDER shall provide unaudited quarterly financial statements of the BUILDER on a stand-alone basis to the extent there is any material difference in such unaudited quarterly financial statements and the unaudited quarterly financial statements required by clause (ii) above with respect to any fiscal quarter.

ARTICLE XI-BUYER'S DEFAULT

1. Definition of BUYER's Default:

The BUYER shall be deemed to be in default of performance of its obligations under this Contract in the following cases:

a. If the BUYER fails to take delivery of the VESSEL, when the VESSEL is duly tendered for delivery by the BUILDER under the provisions of Article VII hereof.

b. If the BUYER fails to make any payment under Article II in this Contract when such payment is due and such failure is not remedied within 10 days after written notice thereof from BUILDER.

c. The BUYER being dissolved or adjudged bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUYER, or the filing by the BUYER of a petition for reorganization or other proceedings with reference to the BUYER, under the Bankruptcy Code of the United States or any similar law, state or federal or in any other jurisdiction in which the BUYER has assets or is registered to do business, or the filing of such petition of creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such a petition admitting insolvency or inability to pay its debts.

2. Interest and Charge:

If the BUYER is in default of a payment as to any installment as provided in Paragraph 1(a) and (b) of this Article, the BUYER shall pay interest on such installment at the rate of the three-month LIBOR as published in the *Wall Street Journal* plus 250 basis points per annum from the due date thereof to the date of payment to the BUILDER on the full amount including interest. In case the BUYER shall fail to take delivery of the VESSEL as provided in Paragraph 1(a) of this Article, the BUYER shall be deemed in default of the final payment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the BUILDER. In any event of default by the BUYER, the BUYER shall also pay all charges and expenses incurred by the BUILDER in connection with such default.

3. Effect of Default:

a. If any default by the BUYER occurs as provided hereinbefore, the Delivery Date shall be postponed for the period of continuance of such default by the BUYER.

b. If any default by the BUYER continues for a period of fifteen (15) days after receipt of written notice from the BUILDER, the BUILDER may, at its option, cancel this Contract by giving notice of such effect to the BUYER in writing. Upon receipt by the BUYER of such notice of cancellation, this Contract shall forthwith become cancelled and any of the BUYER's Supplies in the BUILDER's custody shall be tendered to the BUYER and if not promptly removed up by the BUYER shall become the sole property of the BUILDER.

c. In the event of such cancellation of this Contract, the BUILDER shall be entitled to retain any installments theretofore paid by the BUYER to the BUILDER on account of this Contract in trust (both for itself and the BUYER) until disposition of the VESSEL as hereinafter provided, whereupon the same shall be applied as provided in Paragraph 4 below.

4. Sale of the VESSEL:

a. In the event of cancellation of this Contract as above provided, the BUILDER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the BUILDER thinks fit without being answerable for any loss or damage.

b. In the event of the sale of the VESSEL in its completed state, the proceeds of the sale received by the BUILDER shall be applied as follows: first, to the payment of all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default; and second, to payment of all unpaid installments of the Contract Price and interest on such installments at the rate of the three-month LIBOR as published in the *Wall Street Journal* plus 250 basis points per annum from the respective due dates thereof to the date of application.

c. In the event of sale of the VESSEL in its incomplete state, the proceeds of sale received by the BUILDER shall be applied as follows: first, to all expenses attending such sale and otherwise incurred by the BUILDER as a result of the BUYER's default; second, to payment of all costs of construction of the VESSEL less the installments paid to the BUILDER; and third, to payment of compensation to the BUILDER in an amount equal to ten percent (10%) of all costs of construction of the VESSEL, representing a reasonable loss of profit on such costs due to the rescission of this Contract.

d. In either of the above events of sale, if the proceeds of sale exceeds the total of amounts to which such proceeds are to be applied under subparagraphs b or c of this Paragraph 4, the BUILDER shall promptly pay the excess to the BUYER without interest, provided, however, that the amount of such payment to the BUYER shall in no event exceed the total amount of installments already paid by the BUYER.

e. If the proceeds of sale are insufficient to pay such total amounts payable under subparagraphs b or c of this Paragraph 4, the BUYER shall promptly pay the deficiency, plus interest thereon at the rate of three month LIBOR as published in the *Wall Street Journal* plus two percent (2%) per annum running on and from the date of the sale closing until the date the full amount of said deficiency and interest is received by the BUILDER, to the BUILDER upon request.

ARTICLE XII —BUILDER'S DEFAULT

1. **Definition of BUILDER's Default:**

The following shall constitute events of default of the BUILDER under this Contract (each a "BUILDER'S Default"):

a. If the BUILDER fails to timely perform any obligation of the BUILDER under this Contract, and such failure is material and not remedied within thirty (30) days after written notice thereof from the BUYER; provided that if such default is not capable of cure within such 30-day period, the BUILDER shall not be in default hereunder if within such 30-day period the BUILDER has commenced the work or performance required to cure such failure and thereafter diligently prosecutes to completion all such work and performance required to cure such failure.

b. The BUILDER or the GUARANTOR (the "BUILDER PARTIES") being dissolved or adjudged as bankrupt or making a general assignment for the benefit of its creditors, or the appointment of a receiver or receivers of any kind whatsoever, whether or not appointed in bankruptcy, common law or equity proceedings, whether temporary or permanent, for the property of the BUILDER, or the filing by any of the BUILDER PARTIES of a petition for reorganization or other proceedings with reference to any of the BUILDER PARTIES, under any of the provisions of the Bankruptcy Code of the United States or any similar law, state or federal or in any jurisdiction in which any of the BUILDER PARTIES has assets or is registered to do

business, or the filing of such petition by creditors and approval thereof by the Court, whether proposed by a creditor, a stockholder or any other person whatsoever, or the filing of an answer to such petition admitting insolvency or inability to pay its debts, or if the BUILDER fails to assume this Contract within thirty (30) days of the filing of a petition by or against the BUILDER under the U.S. Bankruptcy Code or similar law.

c. The failure of the BUILDER to prosecute the work with such diligence and in such manner as will clearly prevent it from completing said work in accordance with the Delivery Date as adjusted plus one hundred eighty (180) days, except and to the extent that such failure is due to one or more of the causes stated in ARTICLE VIII, which default continues unremedied for a period of thirty (30) days after written notice to the BUILDER thereof; provided that if such default is not capable of cure within such 30-day period, the BUILDER shall not be in default hereunder if within such 30-day period the BUILDER has commenced the work or performance required to cure such failure and thereafter diligently prosecutes to completion all such work and performance required to cure such failure;

d. If solely due to the fault of the BUILDER a total of one hundred eighty (180) days of delay in delivery of the VESSEL has elapsed after the Delivery Date as adjusted; or

e. Any BUILDER's Default under the Second Contract continues unremedied beyond any applicable notice and cure period specified therein.

f. Any representation, warranty or statement made or deemed to be made by the BUILDER herein or in any statement or certificate delivered or required to be delivered by an officer of the BUILDER pursuant hereto shall prove to be untrue in any material respect on the date as of which it was made or deemed to have been made.

g. If (i) there occurs a default under any bond, debenture, note or other evidence of indebtedness of the BUILDER or the GUARANTOR, or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which it is governed, which default gives the holder the right to accelerate such indebtedness and which breach is not cured within any applicable grace or cure period, and (ii) such default results in the acceleration of the maturity of indebtedness in an aggregate principal amount of at least [***] DOLLARS ($[***]), unless the BUILDER and/or the GUARANTOR provides Security to the BUYER. Any Security provided to cure a BUILDER's Default under this Article XII subparagraph 1(g) shall be maintained by the BUILDER for the benefit of the BUYER until the earlier of (x) delivery of the VESSEL and the vessel subject to the Second Contract or (y) four (4) consecutive quarters of debt compliance during which the BUILDER is not in bankruptcy.

2. BUYER's Remedies:

Upon the occurrence of a BUILDER's Default, the BUYER may, at its option, cease to make payments hereunder and exercise any other remedy available to it by law, including

without limitation, to terminate this Contract by giving notice of such effect to the BUILDER in accordance with ARTICLE X hereof, which termination shall be effective, without further act or deed immediately upon the receipt of such notice provided, such termination shall not prevent either party from initiating proceedings pursuant to the provisions of Article XIV with respect to any claim it may allege concerning rights and obligations under this Contract. Upon the giving of such notice, the BUYER may elect any of the options set forth in Article X.

ARTICLE XIII-INSURANCE

1. Builder's Insurance:

At any and all times during the term of this Contract, BUILDER shall at its own expense maintain, with an insurance company or companies, with a minimum rating by A.M. Best Company and/or Standard & Poor's of A minus or equivalent, and authorized to do business in the state in which work is to be performed, insurance and surety coverage's of the kind and in the minimum amounts as follows:

a. Builder's Risk Insurance and Property Insurance:

(i) Property insurance covering all materials at the Shipyard, including BUYER-Supplies until Builder's Risk insurance becomes applicable.

(ii) Builder's risk insurance:

(1) Requirement. From the time of the laying of the keel of the VESSEL, and until delivery of the VESSEL, BUILDER, at its expense, shall keep the VESSEL and all machinery, material and equipment to be installed in the VESSEL, including all items furnished by BUYER (to the extent that BUYER has declared the value of such items to BUILDER) insured at all times under an all-risk form Marine Builders Risk policy, acceptable to BUYER (such acceptance not to be unreasonably withheld), it being agreed that if such policy is acceptable to the lender(s) providing construction period financing for the VESSEL, if any, then such policy shall be deemed to be acceptable to BUYER. BUILDER may utilize existing policies of insurance that cover the risks listed in subparagraph (a)(ii)(2) of this Article, provided that such policies are maintained by BUILDER in accordance with the provisions of paragraph (a) of this Article.

(2) Coverage. The insurance shall cover all usual marine risks, and in particular, but without prejudice to the generality of the foregoing, shall cover the following risks to the extent such insurance is available on commercially reasonable terms:

(i) All risks of loss or damage, including earthquake, volcanic eruption, hurricane, named windstorm and tidal wave, in respect

of the VESSEL and all machinery, material and equipment, whether at the Shipyard or BUILDER's suppliers' premises or in transit to the Shipyard or other place of BUILDER custody, including and during launching and trials;

(ii) Strikes, riots, civil commotions, and malicious damage;

(iii) Hull War Risks while the VESSEL is at the Shipyard or other premises of BUILDER or any subcontractor, including after the VESSEL has been launched and is either dockside or in sea trials;

(iv) Coverage for Terrorism while the VESSEL is at the Shipyard or other premises of BUILDER or any subcontractor, including after the VESSEL has been launched and is either dockside or in sea trials;

(v) Protection and indemnity coverage including full Collision; and

(vi) Sudden and accidental pollution.

Coverage shall include two percent (2%) cost escalation coverage and coverage for soft costs including liquidated damages for delay, additional construction financing interest, construction loan fees, engineering expenses/fees, insurance premiums, accounting fees, project administration expenses, attorneys' fees and fees and other costs associated with such damage or loss and with Regulatory Agency approvals. Policy deductible shall be no more than $[***] per occurrence. Coverage shall be the equivalent of the American Institute Builder's Risk Clauses (Feb 8, 1979) and American Hull Insurance Syndicate Addendum No. 1 (May 15, 1985, SRCC) and 2 (May 15,

1985) and shall include Pre-Keel coverage. Coverage shall be written without risk of liability of the BUYER for payment and without deduction for depreciation. There shall be no coinsurance penalty provision in any such policy.

In addition to liability for physical loss of, damage to, or damage caused by the VESSEL imposed upon the BUILDER by law or by the Contract, the Marine Builder's Risk Insurance Policy shall be written to specifically include, in part:

(i) All Ship underway activity as often as necessary for completion and testing of the VESSEL;
(ii) Coverage for BUYER's Supplies, if any, from the time of delivery of the BUYER's Supplies to the BUILDER;
(iii) A statement that the policy is primary to all other collectible insurance; and
(iv) Underwriters' waiver of subrogation in favor of the BUYER and all subcontractors of any tier.

(3) Minimum Sum. The minimum sum insured, and the limit of the BUILDER's liability, shall be the Contract Price plus the value declared by the BUYER to the BUILDER for the BUYER's Supplies.

b. Other Insurance:

BUILDER, at its expense, shall keep and maintain in effect the following additional insurance for the duration of this Contract:

(1) Commercial General Liability coverage to include, but not limited to, broad form property damage, personal injury, premises, completed operations and products liability, non-owned watercraft coverage with an "in rem" endorsement, and contractual liability covering all liability assumed by BUILDER under the terms of this Contract and with limits of liability not less than $5,000,000 any one occurrence or series of occurrences arising out of any one event, subject to an aggregate limit of $5,000,000 in the period of insurance for Products Liability. The BUILDER shall maintain such insurance through the expiration of the Guarantee Period. This coverage shall include broad form property damage, personal injury, broad form blanket contractual liability, products and completed operations (for one year following final acceptance of the VESSEL), time element and named perils pollution and insured indemnity obligations.

(2) Automobile Liability insurance with a combined single limit of $2,000,000 each accident for bodily injury and property damage.

(3) Worker's Compensation and Longshore and Harbor Worker's Compensation Act insurance (or an authorized and approved program of self-insurance therefor) conforming to the statutory requirements of the Commonwealth of Pennsylvania and the United States of America, respectively, and including Employers Liability with minimum limits of $1,000,000 each accident.

(4) Maritime Employer's Liability Insurance (including transportation, wages, Maintenance and Cure) for limits not less than $2,000,000 each person and each occurrence.

(5) Excess Liability insurance in the minimum amount of $[***] per occurrence, subject to an aggregate limit of $[***] in the period of insurance for Products Liability, in excess of the liability coverages specified in Article XIII, subparagraphs (b)(1), (b)(2), (b)(3) for employers liability only, and (b)(4).

