

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, 2017

OR

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

For the transition period from to

Commission file number 001-34187

Matson, Inc.

(Exact name of registrant as specified in its charter)

Hawaii
(State or other jurisdiction of
incorporation or organization)

99-0032630
(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:

Table with 2 columns: Title of each class, Name of each exchange on which registered. Row 1: 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 20, 2018:
42,650,152

Aggregate market value of Common Stock held by non-affiliates at June 30, 2017:
\$1,277,726,300

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 [ ]

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 [ ] 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 [ ]

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 [ ]

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

Indicate by check mark whether the registrant is 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 [ ]

Non-accelerated filer [ ]

Smaller reporting company [ ]

(Do not check if a smaller reporting company)

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

Documents Incorporated By Reference

The following document is incorporated by reference in Part III of the Annual Report on Form 10-K to the extent described therein: Proxy statement for the annual meeting of shareholders of Matson, Inc. to be held April 26, 2018.

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**MATSON, INC.**

**FORM 10-K**

**Annual Report for the Fiscal Year  
Ended December 31, 2017**

**PART I**

**ITEM 1. BUSINESS**

**A. COMPANY OVERVIEW**

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. The Company consists of two segments, Ocean Transportation and Logistics. For financial information by segment for the three years ended December 31, 2017, see Note 3 to the Consolidated Financial Statements in Item 8 of Part II below.

*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 provides a vital lifeline of ocean freight transportation services to the domestic non-contiguous economies of Hawaii, Alaska and Guam, and to other island economies in Micronesia. MatNav also operates a premium, expedited service from China to Long Beach, California, and also provides services to Okinawa, Japan and various islands in the South Pacific. In addition, subsidiaries of MatNav provide container stevedoring, refrigerated cargo services, inland transportation and other terminal services for MatNav and other ocean carriers on the Hawaiian islands of Oahu, Hawaii, Maui and Kauai, and in the Alaska locations of Anchorage, Kodiak and Dutch Harbor.

Matson has a 35 percent ownership interest in SSA Terminals, LLC (“SSAT”), 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 seven terminal facilities on the U.S. West Coast, including four facilities which are used by MatNav (“Terminal Joint Venture”). Matson records its share of income in the Terminal Joint Venture in operating costs in the Consolidated Statements of Income and Comprehensive Income, and 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”), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides a variety of logistics services to its customers including: (i) multimodal transportation brokerage of domestic and international rail intermodal services, long-haul and regional highway trucking services, specialized hauling, flat-bed and project services, less-than-truckload services, and expedited freight services (collectively “Transportation Brokerage Services”); (ii) less-than-container load (“LCL”) consolidation and freight forwarding services (collectively “Freight Forwarding Services”); (iii) warehousing and distribution services; and (iv) supply chain management, non-vessel operating common carrier (“NVOCC”) freight forwarding and other services.

***Recent Acquisitions:***

On August 4, 2016, Matson Logistics completed its acquisition of Span Intermediate, LLC (“Span Alaska”), a market leading provider of LCL consolidation and freight forwarding services to Alaska. On May 29, 2015, Matson completed its acquisition of Horizon Lines, Inc. (“Horizon”). As a result, Matson acquired Horizon’s Alaska operations and assumed all of Horizon’s non-Hawaii assets and liabilities (the “Horizon Acquisition”). For additional information on Acquisitions, see Note 18 to the Consolidated Financial Statements in Item 8 of Part II below.

**Our Mission and Vision:**

Our mission is to move freight better than anyone. Our vision is to create value for our shareholders by:

- Being our customers' first choice,
- Leveraging our core strengths to drive growth and increase profitability,
- Improving the communities in which we work and live,
- Being an environmental leader in our industry, and
- Being a great place to work.

**B. BUSINESS DESCRIPTION**

**(1) OCEAN TRANSPORTATION SEGMENT**

***Ocean Freight Services:***

Matson's Ocean Transportation segment provides the following services:

*Ocean Transportation Services:*

*Hawaii Service:* 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 and Oakland, California; Seattle, Washington; and Honolulu, Hawaii. Matson also operates a network of inter-island barges that provide connecting services from Honolulu, Hawaii to other major ports on the Hawaiian islands of Kauai, Maui and Hawaii. Matson is the largest carrier of ocean cargo between the U.S. West Coast and Hawaii.