The insurance coverage limits stated above can be met utilizing the BUILDER's umbrella/excess liability policy.

c. Certificates of Insurance:

(1) Each policy identified in paragraph (a) of Article XIII shall provide that it is primary insurance to and noncontributing with any other insurance carried by the BUYER, and shall obligate the insurer to give the BUYER not less than 14 days prior written notice in the event of policy cancellation (except for war risk insurance, which shall be not less than 7 days advance written notification). Each policy identified in paragraphs (b)(1) and (2) of Article XIII shall provide that it is primary insurance to and noncontributing with any other insurance carried by the BUYER, and shall obligate the insurer to give the BUYER not less than 30 days' prior written notice in the event of policy cancellation (or 10 days' prior written notice in the event of policy cancellation due to failure to pay premiums). Primary and noncontributing language shall be stated affirmatively on the certificates, and the insurance required under subparagraphs (a)(2)(iii) and (b)(1, 2, and 5) of Article XIII shall include appropriate endorsements evidencing such additional insured language required of the BUILDER and the insurance required under subparagraphs (a)(2)(iii) and (b)(1,2,3,4, and 5) of Article XIII shall include appropriate endorsements evidencing waiver of subrogation language required of the BUILDER.

(2) Certificates evidencing the policies described in this Article, in a form reasonably satisfactory to the BUYER, shall be delivered to the BUYER within ten (10) days of the date of this Contract and renewals thereof shall be delivered to the BUYER within ten (10) days after expiration of the respective policy terms. Upon request by the BUYER, the BUILDER shall provide a copy of the Marine Builders Risk policy.

(3) The policies referred to in Paragraph (a) of Article XIII shall name the BUYER and its assigns as loss payee as their interests may appear, subject to the prior senior assignment of such policies to the lender(s) providing construction period financing for the VESSEL, if any.

(4) With respect to the policies referenced in subparagraphs (b) (3) and (4) the BUILDER agrees that for all Worker's Compensation and Longshore and Harbor Worker's Compensation Act Insurance, or authorized and approved self-insurance therefor, and all

Employer's Liability and Maritime Employer's Liability Insurance policies, they shall contain waivers of rights of subrogation against the BUYER and its parent, subsidiaries, and affiliated companies.

(5) With respect to the policies referenced in subparagraphs (a)(2)(iii), and (b) (1) and (2), the BUILDER agrees that for all Collision, Protection and Indemnity Liability, Commercial General Liability and Automobile Liability that the BUYER and its parent, subsidiaries, and affiliated companies shall be named as additional assured on those policies and such policies shall contain waivers of underwriter's rights of subrogation.

It is agreed that such naming and waiving shall apply only to the extent of the legally enforceable indemnity obligations and risks assumed by the BUILDER in this Contract.

2. Application of Recovered Amount:

a. Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the BUILDER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society, and the BUYER shall accept the VESSEL under this Contract if completed in accordance with this Contract and Specification.

b. Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the BUILDER shall by the mutual agreement between the parties hereto, either:

i. Proceed in accordance with the terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction of the VESSEL and/or replacement of any damaged BUYER's Supplies, provided the parties hereto shall have first agreed in writing to such reasonable postponement of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

ii. Refund immediately to the BUYER the amount of all installments paid to the BUILDER under this Contract without any interest and the value of all BUYER's Supplies in BUILDER custody that were damaged or not returned to the BUYER, whereupon this Contract shall be deemed to be terminated and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

If the parties hereto fail to reach such agreement within two (2) months after the VESSEL is determined to be an actual or constructive total loss, the provisions of subparagraph (b)(ii) as above shall apply.

c. Termination of the BUILDER's Obligation to Insure:

The BUILDER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof and acceptance by the BUYER.

ARTICLE XIV-DISPUTE RESOLUTION

1. Technical Disputes:

Any dispute or any difference of opinion between the parties hereto relating to conformity of the construction of the VESSEL or material used to Classification requirements shall be referred to the Classification Society or the USCG (MSC) for matters within their authority for settlement by and between the parties and the Classification Society or USCG (MSC), as applicable. Decisions of the Classification Society or USCG (MSC) with regards to conformity with the rules shall be final and binding upon both parties hereto.

2. Arbitration:

Except for cases which are settled under Paragraph 1 hereof, all claims, counterclaims, demands, controversies, disputes, actions or causes of action of any nature or character arising out of or in connection with this Contract or the transactions contemplated hereby or thereby, whether legal or equitable, known or unknown, contingent or otherwise ("Claims") shall be finally settled by arbitration, held in the city of New York, New York, pursuant to the Rules of the Society of Maritime Arbitrators, Inc. ("SMA"), before a panel of three persons consisting of one arbitrator to be appointed by the BUILDER, one arbitrator to be appointed by the BUYER, and one arbitrator to be appointed by the two so chosen, unless the parties otherwise agree that a single arbitrator may be used. The single arbitrator or the third arbitrator shall be an attorney practicing maritime law. The decision of the sole arbitrator or any two of the panel of three arbitrators on any point or points shall be final and binding and may include costs, including reasonable attorneys' fees. The arbitrators shall be directed to undertake proceedings on an expedited basis so that a prompt decision of the question or questions can be announced by the arbitrators to the parties. Upon the selection of the arbitrators, each of the parties shall be entitled to commence reasonable discovery through exchange of documents, requests for admissions or depositions, subject to the sole discretion of the arbitrators, provided, however, that the arbitrators shall limit depositions, if any, to those deemed essential to the fair and reasonable resolution of the Claim. The parties shall use their reasonable best efforts to have the arbitral proceeding concluded and a judgment rendered by the arbitrator(s) within forty-five (45) days of the initiation of the arbitration proceeding. The arbitrators shall be entitled to award interest, but shall not be entitled to award special, incidental, consequential or punitive damages. Judgment may be entered upon any award made hereunder, in any court

having jurisdiction, and the parties hereby waive any right to appeal such award on the merits or to challenge the award except on the grounds set forth under United States Law (Federal Arbitration Act). Notwithstanding the foregoing agreement to arbitrate, the parties expressly reserve the right to seek provisional relief from any court of competent jurisdiction to preserve their respective rights pending arbitration, and in seeking such relief shall not waive the right of arbitration. Any dispute relating to claims of $100,000 or less in the aggregate shall be governed by the Shortened Arbitration Procedures adopted by the SMA.

3. Alteration of Delivery Date:

In the event of arbitration of any dispute arising or occurring prior to delivery of the VESSEL, an award of the arbitrators shall include a finding as to whether or not the delivery date of the VESSEL is in any way altered thereby.

ARTICLE XV- ASSIGNMENT OF CONTRACT

The benefits and obligations of this Contract shall inure to and be binding upon the successors and assigns of the original parties hereto, respectively; provided, however, that no assignment of this Contract (other than a Permitted Financing Assignment made by the BUYER) shall be made by either party without the prior written consent of the other. "Permitted Financing Assignment" shall mean any granting of any security interest or lien, or any other assignment (including without limitation any assignment in connection with the exercise of remedies by any Lender Party, as defined below) by the BUYER of (a) this Contract and the BUYER's rights hereunder, and/or (b) the BUYER'S rights to and with respect to the VESSEL and the work in process with respect to the VESSEL, in each case to or for the benefit of MARAD, as defined in Article XIX, or any lender providing construction period financing to the BUYER or any affiliate of the BUYER or any other financing or refinancing to the BUYER or any affiliate of the BUYER relating to or secured directly or indirectly by this Contract, the VESSEL and/or any work in process (any such lender, a "Lender Party"), or any designee of any such Lender Party; provided that no such assignment shall diminish the BUYER'S obligations to perform under this Contract. The term Lender Party shall include MARAD. The BUILDER hereby expressly consents to any such Permitted Financing Assignment by the BUYER. Notwithstanding the foregoing, at delivery of the VESSEL, the BUYER shall have the right, subject to BUILDER's prior written consent, which shall not be unreasonably withheld or delayed, to assign this Contract to a third party nominee for delivery and final delivery payment purposes, provided the BUYER shall remain responsible for the performance by such assignee of the obligations of the BUYER under this Contract.

ARTICLE XVI-TITLE AND LIENS

1. Title

Title to the BUYER's Supplies is and shall continue to be vested in the BUYER and title to all material paid for by the BUYER shall vest in the BUYER and shall continue to be vested in the BUYER until delivery of the VESSEL. To the extent not so vested in the BUYER, title to the VESSEL, to the extent completed, and title to all work and material performed upon or installed in the VESSEL or placed on board the VESSEL shall vest in the BUYER; provided, however, that except as may otherwise be provided in this Contract, the risk of loss of or damage to such material and the VESSEL shall remain with the BUILDER, and the BUYER shall not be deemed to have waived its rights to require the BUILDER to replace, at the BUILDER's expense, defective, damaged or destroyed work or material, and to deliver the VESSEL with the work completed and

material furnished, as provided in this Contract. Title to all scrap and title to any material which is surplus to the requirements of this Contract shall vest in the BUILDER.

2. Liens

a. The term "Liens" means any lien, security interest, encumbrance or other right in rem against the VESSEL, work or material enforceable in a court of competent jurisdiction, other than the liens in favor of the BUYER or its assignees.

b. The BUILDER shall not permit or cause any Lien to come into existence arising out of the BUILDER's performance under this Contract, The BUILDER waives any and all rights to any Lien, and the BUILDER shall not permit or cause any claim against the BUILDER or any subcontractor furnishing or performing work or material under this Contract to lie or attach against the VESSEL, work or material.

c. If a Lien is filed or asserted against or attached upon the VESSEL, work or material (whether or not arising under this Contract), the BUILDER shall promptly notify the BUYER. The BUILDER shall secure the discharge or release of any such Lien arising out of the BUILDER's performance or the performance of the BUILDER's subcontractors or vendors under this Contract not later than thirty (30) days after it is filed, asserted or attached, provided that the BUILDER may contest such Lien or the claim upon which it is based, and if the BUILDER shall not have secured the discharge or release of such Lien by court order within the time provided in this Contract, then the BUILDER shall furnish to the BUYER, or the appropriate court having jurisdiction in such matters, such bond or security therefor as the BUYER or such court shall reasonably require, and the BUILDER shall indemnify the BUYER and save the BUYER harmless from all costs, charges, damages and attorneys' fees by reason of such Lien or claims in any way attributable thereto.

d. At the time of each Milestone Payment to the BUILDER, the BUILDER shall furnish to the BUYER a certificate executed by the BUILDER certifying freedom of the VESSEL, work and material from Liens arising out of the BUILDER's performance or the performance of the BUILDER's subcontractors or vendors under this Contract in the form of Exhibit 7.

e. At the time of delivery of the VESSEL, the BUILDER shall deliver the VESSEL to the BUYER free and clear of all Liens other than those Liens resulting from an act or omission on the part of the BUYER. At the time of delivery of the VESSEL, the BUILDER shall furnish to the BUYER a certificate executed by the BUILDER certifying freedom of the VESSEL from such Liens and confirming the indemnity stated

above in the form of Exhibit 7, provided the BUYER has paid to the BUILDER or into escrow all amounts required to be paid into escrow by ARTICLE II.

ARTICLE XVII-PATENTS, TRADEMARKS, COPYRIGHTS, ETC.

1. Patents, Trademarks and Copyrights:

Machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers.

Nothing contained herein shall be construed as transferring any patent or trademark rights or copyrights in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof.

2. General Plans, Specification and Working Drawings:

The BUILDER retains all rights with respect to the Specification, and plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL and the BUYER undertakes therefore not to disclose the same or divulge any information contained therein to any third parties, without the prior written consent of the BUILDER, excepting where it is necessary for usual operation, repair and maintenance of the VESSEL.

The BUILDER grants to the BUYER and its assignees and any subsequent purchaser or operator of the VESSEL a perpetual, worldwide, royalty-free license to use the Specification, and the plans and working drawings, technical descriptions, calculations, test results and other data, information and documents concerning the design and construction of the VESSEL (jointly the "BUILDER's Vessel Design Materials") as may be required for the operation, repair, maintenance, modification, classification of the VESSEL or must otherwise be provided to regulatory authorities in connection therewith, subject to confidentiality requirements for any third party contractor. The BUILDER warrants that it has full right, title and interest in the BUILDER's Vessel Design Materials and is entitled to grant the licenses to the BUYER under this Contract and that the BUILDER's contribution to the BUILDER's Vessel Design Materials, including the plans, will not infringe the patent, copyright, trademark or trade secrets rights of any third party. In making any disclosures of any BUILDER's Vessel Design Materials to any third party contractor, the BUYER shall impose upon such third persons restrictions relating to the safeguarding to the same extent as have been imposed on the BUYER. The BUYER shall not be liable for unauthorized actions of its employees in disclosing the BUILDER's Vessel Design Materials, provided that the BUYER has taken commercially reasonable precautions to safeguard such data.

The BUILDER agrees not to utilize the ballast water ring main and flat rack container cell guide spacing design elements contributed to the Specification solely by the BUYER in the construction of any other vessels without the BUYER'S prior written consent.

3. Non-infringement:

The BUILDER shall defend, indemnify and save harmless the BUYER and its affiliates, agents, contractors, servants or employees from and against all loss, cost, liability and claims, plus attorneys' fees, resulting from any claim by any third party that the VESSEL,

or any material used in the construction of the VESSEL or incorporated in the VESSEL by the BUILDER, other than (x) the BUYER's Supplies, (y) a design feature of the VESSEL specified by the BUYER, or (z) material for which the BUYER has specified the sole acceptable manufacturer, infringes any United States or foreign patent, copyright, trademark or trade secret rights ("BUYER's Exclusions"). If the VESSEL or any material incorporated in the VESSEL by the BUILDER, other than the BUYER's Exclusions, shall be held by a court having jurisdiction to constitute such an infringement and the use thereof shall be enjoined, the BUILDER shall procure for the BUYER at the its sole cost and expense (i) the right to continue using the VESSEL with any such infringement, (ii) replace infringing material with noninfringing material of equal quality, function and performance, or (iii) modify the VESSEL so it becomes noninfringing, as may be required to eliminate all problems of infringement. Prompt written notice of the assertion of any claim or the bringing of any suit shall be given by the BUYER to the BUILDER, and thirty (30) days shall be given to the BUILDER from giving of such notice to settle or defend it as they may see fit. The BUYER shall provide every reasonable assistance in settling or defending such claim or suit. If, at the end of thirty (30) days, the BUILDER failed to undertake such settlement or defense, the BUYER shall undertake settlement or defense as it sees fit, with full reimbursement for damages, costs and attorneys' fees as herein provided, it being understood and agreed that the BUYER, in such case, shall keep the BUILDER informed, on a regular basis, of the progress of the matter and shall not settle any claims without prior written approval of the BUILDER, which approval shall not be unreasonably withheld. The BUYER warrants that the technical contribution to the Specification contributed solely by the BUYER will not infringe the patent, copyright, trademark or trade secrets of any third party. With respect to any such infringement, the BUYER will indemnify, defend and hold the BUILDER or its subcontractors or vendors harmless against any and all liability, cost, or expense resulting from such infringement.

ARTICLE XVIII-BUYER'S SUPPLIES

1. Responsibility of the BUYER:

a. The BUYER shall, at its own risk, cost and expense, including the payment of any applicable sales, use or excise taxes, supply and deliver to the BUILDER all of the items to be furnished by the BUYER according to an agreed list, which list is included in the Specification and is incorporated herein and made part of this Contract ("BUYER'S Contract Equipment", and together with BUYER'S supplies, materials, stores, spares and gear, herein jointly called the "BUYER's Supplies"), at a warehouse or other storage facility of the Shipyard in the proper condition ready for installation in or on the VESSEL, in accordance with the time schedule designated by the BUILDER. The BUILDER shall, within one hundred twenty (120) days after the effective date of this Contract, submit to the BUYER a schedule setting out the timing for the BUYER's delivery to the BUILDER of the BUYER's Supplies. Such schedule shall (i) be reviewed and approved by the BUYER,

such approval to not be unreasonably withheld, and any comments provided to the BUILDER shall be made within thirty (30) days of receipt of the schedule, provided always that the schedule shall enable BUILDER to deliver the

VESSEL in accordance with this Contract, and (ii) be updated as needed and, following any such required update, be resubmitted to the BUYER for review and approval, as aforesaid.

b. In order to facilitate installation or loading by the BUILDER of the BUYER's Supplies in or on the VESSEL, the BUYER shall furnish the BUILDER with necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the applicable rules and regulations. The BUYER, if so requested by the BUILDER, shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplies to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments thereof at the Shipyard.

c. Any and all of the BUYER's Supplies shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation. However, if so requested by the BUYER, the BUILDER may repair or adjust the BUYER's Supplies without prejudice to the BUILDER's other rights hereunder and without being responsible for any consequences therefrom. In such case, the BUYER shall reimburse the BUILDER for all costs and expenses incurred by the BUILDER in such repair or adjustment and the Delivery Date shall be postponed for a period of time necessary for such repair or replacement to the extent it impacts the construction schedule and such schedule cannot reasonably be adjusted by the BUILDER to meet the Delivery Date.

d. Should the BUYER fail to deliver any of the BUYER's Supplies within the time designated, the Delivery Date shall be extended for a period of such delay in delivery if such delay affects the Delivery Date and the effects of the delayed delivery cannot reasonably be made up in the construction schedule. In such event, the BUYER shall be responsible for and pay to the BUILDER all losses and damages incurred by the BUILDER by reason of such delay in delivery of the BUYER's Supplies and such payment shall be made upon delivery of the VESSEL. If delay in delivery of any of the BUYER's Supplies exceeds thirty (30) days, then, the BUILDER shall be entitled to proceed with construction of the VESSEL without installation thereof in or on the VESSEL, without prejudice to the BUILDER's other rights as hereinabove provided, and the BUYER shall accept and take delivery of the VESSEL so constructed.

2. Responsibility of BUILDER:

The BUILDER shall, at its own risk and expense, receive, inspect, check as to agreement with bill of lading, store, protect and handle with reasonable care all of the BUYER's Supplies after delivery thereof at the Shipyard, and shall install or load them in or on the VESSEL, unless otherwise provided herein or agreed by the parties hereto, provided, always, that the BUILDER shall not be responsible for quality, efficiency and/or performance of any of the BUYER's Supplies.

If the BUILDER does not deliver the VESSEL, except as otherwise expressly provided herein, the BUILDER shall return all of the BUYER's Supplies to the BUYER or shall reimburse the BUYER for the cost of such supplies, at the BUYER'S option.

3. Title and Risk

a. Title to the BUYER's Supplies shall remain in the BUYER at all times while such items are in the custody of the BUILDER, as provided in ARTICLE XVIII. The BUILDER shall be liable to the BUYER for all damage to or loss of the BUYER's Supplies occurring during the BUILDER's custody thereof, which may arise from any event, excepting from acts or omissions of the BUYER, and excluding all war risks, except to the extent such war risks are insurable at the time and place of loss and the BUYER has requested the BUILDER to insure such war risks at the BUYER's expense under a Change Order. The BUYER shall have reasonable access to the BUYER's Supplies during the construction. The BUILDER shall not be deemed to have extended to the BUYER any warranty as to the BUYER's Supplies other than the warranty of workmanship in the installation thereof, as set forth in ARTICLE IX.

b. If the BUYER requests that the BUILDER furnish all or any of the BUYER's Supplies, the furnishing of such BUYER's Supplies by the BUILDER shall be treated as a Change Order under ARTICLE IX, and such equipment shall be treated as material.

ARTICLE XIX COOPERATION REGARDING FINANCING AND RELATED MATTERS

The BUYER anticipates that it will require financing under the Title XI program administered by the United States Department of Transportation, acting by and through the Maritime Administrator ("MARAD"), under 46 U.S.C. chapter 537 ("Title XI"), and/or private or bank financing. The BUYER intends to make qualified withdrawals from its Capital Construction Fund ("CCF") for some or all of the construction cost. Commencing on the date of execution of this Contract and continuing through the date that is one year following the Delivery Date of the VESSEL, the BUILDER agrees to reasonably cooperate with the BUYER to assist the BUYER in arranging construction period or permanent financing in connection with the VESSEL. At this time it is anticipated that this cooperation will entail the following:

a. providing information of any nature with respect to the VESSEL, its construction, and the BUILDER (including confidential information) in the possession of the BUILDER or its suppliers and not otherwise readily available to the BUYER that is reasonably requested by (i) MARAD as a condition to processing or approving any application for Title XI financing submitted by the BUYER, including Forms MA-163, MA-440 and MA-133, and (ii) the lenders under a non-Title XI financing; and in all cases as soon as reasonably practicable after it is requested;

b. (i) making any amendments to this Contract and the Guaranty that are reasonably requested by MARAD as a condition to processing or approving any application

for Title XI financing submitted by the BUYER or any affiliate of the BUYER, or that are reasonably requested by any non-Title XI lenders, provided such amendments are customarily requested by MARAD or such non-Title XI lenders in connection with other financings and do not unreasonably increase the obligations or decrease the rights of the BUILDER or the GUARANTOR, it being understood that such amendments may include, without limitation, documentation in support of invoices, audit, inspection, and consent rights, copies of drawings, notices, insurance coverages and loss payable clauses, naming MARAD or such lenders as beneficiary of the Guaranty or any other security provided in respect of BUILDER's performance under this Contract, any amendments or supplements relating to the assignment of, or the granting of security interest in, this Contract to MARAD or any other Lender Party as security for the Title XI financing or any private or bank financing, allowing the Lender Parties to have reasonable access to the Shipyard to inspect the work in process on the VESSEL, certifying substantial completion of the VESSEL at delivery, and attending any tests and sea trials; and (ii) providing documentation evidencing (x) its consent to any assignment of, or the granting of security interest in, this Contract, the VESSEL or any work in process with respect to the VESSEL as security for the Title XI financing or any private or bank financing or otherwise in connection therewith, including without limitation any Permitted Financing Assignment, in each case in form and substance reasonably requested by MARAD or any other applicable Lender Party; and (y) its consent to subordination of its interests herein and with respect to the VESSEL and any work in process with respect to the VESSEL to any such lien or security interest of the Lender Parties to the extent of the aggregate of the initial payments and all milestone payments made by BUYER from time to time, in each case in form and substance reasonably requested by MARAD or any other applicable Lender Party;

c. identifying and tracking from the time the BUILDER places orders for the same, the foreign components and services that will be utilized in the construction of the VESSEL and providing all information requested by MARAD in the possession of the BUILDER or its suppliers and not otherwise readily available to the BUYER that is to support a waiver to include in "Actual Cost" the cost of any foreign components (including information that substantiates the choice of foreign over domestic), and complying with MARAD's cargo preference requirements and policies regarding the transport of such foreign components to the U.S. by ocean on U.S.-flag vessels in order to satisfy MARAD's foreign components waiver requirements, and providing such information as soon as reasonably practicable after it is requested;

d. supporting the BUYER's efforts to secure any grants or awards that might be available related to the LNG features on the VESSEL; and

e. applying for and providing the BUYER a U.S. Coast Guard ruling confirming the U.S. construction of the VESSEL to enable the BUYER to treat the VESSEL as a "qualified vessel" under the BUYER's CCF for purposes of 46 USC Chapter 535 §53501(2)(B) and 46 C.F.R. §390.5.

All of the foregoing the BUILDER shall perform with no changes to the Delivery Date and with no costs to the BUYER other than such actual out-of-pocket costs paid by the BUILDER to third parties which the BUYER shall have previously approved in writing.

ARTICLE XX -NOTICE

1. Address:

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the BUYER:

Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Vice President — Vessel Operations
Telephone No.: 510-628-4283
Facsimile No.: 510-628-7344

with a copy to (which shall not constitute notice):

Matson Navigation Company, Inc.
555 12th Street
Oakland, CA 94607
Attn: Vice President & Deputy General Counsel
Telephone No.: 510-628-4541
Facsimile No.: 510-628-7331

To the BUILDER:

Aker Philadelphia Shipyard, Inc.
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Attn: Scott B. Clapham, Senior Vice President
Telephone No.: 215-875 2694
Facsimile No.: 215-875 2700

with a copy to (which shall not constitute notice):

Aker Philadelphia Shipyard, Inc.
2100 Kitty Hawk Avenue
Philadelphia, PA 19112
Attn: Dean E. Grabelle, General Counsel
Telephone No.: 215-875-2687
Facsimile No.: 215-875-2700

Any notice, including any written notice, required hereunder, shall be effected and deemed received only as follows:

a. In the case of e-mail, at the time of transmission recorded on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day.

b. In the case of a letter, whether sent by registered mail or delivered by hand or by courier, at the date and time of its actual delivery if delivered within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day.

c. In the case of a telecopier/photographic facsimile transmission, at the time recorded together with the telephone dialing code of the receiving machine on the message if such time is within normal business hours on a working day at the place of receipt, otherwise at the commencement of normal business hours on the next such working day, but only if the time of receipt and the said code appear on the received facsimile copy.

2. Language:

Any and all notices and communications in connection with this Contract shall be written in the English language.

ARTICLE XXI - INTERPRETATION

1. Laws Applicable:

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part thereof shall be governed by the laws of the State of New York applicable to a contract executed and performed in such State without giving effect to the conflicts of laws principles thereof.

2. Discrepancies:

If there is any discrepancy, difference or conflict between the provisions of the Articles of this Contract and the Specification, then to the extent of such discrepancy, difference or conflict only, the Specification shall be ineffectual and the provisions of the Articles of this Contract shall prevail; but in all other aspects, the Specification shall be in full force and effect.

If there is any discrepancy, difference or conflict between the plans of the Specification and the text of the Specification, then to the extent of such discrepancy, difference or conflict the text of the Specification shall prevail; provided, however, any work called for by the text of the Specification and not shown on the plans of the Specification and any work shown on the plans of the Specification but not called for in the text of the Specification shall be performed by the BUILDER as part of the Contract work.

Any discrepancy, difference or conflict described hereabove discovered by one of the parties hereto shall be brought to the attention of the other party hereto promptly in writing.

3. Counterparts:

This Contract may be executed and delivered, including execution and delivery by facsimile or portable data format (PDF) transmission, in counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

4. Prior Agreements:

This Contract, including the Specification and Plans and Exhibits, which are incorporated herein and made part of this Contract, and the Guaranty constitute the entire agreement of the parties with respect to the subject matter hereof and thereof and shall supersede any and all prior negotiations, understandings and agreements between the parties.

5. Amendments and Waivers:

Any provision of this Contract may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of any amendment, by each party to this Contract, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

6. Third Party Beneficiaries:

No provision of this Contract is intended to confer upon any party other than the parties hereto any rights or remedies hereunder.

7. Rules of Construction:

Unless the context otherwise requires:

a) "or" is not exclusive;
b) "including" means "including, without limitation";
c) words in the singular include the plural and words in the plural include the singular;
d) for purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding";
e) references in this Contract to Articles, Paragraphs, subparagraphs or Exhibits shall be to Articles, Paragraphs. subparagraphs or Exhibits of or to this Contract unless otherwise specifically provided;

f) the headings of the Articles, Paragraphs and other parts hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Contract; and
g) the term "contractor" includes "subcontractor" and vice versa.

ARTICLE XXII — LIMITATION OF LIABILITY; INDEMNIFICATION AND NO BROKERAGE; AND FEDERAL CONTRACTOR REQUIREMENTS

1. Limitation of Liability:

The parties confirm that the express remedies and measures of damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy or measure of damages therefor. If no remedy or measure of damages is expressly herein provided, the obligor's liability shall be limited to direct actual damages only; such direct actual damages shall be the sole and exclusive remedy. The parties confirm and agree that under this Contract, notwithstanding anything to the contrary set forth herein, no party shall be required to pay or be liable for special, consequential, incidental, punitive, exemplary or indirect damages, including, without limitation, lost profit, revenue or business interruption damages, by statute, in tort, contract or otherwise. For clarity, the foregoing limitation of liability does not limit the liability of any party for direct lost profit damages under this Contract. To the extent any damages required to be paid hereunder are liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine, otherwise obtaining an adequate remedy is inconvenient and the liquidated damages constitute a reasonable approximation of the harm and loss.