Westbound cargo carried by Matson to Hawaii includes dry containers of mixed commodities, refrigerated commodities, packaged foods and beverages, retail merchandise, building materials, automobiles and household goods. Matson's eastbound cargo from Hawaii includes automobiles, household goods, dry containers of mixed commodities and livestock. The majority of Matson's Hawaii service revenue is derived from the westbound carriage of containerized freight and automobiles.

*Alaska Service:* Matson's Alaska service provides ocean freight services (lift-on/lift-off and conventional services) between the port of Tacoma, Washington, and the ports of Anchorage, Kodiak and Dutch Harbor in Alaska. Matson also provides a barge service between Dutch Harbor and Akutan in Alaska, and other transportation services to smaller locations in Alaska.

Matson's northbound cargo to Alaska includes dry containers of mixed commodities, refrigerated commodities, packaged foods and beverages, retail merchandise, household goods and automobiles. Matson's southbound cargo from Alaska primarily consists of household goods, automobiles and seafood.

*China Service:* Matson's expedited China-Long Beach Express ("CLX") service is part of an integrated service that carries cargo from Long Beach, California to Honolulu, Hawaii, to Guam, and then to Okinawa, Japan. The vessels continue to the ports of Ningbo and Shanghai in China, where they are loaded with cargo to be discharged primarily in Long Beach, California. These vessels also carry cargo destined to Hawaii, and originating from the Guam, Micronesia, Japan and China services. Matson provides container transshipment services between the CLX ports and many locations in Asia including, Hong Kong and Xiamen, China. Westbound cargo consists mainly of recycled materials, while eastbound cargo consists mainly of garments, footwear and other retail merchandise.

*Guam Service:* Matson's Guam service provides weekly services between the U.S West Coast and Guam, as part of its expedited CLX service. Matson also provides weekly connecting service from Guam to the Commonwealth of the Northern Mariana Islands. These services carry cargo similar to the Hawaii service described above.

*Micronesia Service:* Matson's Micronesia service provides services between the U.S. West 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 transhipped

through Guam and consists of mainly general sustenance cargo. Commencing in 2018, Matson plans to begin a direct service between Honolulu, Hawaii and the Marshall Islands with a U.S. flagged vessel.

*Japan Service:* In September 2017, Matson commenced services to the port of Naha in Okinawa, Japan, as part of its expedited CLX service. This service carries mainly general sustenance cargo and household goods supporting the U.S. military.

*South Pacific Service:* Matson's South Pacific service provides services carrying general sustenance cargo between Auckland, New Zealand and the South Pacific Islands, including Fiji (Suva and Lautoka), Samoa, American Samoa, the Cook Islands (Rarotonga and Aitutaki), Tonga (Nukualofa and Vava'u), and Niue. Matson also provides transshipment services to the islands of Tahiti, Vanuatu, Nauru and the Solomon Islands (Honiara). Additionally, Matson also provides slotting arrangements for the transportation of cargo from major ports on the east coast of Australia to ports in the South Pacific Islands. Matson's South Pacific service also distributes and sells domestic bulk fuel to a variety of these islands.

Matson also provides a bi-weekly South Pacific Express ("SPX") service that connects the U.S. West Coast to the ports in the South Pacific Islands with cargo transshipped from the U.S. West Coast on Matson's Hawaii and CLX services to a Matson SPX vessel in Honolulu, Hawaii. The SPX vessel then transports the cargo to the ports in American Samoa and Samoa, with cargo destined for other ports transshipped to Matson's South Pacific service at the port of Apia, Samoa. SPX cargo destined for Hawaii or other locations on the U.S. West Coast is shipped to Honolulu, Hawaii, and then transshipped on Matson's vessels to the U.S. West Coast.

*Terminal and Other Related Services:*

Matson provides container stevedoring, refrigerated cargo services, inland transportation, container equipment maintenance and other terminal services (collectively "terminal services") for MatNav at terminals located on the Hawaiian Islands of Oahu, Hawaii, Maui and Kauai; and in the Alaska terminal locations of Anchorage, Kodiak and Dutch Harbor. Matson also provides terminal services for other ocean carriers at the Alaska terminal locations of Kodiak and Dutch Harbor.