2. Indemnification

The BUILDER shall also be responsible for, and shall defend, indemnify and hold harmless the BUYER and its agents against and from any and all loss, expense, attorneys' fees, claims, actions or liability for injuries to or death of any person or persons including employees of the BUILDER and damage to property occurring at or prior to delivery of the VESSEL in the course of or in connection with the BUILDER's performance of this Contract caused in whole or in part, or alleged to be caused in whole or in part, by any act of the BUILDER, its agents, employees or subcontractors or their employees, but only as and to the extent the liability is alleged to be that of the BUILDER, its agents, employees or subcontractors. It is the intention of the parties hereto that the indemnity provisions herein pertaining to employees of the BUILDER shall be effective despite the provisions of 33 U.S.C. § 905(b) as and to the extent that in any claim or action liability is alleged to be that of the BUILDER, its agents, employees, or subcontractors, it being agreed that for purposes of said section the VESSEL being constructed shall not become a "vessel" until such time as the VESSEL is officially documented by the United States Coast Guard and the Classification Society and becomes a vessel capable of being legally used for transportation of goods on water. The BUILDER's indemnity set forth hereinabove shall not apply to any injury or death of any person or to any damage to or loss of property of third parties occurring in connection with the VESSEL after the delivery and acceptance of the VESSEL by the BUYER, provided that this exclusion shall not apply to claims for

injury or death of any person, or to any damage to or loss of property of third parties occurring prior to delivery but for which a claim is not instituted until after delivery and acceptance of the VESSEL by the BUYER.

3. Brokerage:

No third party shall be entitled to receive any brokerage commissions, finder's fees, fees for financial advisory services or similar compensation in connection with the transaction contemplated by this Contract based on any arrangement or agreement made by or on behalf of the BUYER or the BUILDER.

4. Federal Contractor Requirements:

The BUILDER warrants that the BUILDER is not (a) a person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, U.S. Department of Treasury ("OFAC Listed Person") or (b) a department, agency or instrumentality of, or is otherwise controlled by or acting on behalf of, directly or indirectly, any OFAC Listed Person or the government of a country subject to comprehensive U.S. economic sanctions administered by OFAC, currently Iran, Sudan, Cuba, Burma, Syria and North Korea.

ARTICLE XXIII — CONFIDENTIALITY; PUBLIC ANNOUNCEMENTS

1. Confidentiality:

a. All information and data disclosed by either party to the other party pursuant to this Contract is the sole and exclusive property of the disclosing party and shall be deemed proprietary, secret, and confidential, regardless of the manner in which it is or was delivered, disclosed or furnished, and whether prepared by or on behalf of the disclosing party and whether delivered, disclosed or furnished prior to, on or after the date of this Contract (collectively, "Confidential Information"); provided that Confidential Information does not include information:
(i) that was in the public domain at the time of the disclosing party's communication thereof to the other;
(ii) that becomes publicly available after the communication thereof other than through a breach of this Confidentiality provision;
(iii) that was in the receiving party's possession free of any obligation of confidentiality at the time of disclosure thereof; or
(iv) that was developed by the receiving party independently of and without reference to any Confidential Information or other proprietary information that the disclosing party has disclosed in confidence to the other.

b. The parties hereto agree that all Confidential Information shall remain the property of the disclosing party, shall be kept in strictest confidence by the receiving party, its parent and its and their directors, officers, direct employees,

contractors, attorneys and advisors, and other parties engaged to carry out a party's obligations hereunder and who need to know such information for such purpose (collectively, the "Party's Representatives"), and shall not be disclosed to any other party except as provided herein, without the express prior written consent of the disclosing party. Each party hereto hereby acknowledges (i) that a breach hereof by either party or its Party's Representatives may endanger and damage the other irreparably, and that (ii) money damages may not be a sufficient remedy for any such breach and that the non-breaching party may be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach. Each party agrees to be responsible for any breach of this Contract by its respective Party's Representatives.

c. The parties agree that Confidential Information may be retained and disclosed as follows:
(i) Confidential Information of the BUYER may be disclosed by the BUILDER to third parties as may be required for the design and construction of the VESSEL; and Confidential Information of the BUILDER may be retained and copied by the BUYER or any transferees of the VESSEL for the life of the VESSEL and may be disclosed by such parties to third parties as may be required in connection with the design, operation, repair, modification, chartering, insuring, financing, sale of the VESSEL; provided that in each case the BUILDER or the BUYER or a transferee has entered into a confidentiality agreement having provisions providing substantially the same protections as in this Article XXIII, Paragraph 1.
(ii) Confidential Information that is required to be disclosed by applicable law or by order of a court or governmental authority may be disclosed by either party; provided, however, that the receiving party will give notice to the disclosing party in sufficient time as to permit a protective order to be sought by the disclosing party thereon.
(iii) Confidential Information that is required to be disclosed to a regulatory body in furtherance of the purposes of this Contract, or that is required to be disclosed in a filing with the Securities and Exchange Commission or other government agency having jurisdiction over a party may be disclosed by such party, provided, however, that to the extent such regulatory bodies or government agencies permit a party to assert a claim of confidentiality with respect to such filings, the party making the filings will assert the same.

2. Public Announcements:

The parties hereto will coordinate the issuance of any public announcement (including a press release or public filing) by them or their affiliates with respect to this Contract and the transactions contemplated hereby (an "Announcement"). Neither any party hereto nor any of its affiliates may issue an Announcement unless that party has consulted with and received approval for such Announcement from each other party hereto with respect to the content and timing of such Announcement; provided that a party hereto or its affiliates may make an Announcement as may be required by applicable law or any

listing agreement related to the trading of the shares of such party or its affiliates on any securities exchange without such approval upon advance written notice to each other party.

ARTICLE XXIV — OPTIONS

1. Options:

The BUILDER hereby grants to the BUYER options (each, an "Option"), to be exercised on or before [***] (such date, as it may be extended from time to time by mutual agreement of the parties, the "Option Expiration Date"), to purchase up to three additional ships (each, an "Option Vessel") to be constructed and sold by the BUILDER immediately after the ships being built under this Contract and the Second Contract, with substantially the same specifications as the VESSEL, on the terms set forth in this Contract and the Second Contract, but with changes to the Original Contract Price and Original Delivery Date, and with the differential cost of any design changes, to be agreed to between the BUYER and the BUILDER. The parties confirm that the vessel constructed and sold by the BUILDER pursuant to the Second Contract is not considered one of the Option Vessels. The BUYER may exercise any Option by giving written notice of exercise to the BUILDER prior to the Option Expiration Date, provided that if the BUYER exercises less than all of the Options, the Options must be exercised in numerical order based on the BUILDER's hull numbers.

2. Right of First Refusal:

The BUILDER hereby grants to the BUYER a right of first refusal (a "First Refusal Right"), to be exercised during the period commencing on the Option Expiration Date and ending six (6) months after the Option Expiration Date (such date, the "FRR Expiration Date" and such period, the "FRR Period"), to purchase up to three additional ships (each, a "FRR Vessel") to be constructed and sold by the BUILDER in the building slots for Hulls 031-033, with substantially the same specifications as the VESSEL, on the terms set forth in this Contract and the Second Contract, but with changes to the Original Contract Price and Original Delivery Date, and with the differential cost of any design changes, to be agreed to between the

BUYER and the BUILDER. The parties confirm that the vessel constructed and sold by APSI pursuant to the Second Contract is not considered one of the FRR Vessels; however, each of the Option Vessels will be considered one of the FRR Vessels. For example, if the BUYER exercises an Option with respect to an Option Vessel, then the maximum number of FRR Vessels shall be reduced from three to two. During the FRR Period, the BUILDER will notify the BUYER if the BUILDER is having serious discussions with a third party to build vessels in the building slots for Hulls 031-033 (a "FRR Builder Notice"). The BUYER may exercise the First Refusal Right with respect to one or more FRR Vessels by giving written notice of exercise to the BUILDER within seven (7) days after receipt of the FRR Builder Notice (a "FRR Buyer Notice"), provided that such exercise shall become effective or deemed rescinded as set forth in the last two sentences of this paragraph. Upon receipt of the FRR Buyer Notice, and for a period of fourteen (14) days thereafter, the BUILDER and the BUYER will negotiate in good faith to enter into a mutually

acceptable term sheet for the construction and sale of the FRR Vessel(s) subject to the FRR Buyer Notice (the "Term Sheet"). If the BUILDER and the BUYER enter into the Term Sheet within such 14-day period, then the exercise of the First Refusal Right with respect to the FRR Vessel(s) subject to the FRR Buyer Notice shall become effective. If the BUILDER and the BUYER do not enter into the Term Sheet within such 14-day period, then the exercise of the First Refusal Right with respect to the FRR Vessel(s) subject to the FRR Buyer Notice shall be deemed rescinded and the BUYER may exercise such First Refusal Right again in accordance with this Article XXIV. For clarity, the BUYER may not exercise such First Refusal Right again unless and until the BUILDER provides a FRR Builder Notice with respect to serious discussions with a different third party to build vessels in the building slots for Hulls 031-033.

3. Closing:

With respect to each Option or First Refusal Right that is exercised and becomes effective in accordance with this Article XXIV, not more than sixty (60) days after the exercise of such Option or thirty-nine (39) days after the signing of the Term Sheet, as applicable, the BUILDER and the BUYER shall use good faith efforts to do or cause to be done the following: (a) the BUILDER and the BUYER shall enter into a shipbuilding contract for the Option Vessel or RFF Vessel, as applicable (each such shipbuilding contract, an "Additional Shipbuilding Contract") on the same terms and conditions (other than the Original Contract Price and the Original Delivery Date, which shall be mutually agreed-upon by the parties) as those set forth in this Contract and the Second Contract; and (b) the Guarantor shall execute and deliver to the BUYER a guaranty with respect to the Additional Shipbuilding Contract (each such guaranty, an "Additional Guaranty") on the same terms and conditions as those set forth in the Guaranty. If the parties do not enter into the Additional Shipbuilding Contract and Additional Guaranty with respect to the Option Vessel or FRR Vessel, as applicable, within such 60-day or 39-day period, as applicable, for any reason (including, without limitation, they fail to mutually agree upon the Original Contract Price and/or Original Delivery Date), then the exercise of the Option for the Option Vessel or the First Refusal Right for the FRR Vessel, as applicable, shall be deemed rescinded and the BUYER may exercise such Option or First Refusal Right again in accordance with this Article XXIV. For clarity, the BUYER may not exercise such First Refusal Right again unless and until the BUILDER provides a FRR Builder Notice with respect to serious discussions with a different third party to build vessels in the building slots for Hulls 031-033.

[*Remainder of this page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Shipbuilding Contract to be duly executed as of the date first written above.

AKER PHILADELPHIA SHIPYARD, INC.

By: /s/ Kristian Rokke
Kristian Rokke
President and Chief Executive Officer

MATSON NAVIGATION COMPANY, INC.

By: /s/ Ronald J. Forest
Name: Ronald J. Forest
Title: Senior Vice President

Signature page to
Shipbuilding Contract — Hull No. 30

Exhibit 1 Schedule of Milestone Payments for Each Vessel

The milestone payments are intended to be as cash neutral as practical. If at any time either party expects the scheduled milestone payments will have a material variance from being cash neutral, the parties shall discuss if any adjustments to the percentages for the remaining payments should be made.

Milestones:	Payment (% of Contract Price)
Contract Signing	2%
Completion of Plan Approval	[***]%
Completion of 50 t SOLAS block	[***]%
Completion of second 50 t block	[***]%
Completion of first Grand Block	[***]%
First Dock Mounting	[***]%
2,000 t of Blocks in Dock	[***]%
Main Engine onboard	[***]%
Launch	[***]%
Delivery	[***]%

Guarantee Payment	[***]%

Milestone	Definition
Contract Signing	Contract signing date.
Completion of Plan Approval	The date that 90% of drawings have been approved by GL
Completion of 50 t SOLAS block	GL inspection of first complete 50 Ton Block (defines SOLAS keel laying date).
Completion of second 50 t block	GL inspection of second complete 50 Ton Block
Completion of first Grand Block	Completion of first Grand Block larger than 200 t
First Dock Mounting	Placement of the first grand block in the graving dock which has been painted, inspected and accepted by the BUYER and the Classification Society.
2,000 t of Blocks in Dock	2,000tons of Grand Blocks in their final location in the Building Dock
Main Engine onboard	Mounting of the Vessel's Main Engine in the hull of the ship in the graving dock, after all required prior blocks of the Vessel have been landed in the graving dock.
Launch	The Vessel is safely free floating alongside the quay; provided that the outside hull of the Vessel is then fully welded and the Classification Society confirms, in writing, that there is an adequate completion of the hull for launching.
Delivery	Delivery of the Vessel.

Exhibit 2 Milestone Certificate

Hull No. (the "Vessel") under the Shipbuilding Contract dated the 6th day of November 2013, made between Matson Navigation Company, Inc. (BUYER) and Aker Philadelphia Shipyard, Inc. (BUILDER).

We hereby certify in connection with the building of the Vessel that: _[milestone X] has been completed as substantiated by the attached documentation [Attach relevant documentation, such as pictures, class verification of milestone, tonnage calculations etc.].

Dated: , 201

For and on behalf of

AKER PHILADELPHIA SHIPYARD, INC.
BUILDER

By; _____
Title; _____

For and on behalf of

MATSON NAVIGATION COMPANY, INC.
BUYER

By; _____
Title; _____

Exhibit 3 Escrow Instructions

[bank]

Attention: Escrow Office

Dear Sir:

The undersigned, MATSON NAVIGATION COMPANY, INC. (the "BUYER") and AKER PHILADELPHIA SHIPYARD, INC. (the "BUILDER") have entered into a certain Shipbuilding Contract dated November 6, 2013, for construction of one (1) Containership (the "Contract"), a copy of which is provided to you herewith for your information.

The BUYER and the BUILDER have designated you as Escrow Holder to hold the amount of the Guarantee Payment and any disputed amounts as may be paid into escrow pursuant to the Contract.

The following shall constitute the joint Escrow Instructions of the BUYER and the BUILDER:

1. All Guarantee Payment amounts paid into escrow by the BUYER shall be held by you for a period of 12 months after the date of receipt by you of said amounts, and thereafter for such additional period as may be jointly advised to you in writing by the BUYER and the BUILDER before the expiration of such 12-month period, and promptly upon the expiration of such initial 12-month period or additional period, as applicable, said amounts shall be paid to the BUILDER, except for such amounts as the BUYER shall have made written demand on you to retain.

2. All disputed amounts paid into escrow by the BUYER shall be held by you until your receipt of joint written instructions of both parties hereto to release such amounts.

3. Any and all amounts paid into escrow may be paid out earlier than herein provided upon the joint written instructions of both parties hereto.

4. All amounts held by you shall be deposited in 30-day time deposits with a minimum rating of A-1 / P-1 bearing interest at the prevailing rates for such deposits, unless otherwise instructed by both parties hereto and approved by you, such approval not to be unreasonably withheld. Instructions by the parties and approved by you to make any other investment must be in writing and shall specify the type and identity of the investments to be

purchased and/or sold. Interest shall be accumulated, accounted for separately, and deposited in like time deposits or other investments. All earned interest shall be paid to the parties in the same proportion as the principal amounts are paid out.

5. During the period or periods that you hold monies in escrow under this agreement, a monthly itemized accounting of all transactions by the BUYER and/or the BUILDER shall be provided to each party. Said accounting shall reflect receipts into the account, disbursements from the account and accumulated interest earned on the funds held in the account.

6. The copy of the Contract provided is for your general information and you shall not be concerned with the contents thereof.

BUYER:

MATSON NAVIGATION COMPANY, INC.

By: _____

Its: _____

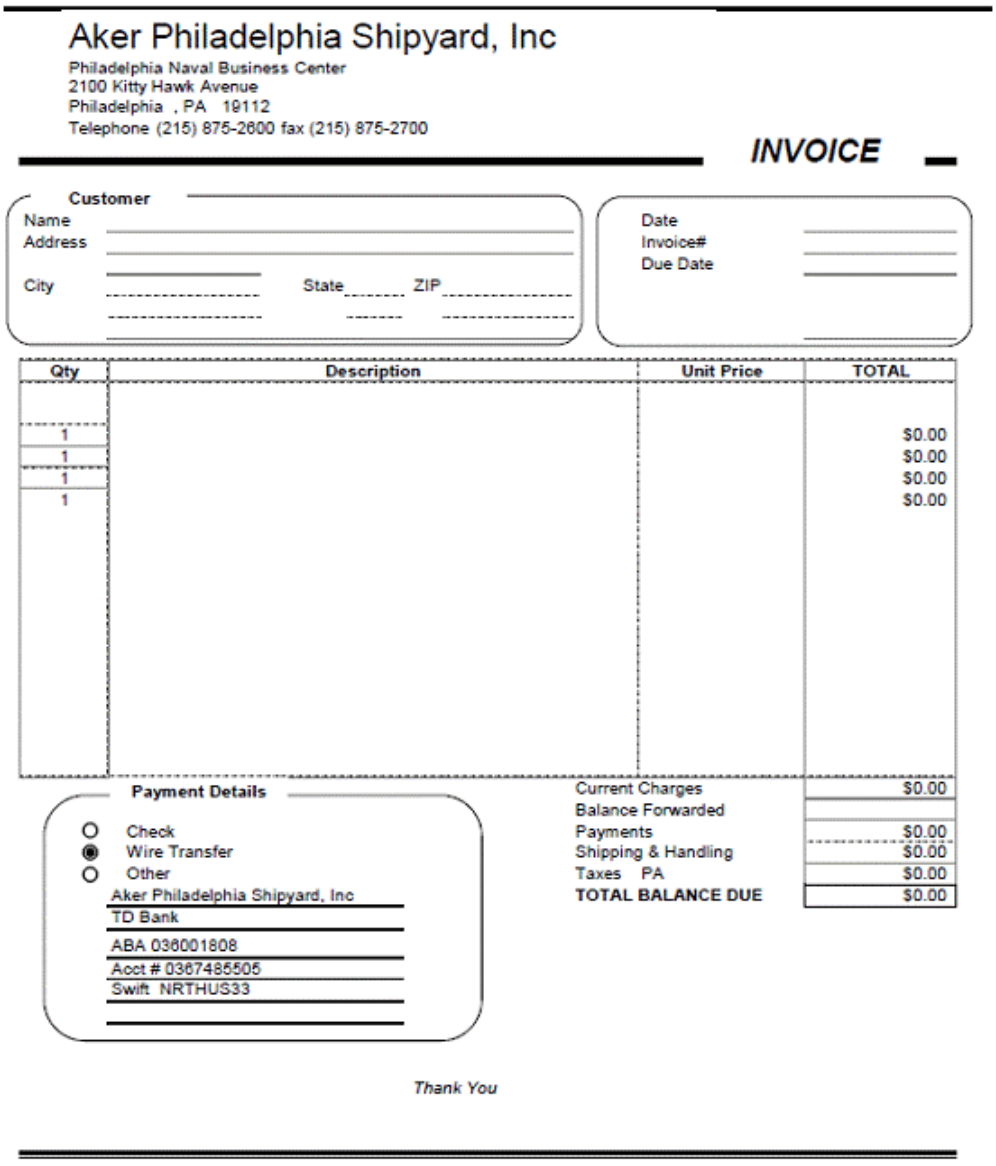
BUILDER:

AKER PHILADELPHIA SHIPYARD, INC.

By: _____

Its: _____

Exhibit 4 Form of Invoice



Aker Philadelphia Shipyard, Inc

Philadelphia Naval Business Center
2100 Kitty Hawk Avenue
Philadelphia , PA 19112
Telephone (215) 875-2600 fax (215) 875-2700

INVOICE

Customer
Name
Address
City State ZIP

Date
Invoice#
Due Date

Qty	Description	Unit Price	TOTAL
1			$0.00
1			$0.00
1			$0.00
1			$0.00

Payment Details

- Check
- Wire Transfer
- Other

Aker Philadelphia Shipyard, Inc
TD Bank
ABA 036001808
Acct # 0367485505
Swift NRTHUS33

Current Charges	$0.00
Balance Forwarded	
Payments	$0.00
Shipping & Handling	$0.00
Taxes PA	$0.00
TOTAL BALANCE DUE	$0.00

Thank You

Exhibit 5 Sample Steel Adjustment Calculation

Month	Steel	CRU Index

	Ordered (metric tons)	
1	750	$ 719
2	1000	$ 819
3	1000	$ 919
4	2000	$ 1,100
5	2000	$ 1,100
6	2000	$ 1,100
7	2000	$ 1,100
8	2000	$ 1,100
9	1000	$ 1,100
10	1000	$ 1,100
11	250	$ 1,100
Total	15000	$ 1,050

$[***] Base Steel Price
$1,050.00 Actual Steel Price

$[***] Contract Price Adjustment

Exhibit 6 Form of Change Order

CHANGE ORDER FORM

SHIPBUILDING CONTRACT FOR HULL NO.: 30

BUILDER CHANGE ORDER NUMBER:

DATE OF CHANGE ORDER:

BUYER: MATSON NAVIGATION COMPANY, INC.

BUILDER: AKER PHILADELPHIA SHIPYARD, INC.

The Contract is changed as follows: *(attach additional documentation if necessary)*

Adjustment to Contract Price *(if any)*:

The Contract Price will be (increased) (decreased) (unchanged) by this Change Order in the amount of United States Dollars

Changes to Adjusted Delivery Date *(attach additional documentation if necessary)*:

The Adjusted Delivery Date will be (increased) (decreased) (unchanged) by ( ) Days.

The Adjusted Delivery Date as a result of this Change Order therefore is , 201 .

Impact to other Changed Criteria *(insert N/A if no changes or impact; attach additional documentation if necessary)*:

Describe as Appropriate:

Impact on Appurtenances and/or Materials:

Impact on Planned Program:

Impact on Specifications:

Impact on Containers:

Impact on other Vessel Particulars:

Other impacts to liability or obligation of BUILDER or BUYER under the Contract:

Upon execution of this Change Order by BUYER and BUILDER, the above-referenced change(s) shall become a valid and binding part of the original Contract without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Contract shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

MATSON NAVIGATION COMPANY, INC. **AKER PHILADELPHIA SHIPYARD, INC.**

BUYER	BUILDER
Name	Name
Title	Title
Date of Signing	Date of Signing

Exhibit 7 Freedom of Liens Certificate

AKER PHILADELPHIA SHIPYARD, INC. (the "BUILDER"), in accordance with the provisions of that certain Shipbuilding Contract dated November 6, 2013, (the "Contract") with MATSON NAVIGATION COMPANY, INC. ("BUYER") providing for the construction of one containership, BUILDER's Hull No. 30 (the "VESSEL"), hereby certifies that as of the date of this Certificate:

(a) the VESSEL, all work in process with respect to the VESSEL, and all materials, components, equipment, machinery or supplies incorporated into the VESSEL or located at the BUILDER's Shipyard or other facilities and to be incorporated into the VESSEL, and all BUYER's Supplies, whether located at the BUILDER's Shipyard or other facilities, are free and clear of any and all Liens in favor of BUILDER and in favor of BUILDER's contractors, subcontractors, materialmen, workmen, or vendors other than those Liens resulting from an act or omission on the part of the BUYER, and Liens previously disclosed to BUYER that BUILDER is contesting in accordance with Article XVI, Paragraph 2(c) of the Contract;

(b) the BUILDER (i) for itself hereby expressly waives and releases any and all such Liens referred to in (a) above, and (ii) has secured effective waivers and releases of such Liens referred to in (a) above from BUILDER's contractors, subcontractors, materialmen, workmen, or vendors; and

(c) all taxes, assessments and duties lawfully assessed or levied, and due to date, against the VESSEL, work and material or against the materials, components, equipment, machinery, or supplies furnished to the BUILDER in the performance of the Contract, except any such taxes, assessments and duties that are being contested in good faith by the BUILDER, have been paid.

The capitalized terms used herein which are defined in the Contract or by reference therein to other documents, shall have the respective meanings stated in the Contract or such other documents.

IN WITNESS WHEREOF, BUILDER has caused this Certificate to be duly executed and delivered this day of , 201 .

AKER PHILADELPHIA SHIPYARD, INC.
BUILDER

By _____

Title _____

Exhibit 10.58

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT dated as of this 6 day of November, 2013, is executed by Aker Philadelphia Shipyard ASA, a Norwegian company (the "Guarantor") in favor of Matson Navigation Company, Inc. (the "Buyer").

WHEREAS, Aker Philadelphia Shipyard, Inc., incorporated in the State of Pennsylvania (the "Builder") proposes to enter into two Shipbuilding Contracts (the "Contract(s)") each for construction of a vessel (the "Program") with the Buyer; and

WHEREAS, the Buyer requested that the Guarantor agree to guarantee the obligations of the Builder, an indirect wholly owned subsidiary of the Guarantor, to the Buyer arising under the Program in accordance with the terms and conditions of this Guaranty Agreement.

THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the value, receipt and sufficiency of which are acknowledged, the Guarantor agrees as follows:

1. Definitions. Capitalized terms used herein and not defined herein are so used with the meanings given to them in the Contracts.

2. Guaranty. Upon the terms and subject to the conditions set forth in this Guaranty Agreement, the Guarantor unconditionally, absolutely and irrevocably guarantees the obligations of the Builder to the Buyer arising under the Program (collectively, the "Guaranteed Obligations"). The guaranty set forth herein is one of payment and not of collection. The Guarantor consents to the provision by the Builder of additional security and of financial information about the Builder and/or the Guarantor under the Shipbuilding Contracts.

3. Scope of Guaranteed Obligations. The Guarantor guarantees the full and timely payment and performance of and compliance with the Guaranteed Obligations and with each and every duty, agreement, covenant, undertaking, indemnity, and obligation of Builder under the Program when due or in accordance with the terms of the Program, as the same may be amended, modified, waived, extended and supplemented from time to time. The failure of the Buyer to obtain the consent of the Guarantor to any such amendment, modification, waiver, extension or supplement shall not excuse the performance by the Guarantor of its responsibilities to the Buyer under this Guaranty Agreement.

4. Enforcement. Prior to taking any legal action to enforce its rights under this Guaranty Agreement, the Buyer shall notify the Guarantor in writing of the circumstances surrounding the non-performance of the Guaranteed Obligations by the Builder and make demand hereunder. Upon its receipt of notice of such notice, the Guarantor shall have a reasonable period of not less than 30 days and not more than 60 days in which to remedy or cure, or cause the Builder to remedy or cure, such non-performance. In any action to enforce this Guaranty Agreement, the Guarantor shall be entitled to assert in its own name any and all of the rights, defenses, counterclaims, exculpations, indemnities and limitations on liability to which the Builder may be entitled to assert in connection with such action. Except for the foregoing, Guarantor waives all notices that may be required by statute, law or equity and all other legal and equitable defenses of a guarantor, except the defense of payment already made.

5. Termination. This Guaranty Agreement is a continuing guaranty and shall remain in full force and effect until the later of the indefeasible satisfaction or payment in full of the Guaranteed Obligations or the termination of all commitments of the Builder under the Program.

---

6. Certain Limitations. Notwithstanding any provision of this Guaranty Agreement or the Program to the contrary, the aggregate liability of the Guarantor to the Buyer pursuant to this Guaranty Agreement shall not exceed the amount of Four Hundred and Eighteen Million Dollars ($418,000,000) plus the amount of any increases in the Contract Prices under the Contracts, and in no event shall the Guarantor be liable to the Buyer for any exemplary, punitive, consequential or other special damages pursuant to this Guaranty Agreement or otherwise. The Guarantor shall pay all reasonable costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection with the enforcement of the obligations of the Guarantor under this Guaranty Agreement.

7. Assignment. This Guaranty Agreement shall be binding upon and enforceable against the Guarantor and its successors and assigns and shall inure to the benefit of, and be enforceable by the Buyer and its permitted successors and assigns and secured parties. This Guaranty Agreement may not be assigned by the Guarantor without the prior written consent (such consent not to be unreasonably withheld) of the Buyer. The Buyer may grant any Lender Party or any designee of any such Lender Party a security interest or lien, or any other assignment (including without limitation any assignment in connection with the exercise of remedies by any Lender Party) of this Guaranty Agreement in connection with any Permitted Financing Assignment. The Guarantor hereby expressly consents to any Permitted Financing Assignment by the Buyer, and further agrees to execute and deliver at its sole cost and expense any consent agreement in respect thereof reasonably requested by any Lender Party.

8. No Third Party Beneficiaries. This Guaranty Agreement is intended for the sole and exclusive benefit of the Buyer and its successors, assigns and secured parties and shall not be enforceable by any other party.