Matson's Terminal Joint Venture SSAT provides terminal and stevedoring services to various carriers at seven terminal facilities on the U.S. West Coast and to MatNav at four of those facilities, which are Long Beach and Oakland, California; and Seattle and Tacoma, Washington.

Matson utilizes the services of other third-party terminal operators at all of the other ports at which its vessels call.

*Ship Management Services:*

Matson contracts with the U.S. Department of Transportation to provide ship management services to manage and maintain three Ready Reserve Force vessels on behalf of the U.S. Department of Transportation Maritime Administration.

***Matson's Vessel and Equipment Information:***

*Vessels:*

Matson's fleet includes both owned and chartered vessels. Matson's owned vessels represent an investment of approximately \$1.4 billion (see Critical Accounting Estimates in Item 7 of Part II below for additional information about vessel costs and net book values). The majority of Matson's owned vessels are U.S. flagged vessels, and have been acquired with the assistance of withdrawals from a Capital Construction Fund ("CCF") established under Section 607 of the Merchant Marine Act of 1936 (see Note 7 to the Consolidated Financial Statements in Item 8 of Part II below for additional information). Matson's U.S. flagged vessels operate in the Hawaii, Guam, Japan, China and Alaska services. Matson's non-U.S. flagged vessels operate in the Micronesia and South Pacific services.

Active and reserve vessels both owned and chartered by Matson as of December 31, 2017 are as follows:

Name of Vessels (1)	Owned/ Chartered	Official Number	Year Built	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Usable Cargo Capacity		
							Containers TEUs (2)	Reefer Slots	Vehicles Autos
<b>Diesel-Powered</b>									
MAUNALEI	Owned	1181627	2006	681' 1"	22.1	33,771	1,992	328	—
MANULANI	Owned	1168529	2005	712' 0"	23.0	29,517	2,378	284	—
MAUNAWILI	Owned	1153166	2004	711' 9"	23.0	29,517	2,378	326	—
MANUKAI	Owned	1141163	2003	711' 9"	23.0	29,517	2,378	326	—
PAPA MAU (3)	Owned	1559	1999	381' 5"	14.0	5,364	521	68	—
R.J. PFEIFFER	Owned	979814	1992	713' 6"	23.0	27,100	2,245	300	—
MATSON KODIAK	Owned	910308	1987	710' 0"	20.0	37,473	1,668	280	—
MATSON ANCHORAGE	Owned	910306	1987	710' 0"	20.0	37,473	1,668	280	—
MATSON TACOMA	Owned	910307	1987	710' 0"	20.0	37,473	1,668	280	—
MOKIHANA	Owned	655397	1983	860' 2"	23.0	29,484	1,994	354	1,323
MANOA	Owned	651627	1982	860' 2"	23.0	30,187	2,824	408	—
MAHIMAHI	Owned	653424	1982	860' 2"	23.0	30,167	2,824	408	—
MANA (3)	Owned	4958	1997	329' 9"	13.0	4,508	384	60	—
IMUA II (3)	Chartered	9184237	2005	388' 6"	15.0	8,071	630	90	—
LILOA II (3)	Chartered	9184249	2004	388' 6"	15.0	8,071	630	90	—
SAMOANA (3)	Chartered	9675810	2015	485' 2"	16.5	12,848	1,103	220	—
<b>Steam-Powered</b>									
KAUAI	Owned	621042	1980	720' 5"	22.0	26,308	1,644	276	44
MATSON PRODUCER	Owned	552819	1974	720' 0"	22.0	38,858	1,680	170	—
MATSONIA	Owned	553090	1973	760' 0"	21.0	22,501	1,727	258	450
MATSON CONSUMER	Owned	552818	1973	720' 0"	22.0	38,858	1,690	170	—
LIHUE	Owned	530137	1971	787' 8"	21.0	38,656	2,018	188	—
<b>Barges</b>									
WAIALEALE (4)	Owned	978516	1991	345' 0"	—	5,621	—	36	230
HALEAKALA (5)	Owned	676972	1984	350' 0"	—	4,658	335	78	—
COLUMBIA	Chartered	1247426	2013	326' 6"	—	12,678	500	78	—
ILIULIUK BAY (5)	Chartered	1249384	2013	250' 0"	—	4,138	178	—	—

(1) Excludes inactive vessels.