9. Governing Law; Consent to Jurisdiction and Venue. Pursuant to Section 5-1401 and Section 5-1402 of the New York General Obligations Law, the Guarantor agrees that this Guaranty Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, that any action or proceeding with respect to this Guaranty may be brought in the courts of the State of New York in New York County, or of the United States for the Southern District of New York, and the Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of such courts. The Guarantor hereby irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or in such Federal court. The Guarantor hereto hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of the venue of any action or proceeding arising out of or relating to this Guaranty Agreement and the defense of an inconvenient forum to the maintenance of any such action or proceeding. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Guarantor represents and warrants that it has assets in or is otherwise subject to jurisdiction in the United States.

10. Notices. Any notice, request or other communication hereunder to Builder or the Guarantor shall be in writing and be duly given if delivered personally or sent by prepaid registered mail to its address or by telecopier to the number and to the attention of the person set forth below:

In the case of the Guarantor:

In the case of the Buyer:

Aker Philadelphia Shipyard ASA
Fjordalleen 16, Postboks 1423 Vika,NO-0115 Oslo,
Norway
Attention: Eirik Fadness, Vice President
Facsimile No.: +47 24 13 01 01

Matson Navigation Company, Inc.
555 12th Street
Oakland, CA
Attn: Vice President Vessel Operations
Facsimile No.: 510-628-7344

11. Agent for Service of Process. The Guarantor hereby irrevocably appoints Corporation Service Company (CSC), with a current address of 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 (1-800-927-9800) its authorized agent to accept and acknowledge service of any and all process which may be served in any suit, action or proceeding of the nature referred to in paragraph 9 above and consents to process being served in any such suit, action or proceeding upon CSC in any manner or by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the Guarantor's address referred to in paragraph 10 above, as the case may be. The Guarantor agrees that such service (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it. Nothing in this paragraph 11 shall affect the right of the Buyer to serve process in any manner permitted by law or limit the right of the Buyer to bring proceedings against the Builder in the courts of any jurisdiction or jurisdictions.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty Agreement as of the date first written above.

AKER PHILADELPHIA SHIPYARD ASA

By: /s/ Eirik Fadness
Name: Eirik Fadness
Title: Vice President

Acknowledged, Accepted and Agreed this 6th day of November, 2013

MATSON NAVIGATION COMPANY, INC.

By: /s/ Ronald J. Forest
Name: Ronald J. Forest
Title: Senior Vice President

Exhibit 10.60

Contract No. MA/CCF-316

FORM OF CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY

This CAPITAL CONSTRUCTION FUND AGREEMENT ("Agreement"), made on the date hereinafter set forth, by and between the UNITED STATES OF AMERICA, represented by the Assistant Secretary of Commerce for Maritime Affairs ("Assistant Secretary"), and Matson Navigation Company, a corporation organized and existing under the laws of the State of California ("Party"), a citizen of the United States of America.

W H E R E A S:

1. The Party has applied for the establishment of a Capital Construction Fund ("Fund") under section 607 of the Merchant Marine Act, 1936, as amended ("Act");

2. The Party is the owner or lessee or has contracted for the construction of one or more eligible vessels as defined in section 607(k) of the Act, which vessels are listed in Schedule A hereof;

3. The Party has a program for the construction or acquisition of qualified agreement vessels as defined in section 607(k) of the Act, which program is described in Schedule B hereof;

4. The Assistant Secretary and the Party desire to enter into an Agreement for the purpose of providing replacement vessels, additional

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vessels, or reconstructed vessels, built in the United States and documented under the laws of the United States for operation in the United States foreign, Great Lakes, or noncontiguous domestic trade;

5. The Assistant Secretary has determined that the Party qualifies for an Agreement under the Act; and

6. The Assistant Secretary has authorized the award of an Agreement upon the terms and conditions set forth herein subject to the Act, as it may be amended from time to time, and such rules and regulations as shall be prescribed by the Secretary of Commerce or his delegate, either alone or jointly with the Secretary of the Treasury, as necessary to carry out the powers, duties, and functions vested in them by the Act ("rules and regulations").

NOW, THEREFORE, in consideration of the premises the Assistant Secretary and the Party hereby agree as follows:

1. Establishment of a Fund

(A) A Fund is hereby established for the purposes set forth in Article 2 hereof, pursuant to such terms and conditions as shall be prescribed in this Agreement, the Act, or the rules and regulations.

(B) The Fund shall be established in the depositories listed in Schedule C hereof.

2. Purpose of the Fund

The Fund established hereunder shall be utilized to provide for replacement vessels, additional vessels, or reconstructed vessels, built in the United States and documented under the laws of the United States for operation in the United States foreign, Great Lakes, or noncontiguous domestic trade, and to provide for qualified withdrawals to achieve the program set forth in Schedule B hereof.

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3. Term of the Agreement

This Agreement shall be effective on the date of execution by the Assistant Secretary and shall continue until terminated under Article 4.

4. Termination of Agreement

(A) This Agreement may be terminated at any time under any of the following circumstances:

(1) Upon written mutual agreement by the parties;

(2) Upon written notice by the Party that a change has been made in the rules and regulations which would have a substantial effect upon the rights or obligations of the Party.

(B) This Agreement shall terminate upon completion of the program as set forth in Schedule B hereof.

(C) Upon termination of this Agreement pursuant to paragraphs (A) and/or (B) hereof all amounts remaining in the Fund shall be treated as if withdrawn in a nonqualified withdrawal (as that term is defined in the Act and the rules and regulations) on the date of termination of this Agreement.

5. Deposits to be made into the Fund

(A) Subject to any restrictions contained in the Act, the rules and regulations, or this Agreement, the Party may deposit, for each taxable year to which this Agreement applies, amounts representing:

(1) Taxable income attributable to the operation of the vessels listed in Schedule A or B hereof;

(2) The depreciation allowable under section 167 of the Internal Revenue Code of 1954 on the vessels listed in Schedule A or B hereof;

(3) The net proceeds from the sale or other disposition of any of the vessels listed in Schedule A or B hereof;

(4) The net proceeds from insurance or indemnity attributable to the vessels listed in Schedule A or B hereof;

(B) The Party shall deposit for each taxable year to which this Agreement applies:

(1) All receipts from the investment or reinvestment of amounts held in the Fund, except that the Party shall not be permitted to deposit more than is necessary to complete its program set out in Schedule B hereof; and

(2) The net proceeds from the mortgage of any vessel listed in Schedule B hereof for which qualified withdrawals from the Fund have been made.

(C) Notwithstanding anything in paragraphs (A) or (B) hereof to the contrary, the Party shall make the minimum deposits set forth in Schedule D hereof at the time and in such amounts as may be set forth therein. The Party specifically agrees to deposit one hundred percent of allowable taxable income attributable to the operation of agreement vessels, in order to meet its obligations under this paragraph.

(D) In the event that any leased vessel listed in Schedule A hereof is included in another capital construction fund agreement, the maximum amount of depreciation which the Party may deposit in respect to that vessel shall be calculated by using the allowable percentage of the depreciation ceiling listed for that vessel in Schedule A hereof.

6. Withdrawals from the Fund

(A) The Party may make such qualified withdrawals (as that term is defined in the Act and the rules and regulations) as shall be necessary to fulfill the obligations set forth in Schedule B hereof. Any such qualified withdrawal may be made without the consent of the Assistant Secretary, except as required by the rules and regulations.

(B) Any other withdrawal from the Fund shall be made only upon the prior written consent of the Assistant Secretary, as required by the rules and regulations.

7. Investment of the Fund

(A) The Party, at its discretion, may invest assets held in the Fund in accordance with the Act and the rules and regulations.

(B) The Party agrees, when investing assets held in the Fund, to make such investments as will insure that sufficient cash is available at the time qualified withdrawals are required in accordance with the program described in Schedule B hereof.

8. Pledges, Assignments and Transfers

(A) The Party agrees not to assign, pledge or otherwise encumber, either directly or indirectly or through any reorganization, merger, or consolidation, all or any part of this Agreement, the Fund, or any assets in the Fund without the prior written consent of the Assistant Secretary; provided, however, the Party may transfer the assets of the Fund, in whole or in part, to an investment trustee, as provided in the rules and regulations.

(B) The Party shall not obligate any assets in the Fund as a compensating balance.

(C) The Party may not sell, transfer, or otherwise dispose of any vessel, or part thereof, described in Schedule B hereof without the prior written consent of the Assistant Secretary.

9. Records and Reports

(A) The Party and each affiliate, domestic agent, subsidiary or holding company connected with, or directly or indirectly controlling or controlled by the Party shall keep its books, records, and accounts relating to the maintenance, operation, and servicing of the vessel(s) and/or service(s) covered by this Agreement in such form as may be prescribed by the Assistant Secretary under the rules and regulations.

(B) The Assistant Secretary agrees not to require the duplication of books, records and accounts required to be kept in some other form by the Interstate Commerce Commission or the Secretary of the Treasury, so long as the information required in paragraph (A) hereof is made available to the Assistant Secretary.

(C) The Party agrees to file, upon notice from the Assistant Secretary, balance sheets, profit and loss statements, and such other statements of financial operations, special reports, charters, ships' logs, memoranda of facts and transactions, as in the opinion of the Assistant Secretary may affect the Party's performance under this Agreement.

(D) The Assistant Secretary may require by regulation that any of such statements, reports and memoranda shall be certified by independent certified public accountants acceptable to the Assistant Secretary.

(E) The Assistant Secretary may require the Party to establish and maintain systems of control of expenses and revenues in connection with the operation of the agreement vessel(s).

(F) The Party agrees to submit promptly to the Assistant Secretary any contract executed in connection with the program described in Schedule B hereof.

(G) The Assistant Secretary is hereby authorized to examine and audit the books, records, and accounts of all persons referred to in this Article whenever he may deem it necessary or desirable.

10. Modification and Amendment

This Agreement may be modified or amended at any time by mutual written consent.

11. Incorporation of Schedules

The attached Schedules A, B, C, and D are incorporated into and made a part of this Agreement.

12. Liquidated Damages

(A) In the event that the Party operates any qualified agreement vessel described in Schedule B hereof in geographic trades other than those permitted by section 607 of the Act, this Agreement, and/or the rules and regulations, the Party shall pay to the United States an amount of liquidated damages for each day of such impermissible geographic trading which shall constitute the time value of the deferral of Federal income tax which the Party has received. The amount shall be calculated as follows:

(1) For each vessel constructed or acquired within one year of final delivery from the shipyard with the aid of qualified withdrawals the daily rate shall be $0.07523 for each $1,000 which has been or may be withdrawn from the Fund pursuant to Schedule B hereof.

(2) For each vessel reconstructed or acquired more than one year after final delivery from the shipyard after construction with the aid of qualified withdrawals the daily rate shall be $0.04763 for each $1,000 which has been or may be withdrawn from the Fund pursuant to Schedule B hereof.

(3) For each vessel included in Schedule B hereof as a qualified agreement vessel in regard to which qualified withdrawals from the Fund have been made to pay existing indebtedness, the daily rate shall be $0.04763 for each $1,000 which has been or may be withdrawn from the Fund pursuant to Schedule B hereof, provided, however, that if the vessel was more than 15 years old on the date of the first qualified withdrawal, the daily rate shall be $0.03857 for each $1,000 which has been or may be with drawn from the Fund pursuant to Schedule B hereof.

(B) The Party agrees to pay the daily rate of liquidated damages to the Assistant Secretary, for deposit in the Treasury of the United States, within the time limits provided for in the rules and regulations.

(C) Nothing in this Article shall in any way be construed to diminish or waive any of the Assistant Secretary's other remedies for breach under the Act, the Agreement, or the rules and regulations.

(D) Notwithstanding the fact that the Agreement may be terminated pursuant to the provisions of Article 4 hereof, or otherwise, the provisions of this Article 12 shall continue in effect as follows:

(1) In the case of a vessel constructed or acquired within one year of final delivery from the shipyard after construction with the aid of qualified withdrawals, for a period of twenty (20) years from the date of such vessel's final delivery;

(2) In the case of a vessel reconstructed or acquired more than one year after final delivery from the shipyard after construction with the aid of qualified withdrawals, for a period of ten (10) years from the date of such vessel's final delivery from the shipyard after reconstruction or the date of such vessel's acquisition; and

(3) In the case of a vessel included in Schedule B hereof as a qualified agreement vessel in regard to which qualified withdrawals from the Fund have been made to pay existing indebtedness, for a period of ten (10) years from the date of the first qualified withdrawal in

regard to such vessel, provided, however, that if such vessel was more than fifteen (15) years old on the date of the first qualified withdrawal in regard thereto, such conditions shall continue for a period of five (5) years in regard to such vessel.

13. Warranties and Representations by the Party

The Party hereby warrants and represents that:

(A) The Party is a citizen of the United States within the meaning of section 2 of the Shipping Act, 1916, as amended, and will continue to be so for the term of this Agreement. The Party agrees that, each year, within 30 days after the annual meeting of its stockholders, it shall file a supplemental affidavit as evidence of its continuing United States citizenship, provided that, any changes in data last furnished with respect to officers, directors, and stockholders holding five percent or more of the issued and outstanding stock of each class or series which would result in a loss of the Party's status as a United States citizen shall be promptly reported to the Assistant Secretary.

(B) The Party owns, is the lessee, or has contracted for the construction of one or more eligible vessels (within the meaning of section 607(k) of the Act) as listed is Schedule A hereof.

(C) The qualified vessels described in Schedule B hereof:

(1) Were or will be constructed or reconstructed in the United States, except as provided in the Act and the rules and regulations;

(2) Are or will be documented under the laws of the United States and will continue to remain so documented; and

(3) Will be operated in the foreign, Great Lakes or noncontiguous domestic trade of the United States within the meaning of the Act and the rules and regulations.

(D) The Party will meet its deposit obligations as agreed upon in Article 5 of this Agreement.

(E) The Party will promptly inform the Assistant Secretary, in writing, of any change in circumstances which would tend to adversely affect the ability of the Party to carry out its obligations under the Agreement.

(F) The Party will faithfully conform to all rules and regulations governing the Agreement and the Fund.

(G) Nothing of monetary value has been improperly given, promised, or implied for entering into this Agreement. The Party further warrants that no improper personal, political or other activities have been used or attempted in an effort to influence the outcome of the discussions or negotiations leading to the award of this Agreement. Breach of this warranty shall constitute an event of default for which the Assistant Secretary shall have the right, notwithstanding Article 4, to terminate this Agreement without liability to the United States.

14. Default in Obligations

(A) If the Assistant Secretary determines that any substantial obligation under this Agreement is not being fulfilled by the Party, he may, under the rules and regulations and after the Party has been given notice and an opportunity to be heard, declare a breach and treat the entire Fund, or any portion thereof, as an amount withdrawn in a non-qualified withdrawal.

(B) The Assistant Secretary shall provide an opportunity for the Party to cure a breach declared pursuant to Paragraph (A) of this Article 13.

(C) Events of breach by the Party shall include, but shall not be limited to:

(1) Failure in any respect to use due diligence in performing the program set forth in Schedule B hereof;

(2) Obligating the assets in the Fund as a compensating balance;

(3) Failure to make deposits required in Schedule D hereof;

(4) Failure to secure written permission from the Assistant Secretary when such permission is required by the rules and regulations;

(5) Failure to submit reports and/or records on a timely basis as provided in Article 9 hereof;

(6) Any material misrepresentation made by the Party or any failure by the Party to disclose material information, in connection with this Agreement whether before or after execution hereof and whether made in an application, report, affidavit, or otherwise; or

(7) Failure by the Party to comply with any provisions of section 607 of the Act, the rules and regulations, or this Agreement.

(15). Extension of Federal Income Tax Benefits

The Assistant Secretary agrees that the Federal income tax benefits provided in the Act and the rules and regulations shall be available to the Party if the Party shall carry out its obligations under this Agreement.

ATTEST:

By: _____
Secretary

UNITED STATES OF AMERICA
ASSISTANT SECRETARY OF COMMERCE
FOR MARITIME AFFAIRS

By: _____
Contracting Officer

_____
(Date of Execution)

ATTEST:

By: _____
Assistant Secretary

MATSON NAVIGATION COMPANY

By: _____
Vice President

Approved as to form:

_____
Assistant General Counsel
Maritime Administration

COUNTERPART III

Addendum No.2
Contract No. MA/CCF-316

FORM OF ADDENDUM TO
MARITIME ADMINISTRATION
CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY

THIS AGREEMENT, made by and between the Secretary of Commerce (the "Secretary") and Matson Navigation Company (the "Party"), a citizen of the United States, as an addendum to that certain Capital Construction Fund Agreement, Contract No. MA/CCF-316 (the "Agreement"),

WITNESSETH:

WHEREAS:

l . The parties hereto entered into the Agreement on September 21, 1976, under section 607 of the Merchant Marine Act, l936, as amended (the "Act");

2. A new agreement form was published in the Federal Register on August 30, 1977;

3. The parties hereto desire to amend the Agreement to conform with the new agreement form; and

4. The parties hereto have agreed to amend the Agreement in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the Secretary and the Party agree as follows:

I. Effective October 28, 1977, the Agreement is amended in the following respects:

A. Article 5 of the Agreement is amended by changing the last sentence of Paragraph (C) thereof to read as follows:

"The Party specifically agrees to deposit up to one hundred percent of allowable taxable income attributable to the operation of agreement vessels in order to meet its obligations under this paragraph."

B. Article 12 of the Agreement is amended by deleting from Paragraph (A) thereof the subparagraphs numbered (l), (2), and (3) and by changing the last sentence of Paragraph (A) to read as follows:

"The amount shall be calculated in accordance with the rules and regulations."

C. Article 14 of the Agreement is amended by changing Paragraph (B) thereof to read as follows:

"(B) The Assistant Secretary shall provide an opportunity for the Party to cure a breach declared pursuant to Paragraph (A) of this Article 14."

II. Except as herein otherwise expressly provided, the Agreement, as hereto-fore amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Secretary and the Party have executed this addendum in quadruplicate, effective as of the date(s) indicated herein and actually on the 16th day of December 1977.

UNITED STATES OF AMERICA
SECRETARY OF COMMERCE
ASSISTANT SECRETARY OF COMMERCE
FOR MARITIME AFFAIRS

ATTEST:

By: _____
Secretary

By: _____
Contracting Officer

ATTEST:

MATSON NAVIGATION COMPANY

By: _____
Assistant Secretary

By: _____
Vice President and Treasurer

Approved as to form:

_____
Assistant General Counsel
Maritime Administration

COUNTERPART III

Addendum No. 5
Contract No. MA/CCF-316

FORM OF ADDENDUM TO
MARITIME ADMINISTRATION
CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY

THIS AGREEMENT, made by and between the Secretary of Commerce (the "Secretary") and MATSON NAVIGATION COMPANY (the "Party"), a citizen of the United States, as an addendum to that certain Capital Construction Fund Agreement, Contract No. MA/CCF-316 (the "Agreement").

WITNESSETH:

WHEREAS:

1. The parties hereto entered into the Agreement on September 21, 1976, under section 607 of the Merchant Marine Act, 1936, as amended (the "Act"); and

2. The parties hereto desire to amend the Agreement in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the Secretary and the Party agree as follows:

I. Effective May 7, 1980, Article 4(B) of the Agreement is amended by inserting a comma in lieu of the period after the word "hereof" and by adding after the comma the words "unless otherwise mutually agreed by the parties."

II. Except as herein otherwise expressly provided, the Agreement, as heretofore amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Secretary and the Party have executed this addendum in quadruplicate, effective as of the date(s) indicated and actually on the 15th day of August, 1980.

UNITED STATES OF AMERICA
SECRETARY OF COMMERCE
ASSISTANT SECRETARY OF COMMERCE
FOR MARITIME AFFAIRS

ATTEST:

By: _____
Secretary

By: _____
Contracting Officer

ATTEST:

MATSON NAVIGATION COMPANY

By: _____

By: _____

Name: _____
(print or type)

Name: _____
(print or type)

Title: Assistant Secretary
(print or type)

Title: Senior Vice President
(print or type)

Approved as to form:

_____
for Assistant General Counsel
Maritime Administration

COUNTERPART III

Addendum No. 18
Contract No. MA/CCF-316

FORM OF ADDENDUM TO
MARITIME ADMINISTRATION
CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY, INC.

This Addendum is made by and among the Maritime Administrator (the "Administrator") and Matson Navigation Company, Inc. (individually "Matson") and certain wholly-owned subsidiaries or sub-subsidiaries thereof, Matson Agencies, Inc., Matson Freight Agencies, Inc., Matson Freight Agencies (Eastern), Inc., Matson Intermodal System, Inc., Matson Services Company, Inc., and Matson Terminals, Inc. (Matson and such subsidiaries referred to collectively as the "Party"), each of which is a citizen of the United States, as an addendum to that certain Capital Construction Fund Agreement Contract No. MA/CCF-316 (the "Agreement").

WHEREAS:

1. The Administrator and Matson entered into the Agreement on September 21, 1976, under Section 607, Merchant Marine Act, 1936, as amended (the "Act");

2. The Administrator approved the addition of each of the subsidiaries to the Agreement on February 23, 1989;

3. The Administrator on May 23, 1989 approved an amendment of the Agreement which changes from mandatory to permissible Matson's deposit of the receipts from the investment or reinvestment of amounts held in the CCF, subject to the condition that Matson shall not be permitted to deposit more than necessary to complete its program objectives outlined in Schedule B; and

---

4. The parties desire to amend the Agreement as set forth in this Addendum.

NOW, THEREFORE, the Administrator and the Party agree as follows:

I. Effective for Matson's 1988 tax year, the agreement is amended as follows:

A. Matson Agencies, Inc., Matson Freight Agencies, Inc., Matson Freight Agencies (Eastern), Inc., Matson Intermodal System, Inc., Matson Services Company, Inc. and Matson Terminals, Inc. are added as parties to the Agreement.

B. Each of the parties added agrees to be bound by all the provisions of Contract No. MA/CCF-316, as heretofore amended, and the Act applicable thereto, and the rules and regulations issued pursuant to the Act.

II. Effective May 23, 1989, the Agreement is amended as follows:

A. Article 5, paragraph (A), item (4) is amended to change the period at the end of item (4) to a semicolon and to add the word "and";

B. Article 5, paragraph (A) is amended to add item (5) to read as follows:

(5) The receipts from the investment or reinvestment of amounts held in the Fund, except that the Party shall not be permitted to deposit more than is necessary to complete its program set out in Schedule B hereof.

C. Article 5, paragraph (B) is amended to delete item (1) and to renumber the following item as item (1).

II. Except as herein otherwise expressly provided, the Agreement, as heretofore amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Addendum No. 18 in four counterparts, effective as of the dates specified hereinabove and actually on the 5th day of July, 1989.

ATTEST:

BY: _____
Secretary

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATOR

By: _____
Contracting Officer

ATTEST:

By: _____

Name: _____

Title: Assistant Secretary

MATSON NAVIGATION COMPANY, INC.

By: _____

Name: _____

Title: Senior Vice President

ATTEST:

By: _____

Name: _____

Title: Secretary

MATSON AGENCIES, INC.

By: _____

Name: _____

Title: Vice President

ATTEST:

By: _____

Name: _____

Title: Secretary

MATSON FREIGHT AGENCIES, INC.

By: _____

Name: _____

Title: Vice President

ATTEST:

By: _____

Name: _____

Title: Secretary

MATSON FREIGHT AGENCIES
(EASTERN), INC.

By: _____

Name: _____

Title: Vice President

ATTEST:

MATSON INTERMODAL SYSTEM, INC.

By: _____ By: _____

Name: _____ Name: _____

Title: Secretary Title: Vice President

ATTEST: MATSON SERVICES COMPANY, INC.

By: _____ By: _____

Name: _____ Name: _____

Title: Secretary Title: Vice President

ATTEST: MATSON TERMINALS, INC.

By: _____ By: _____

Name: _____ Name: _____

Title: Secretary Title: Vice President

Approved as to form:

By: _____
Assistant Chief Counsel
Maritime Administration

Counterpart II
Addendum No. 20
Contract No. MA/CCF-316

FORM OF ADDENDUM TO
MARITIME ADMINISTRATION
CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY, INC.

This Addendum is made by and among the Maritime Administrator (the "Administrator") and Matson Navigation Company, Inc. (individually "Matson") and certain wholly-owned subsidiaries or sub-subsidiaries thereof, Matson Agencies, Inc., Matson Freight Agencies, Inc., Matson Freight Agencies (Eastern), Inc., Matson Intermodal System, Inc., Matson Leasing Company, Inc., Matson Services Company, Inc., and Matson Terminals, Inc. (Matson and such subsidiaries referred to collectively as the "Party"), each of which is a citizen of the United States, as an addendum to that certain Capital Construction Fund Agreement Contract No. MA/CCF-316 (the "Agreement").

WHEREAS:

1. The Administrator and Matson entered into the Agreement on September 21, 1976, under Section 607, Merchant Marine Act, 1936, as amended (the "Act");

2. The Administrator approved the addition of each of the following subsidiaries to the Agreement on February 23, 1989;

Matson Agencies, Inc.
Matson Freight Agencies, Inc.
Matson Freight Agencies (Eastern), Inc.
Matson Intermodal System, Inc.
Matson Services Company, Inc.
Matson Terminals, Inc.

3. The parties hereto desire to amend the Agreement as set forth in this Addendum.

NOW, THEREFORE, the Administrator and the Party agree as follows:

I. Effective for Matson's 1989 tax year, the agreement is amended as follows:

A. Matson Leasing Company, Inc. is added as a party to the Agreement.

B. Matson Leasing Company, Inc. agrees to be bound by all the provisions of Contract No. MA/CCF-316 as heretofore amended, and the Act applicable thereto, and the rules and regulations issued pursuant to the Act.

II. Except as herein otherwise expressly provided, the Agreement, as heretofore amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum No. 20, in four counterparts, effective as of May 8, 1989 and actually on the 23rd day of July, 1990.

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATION

By: _____
Secretary
Maritime Administration

By: _____
Contracting Officer

ATTEST:

By: _____

Name: _____
(print or type)

Title: Assistant Secretary
(print or type)

MATSON NAVIGATION COMPANY, INC.

By: _____

Name: _____
(print or type)

Title: Senior Vice President
(print or type)

ATTEST:

By: _____

Name: _____
(print or type)

Title: Secretary
(print or type)

MATSON AGENCIES, INC.

By: _____

Name: _____
(print or type)

Title: Vice President
(print or type)

ATTEST:

By: _____

Name: _____
(print or type)

Title: Secretary
(print or type)

MATSON FREIGHT AGENCIES, INC.

By: _____

Name: _____
(print or type)

Title: Vice President
(print or type)

ATTEST:

By: _____

Name: _____
(print or type)

Title: Secretary
(print or type)

MATSON FREIGHT AGENCIES
(EASTERN), INC.

By: _____

Name: _____
(print or type)

Title: Vice President
(print or type)

ATTEST:

By: _____

MATSON INTERMODAL SYSTEM, INC.

By: _____

Name: _____ Name: _____
(print or type) (print or type)

Title: Secretary Title: Vice President
(print or type) (print or type)

ATTEST: MATSON LEASING COMPANY, INC.

By: _____ By: _____

Name: _____ Name: _____
(print or type) (print or type)

Title: Secretary Title: Controller
(print or type) (print or type)

ATTEST: MATSON SERVICES COMPANY, INC.

By: _____ By: _____

Name: _____ Name: _____
(print or type) (print or type)

Title: Secretary Title: Vice President
(print or type) (print or type)

ATTEST: MATSON TERMINALS, INC.

By: _____ By: _____

Name: _____ Name: _____
(print or type) (print or type)

Title: Secretary Title: Vice President
(print or type) (print or type)

Approved as to form:

By: _____
for Assistant Chief Counsel
Maritime Administration

Addendum No. 31
Contract No. MA/CCF-316

FORM OF ADDENDUM TO
MARITIME ADMINISTRATION
CAPITAL CONSTRUCTION FUND AGREEMENT
WITH
MATSON NAVIGATION COMPANY, INC.

THIS AGREEMENT is made by and between the MARITIME ADMINISTRATOR (the "Administrator"), and MATSON NAVIGATION COMPANY, INC., a citizen of the United States (the "Contractor"), as an addendum to that certain Capital Construction Fund ("CCF'') Agreement Contract No. MA/CCF-316 (the "Agreement").

WHEREAS:

1. The Administrator and the Contractor entered into the Agreement on September 21, 1976, under Section 607 of the Merchant Marine Act, 1936, as amended, now codified as Chapter 535 to Title 46 United States Code (the "Act"); and

2. The parties hereto desire to amend the Agreement as set forth in this Addendum.

NOW, THEREFORE, the Administrator and the Contractor agree, effective as of August 26, 2005, as follows:

I. The Agreement is amended to add each of the following corporations to the Agreement, each of which is a wholly owned subsidiary of the Contractor:

Matson Integrated Logistics, Inc.
Matson Terminals, Inc.
Matson Ventures, Inc.

II. Acceptance by each of the additional corporations of the obligations of the Agreement shall be established by its execution of the acceptance of the addendum.

III. Except as herein otherwise expressly provided, the Agreement, as heretofore amended, shall remain in full force and effect.

CONFIDENTIAL BUSINESS INFORMATION EXEMPT FROM FOIA DISCLOSURE PURSUANT TO 5 U.S.C. 552(b)(4)

IN WITNESS WHEREOF. the parties have executed this Addendum No. 31 in four counterparts, effective as the date set forth hereinabove and actually on 22nd day of July, 2010.

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATION

ATTEST:

By: _____ By: _____
Assistant Secretary Contracting Officer

MATSON NAVIGATION COMPANY, INC.

ATTEST:

By: _____ By: _____

Name: _____ Name: _____
(print or type) (print or type)

Title: Assistant Secretary Title: President
(print or type) (print or type)

ADDENDUM ACCEPTED

MATSON INTEGRATED LOGISTICS, INC.

ATTEST: By: _____

By: _____ Name: _____

Name: _____ Title: Chairman of the Board & President

Title: Assistant Secretary

CONFIDENTIAL BUSINESS INFORMATION EXEMPT FROM FOIA DISCLOSURE PURSUANT TO 5 U.S.C. 552(b)(4)

MATSON TERMINALS, INC.

ATTEST: By: _____

By: _____ Name: _____

Name: _____ Title: Chairman of the Board and President

Title: Assistant Secretary

MATSON VENTURES, INC.

ATTEST: By: _____

By: _____ Name: _____

Name: _____ Title: Chairman of the Board and President

Title: Assistant Secretary

Approved as to form:

By: _____
Assistant Chief Counsel
Maritime Administration

CONFIDENTIAL BUSINESS INFORMATION EXEMPT FROM FOIA DISCLOSURE PURSUANT TO 5 U.S.C. 552(b)(4)

MATSON NAVIGATION COMPANY, INC.

FORM OF CONSULTING AGREEMENT

This Agreement is made as of the of 2014, by and between MATSON NAVIGATION COMPANY, INC., a Hawaii corporation whose address is 1411 Sand Island Parkway, Honolulu, HI 96819 ("Matson") and KEVIN C. O'ROURKE, whose address is 1638 Via Romero, Alamo, CA 94507 ("Consultant"), with reference to the following:

A. Consultant currently is an employee of Matson.

B. Consultant will retire from his current position as an employee of Matson on , 2014.

C. Consultant is willing to act as an independent consultant to Matson, bringing with him his experience with Matson, most recently as Senior Vice President and General Counsel, his unique historical knowledge of certain matters, and his experience in the shipping industry. Consultant further agrees to assist in effecting the transition of his current duties and responsibilities to others.

D. Matson wishes to retain Consultant to provide those services.

Matson and Consultant agree:

1. Term. The term of this Agreement will begin on , 2014, and will terminate as of , 2015. Either party may terminate this Agreement if the other party shall materially breach the terms of this Agreement, provided that such terminating party must give the other party written notice of such party's material breach and 30 days to cure such material breach.

2. Services to Be Provided. During the term of this Agreement, Consultant will make himself available to assist with transition of his current duties and responsibilities to others, and will further provide assistance, as needed, with the subjects listed on Attachment A (the "Services"). Consultant's work schedule will be on a mutually agreeable basis. Consultant acknowledges and agrees that certain of the services will require travel to various locations, including Washington D.C.

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3. Limitations on Other Consulting Work or Employment. During the term of this Agreement, Consultant understands that he is prohibited from providing consulting services, advice, or any other assistance to, or become employed by, any individual or company that offers services in competition with Matson or any of its subsidiaries or affiliated entities. During the term of this Agreement, Consultant will provide consulting services exclusively to Matson, and to no other individual or company. Any breach of this Section 3 shall be deemed "material" for the purposes of Section 1.

4. Fees and Invoice. For the Services performed during the term of this Agreement, Matson will pay Consultant a minimum fee of $40,000 per quarter, for which Consultant agrees to provide up to 133 and 1/3 hours of Services. Services performed in excess of 133 and 1/3 hours during such a three-month period shall be billed at a rate of $300.00 per hour. Although the Services to be provided by the Consultant during the term of this Agreement are expected to be significant and ongoing, the parties reasonably anticipate that in all events the level of services provided by Consultant will permanently decrease to no more than 20 percent of the average level of services performed by Consultant over the 36-month period immediately preceding , 2014.

When Consultant is traveling to perform services under this Agreement, Consultant shall bill a flat rate of 10 hours per day.

Within 30 days after the end of each quarter, Consultant will submit a quarterly invoice to the President and Chief Executive Officer that briefly describes the work Consultant performed, the number of hours worked and the total amount due. Matson agrees to pay each invoice within 30 days of receipt and approval of such invoice.

5. Reimbursement of Expenses. Matson will reimburse Consultant for the following out-of-pocket expenses incurred in connection with the performance of the Services:

All expenses incidental to performing the Services

Other expenses approved in advance by Matson

In order to obtain reimbursement for the foregoing expenses, Consultant must detail the reimbursable expenses in the quarterly invoice for the quarter in which the expense is incurred and provide supporting documentation that is reasonably acceptable to Matson. Notwithstanding anything to the contrary above, each reimbursement to which Consultant may become entitled in accordance with the provisions of this Paragraph will be subject to the following conditions and limitations: (i) no expense will be reimbursed later than the close of the calendar year following the calendar year in which that

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expense is incurred, (ii) the amounts eligible for reimbursement in any one calendar year will not affect the amounts reimbursable in any other calendar year and (iii) Consultant's right to receive such reimbursements may not be liquidated or exchanged for any other benefit. Reimbursements provided for in this paragraph are the only reimbursements payable to Consultant under this Agreement.

6. Duties of Matson. To assist Consultant in the performance of Services, Matson will at its expense provide Consultant with access to electronic and hard copy files necessary for the performance of the Services including continued use of a Matson laptop computer, iPad and iPhone.

7. Independent Contractor Status. The parties intend that Consultant will be an independent contractor and not an employee of Matson. To that end, the parties agree that Consultant will control how the Services are performed, but that Matson may provide job specifications. The parties agree that the work is

on-call and irregular, when work is available. Consultant acknowledges that, as a Consultant under this Agreement, Consultant is not eligible for fringe benefits provided by Matson to its active employees and hereby waives claim to any such benefits. Except to the extent that Consultant was vested in such benefits on or prior to his retirement date, Consultant acknowledges that Consultant is not entitled to pension, profit sharing, medical or dental benefits, workers' compensation benefits or unemployment insurance, vacation or holiday pay, or new or additional grants of restricted stock units, stock options or other equity.

8. No Modification to Existing Awards under the Matson, Inc. 2007 Stock Plan. Nothing contained in this Agreement shall amend or modify any outstanding award under the Matson, Inc. 2007 Stock Plan (the "Plan"). Without limiting the foregoing, nothing set forth in this Agreement shall constitute a termination or break in "Service" (as defined in the Plan or any award under the Plan) unless explicitly provided by the Plan or any such award.

9. Taxes. Consultant agrees that any tax obligations which arise from the payments described in paragraphs 4 and 5 shall be the sole obligation of Consultant and that Consultant holds harmless and indemnifies Matson and Matson's affiliates against any and all costs, penalties, taxes, or other payments made or required by any taxing authority on account of the failure or alleged failure to meet such tax obligations. In no event will Matson withhold from the payments described in paragraphs 4 and 5 state or federal income taxes or Social Security and Medicare taxes.

10. Confidential Information. Unless consented to in writing by Matson, Consultant will not disclose to anyone during or after the term of this Agreement confidential information received from Matson or developed by Consultant in performing the Services. Reports or other documents prepared by Consultant under this Agreement and any such information furnished by Matson to Consultant under this Agreement will all be, and will remain the property of Matson and be returned to Matson upon request or when they are no longer necessary for performance of the Services. Consultant will not take any such materials nor use any such material or information or copies thereof for work he performs for others nor disclose such material or information to any other party without the prior written consent of Matson.

11. Policies and Procedures. Consultant shall comply with all of Matson's policies, standards and procedures, including the Code of Conduct, the Insider Trading Policy and the Air Travel Policy, when performing the Services under this Agreement.

12. Assignment. Consultant will not assign or otherwise transfer any interest in this Agreement without the prior written consent of Matson, and any attempted assignment or transfer without consent will be void.

13. Miscellaneous.

a. Notices. Any notice required by this Agreement shall be given in writing addressed as set forth below and either personally delivered or mailed by first class mail, postage prepaid, and such notice shall be deemed to have been duly given on the date of delivery if delivered personally or on the third day after the date of mailing if mailed:

Matson:
MATSON NAVIGATION COMPANY, INC.
Attention: Matthew J. Cox
President & CEO
1411 Sand Island Parkway
Honolulu, HI 96819

Consultant:
Kevin C. O'Rourke
1638 Via Romero
Alamo, CA 94507

b. Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the rest of this Agreement will remain in full force and effect.

c. Entire Agreement. This Agreement contains the entire agreement of the parties relating to the rights granted and obligations assumed in this Agreement, and no modification or amendment hereof will be effective unless set forth in a written instrument (i) signed by the party against whom its modification or amendment is asserted or (ii) to which such party has otherwise evidenced its acceptance. This agreement shall not affect, diminish or negate any right or benefit Consultant may have as a former employee and retiree of Matson or any affiliate of Matson.

d. Choice of Law. The interpretation, construction and enforcement of this Agreement will be governed by the laws of the State of California exclusively, without reference to the laws of any other state or country, subject to the laws, rules or regulations of the United States to the extent applicable. Courts in Alameda County, California shall be the sole mandatory and exclusive venue and jurisdiction for the enforcement of this Agreement or any litigation related to or arising from the Agreement.

CONSULTANT	MATSON NAVIGATION COMPANY, INC.
Kevin C. O'Rourke	Matthew J. Cox President & Chief Executive Officer

Consulting Agreement dated as of , 2014 (Kevin C. O'Rourke)

Scope of Services to be Provided

Consultant will take direction from the President and Chief Executive Officer and the Senior Vice President and General Counsel with respect to the following tasks and will make himself available to assist with transition of these responsibilities and duties to others:

1. Continued Service on the AMP board of directors and various board committees.

2. General guidance on corporate, legislative, regulatory and compliance matters.

3. Advice on Federal legislative matters, including any initiatives affecting the Jones Act.

4. Liaison with federal governmental (Maritime Administration, Coast Guard, FMC, Customs, etc.) entities pertaining to issues important to Matson.

5. Matters pertaining to key initiatives involving Matson's operations and growth strategy.

6. Other matters or issues that may arise for which Consultant's unique 35 years of experience in the shipping industry would provide value to Matson.

Exhibit 21

Matson, Inc.

Subsidiaries as of February 1, 2014

Name of Subsidiary	State or Other Jurisdiction Under Which Organized
ABHI-Crockett, Inc.	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Logistics, Inc.	Hawaii
Subsidiaries:	
Matson Logistics Services, LLC	Hawaii
Matson Logistics Warehousing, Inc.	Hawaii
Matson Terminals, Inc.	Hawaii
Matson Ventures, Inc.	Hawaii
Matson Logistics (Shanghai) Co., Ltd.	China
Matson Shipping (Hong Kong) Limited	Hong Kong
Matson Shipping (Shanghai) Co., Ltd.	China
Matson South Pacific Holdco Limited	New Zealand
Subsidiaries:	
Matson South Pacific Limited	New Zealand
Subsidiaries:	
Matson Cook Islands Limited	Cook Islands
Tranz Pacific Management Limited	New Zealand
Matson (Antigua) Limited	Antigua and Barbuda
Reef Nauru Limited	New Zealand
Subsidiary:	
Reef Nauru II Shipping Limited	Antigua and Barbuda

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-184623, 333-121194, as amended by Post-Effective Amendment No.1 filed on April 26, 2007 and as further amended by Post-Effective Amendment No. 2 filed on June 7, 2012, 333-166539, as amended by Post-Effective Amendment No. 1 filed on June 7, 2012, 333-142384, as amended by Post-Effective Amendment No. 1 filed on June 7, 2012, and 333-69197, as amended by Post-Effective Amendment No. 1 filed on June 7, 2012 on Form S-8 of our report relating to the consolidated financial statements of Matson, Inc. and subsidiaries and the effectiveness of Matson, Inc. and subsidiaries' internal control over financial reporting dated February 28, 2014, appearing in the Annual Report on Form 10-K of Matson, Inc. for the year ended December 31, 2013.

/s/ Deloitte & Touche LLP

Honolulu, Hawaii
February 28, 2014

EXHIBIT 31.1

CERTIFICATION

I, Matthew J. Cox, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matson, Inc.;

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

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

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

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

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

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

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

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

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

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

By /s/ Matthew J. Cox
Matthew J. Cox, President and
Chief Executive Officer

Date: February 28, 2014

EXHIBIT 31.2

CERTIFICATION

I, Joel M. Wine, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matson, Inc.;

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

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

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

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

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

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

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

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

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

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

By /s/ Joel M. Wine
Joel M. Wine, Senior Vice President
and Chief Financial Officer

Date: February 28, 2014

EXHIBIT 32

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

In connection with the Annual Report of Matson, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew J. Cox, as President and Chief Executive Officer of the Company, and Joel M. Wine, as Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

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

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

/s/ Matthew J. Cox

Name: Matthew J. Cox
Title: President and Chief Executive Officer
Date: February 28, 2014

/s/ Joel M. Wine

Name: Joel M. Wine
Title: Senior Vice President and Chief Financial Officer
Date: February 28, 2014