(2) Twenty-foot Equivalent Units ("TEU") is a standard measure of cargo volume correlated to a standard 20-foot dry cargo container.

(3) Except for these five foreign-flagged vessels, all vessels are U.S. flagged and Jones Act qualified vessels.

(4) Roll-on/roll-off barge.

(5) Lift-on/lift-off barges equipped with cranes.

### Hawaii Fleet Renewal Program:

Matson has a number of owned steamships that are either actively deployed or used as reserve vessels in its Hawaii service. All of these steamships are near the end of their useful life. Beginning January 1, 2020, steamships will no longer comply with established U.S. and international emission regulations without substantial modifications. In order to renew its Hawaii fleet and prepare for the phase-out of these steamships, Matson is constructing four new vessels to be used in the Hawaii service with the following specifications and expected delivery dates:

Name of Vessels	Official Number	Expected Delivery Date	Class	Type of Vessel	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Usable Cargo Capacity		
								Containers	Reefer	Vehicles
								TEUs	Slots	Autos
<b>Dual-fuel Capable</b>										
Daniel K. Inouye (1)	1274136	Q3 2018	Aloha Class	Containership	854' 0"	23.5	50,794	3,220	408	—
Kaimana Hila (1)	1274135	Q1 2019	Aloha Class	Containership	854' 0"	23.5	53,747	3,220	408	—
Lurline (2)	1274143	Q4 2019	Kanaloa Class	Con-Ro	869' 5"	23.0	50,981	2,750	432	500
Matsonia (2)	1274123	Q2 2020	Kanaloa Class	Con-Ro	869' 5"	23.0	50,981	2,750	432	500

- (1) The two new Aloha Class containerships are being constructed by Philly Shipyard, Inc. ("Philly Shipyard"), with dual-fuel, LNG capable engines.  
(2) The two new Kanaloa Class combination container and roll-on/roll-off ("Con-Ro") vessels are being constructed by General Dynamics NASSCO ("NASSCO"), with dual-fuel, LNG capable engines.

Actual and expected annual contractual construction progress payments based on signed agreements and change orders, excluding owners' items and capitalized interest are as follows:

Contractual Progress Payments (In millions)	Paid	Progress Payments Outstanding			Total
	2017 and Prior	2018	2019	2020	
Two Aloha Class Containerships	\$ 253.8	\$ 138.0	\$ 19.1	\$ —	\$ 410.9
Two Kanaloa Class Con-Ro Vessels	111.2	251.0	127.8	23.6	513.6
Total	\$ 365.0	\$ 389.0	\$ 146.9	\$ 23.6	\$ 924.5

Upon delivery, the four new vessels will replace the steamships currently deployed in Matson's Hawaii service. By the end of 2019, Matson expects to have retired all of its steamships as they will no longer comply, subject to substantial modifications, with environmental regulations that are effective as of January 1, 2020.

When complete, the new Aloha Class containerships and Kanaloa Class Con-Ro vessels are expected to have among the lowest operating cost per TEU of any vessel in the U.S. domestic trades. The cost efficiencies are expected to be driven by increased vessel utilization and by significantly lower operating costs including fuel consumption, maintenance and repair, and dry-docking costs. Matson also expects to return to an optimal nine vessel Hawaii fleet deployment.

### Hawaii Terminal Expansion and Modernization Program:

Matson is in the process of renovating its terminal facility at Sand Island, Honolulu, Hawaii. In August 2017, Matson signed a contract for the purchase of three new 65 long-ton capacity cranes and modifications to upgrade three existing cranes at its Sand Island Terminal in Honolulu, Hawaii. The crane investments are part of a broader terminal expansion and modernization program that Matson is undertaking to prepare its Sand Island terminal facility for the arrival of the four new vessels. Installation of the three new cranes is expected to be complete by the second quarter in 2019.

### Equipment:

As a complement to its fleet of vessels, Matson has a variety of equipment including cranes, containers, and chassis which represents an investment of approximately \$0.5 billion as of December 31, 2017. Matson also leases containers, chassis and other equipment under various operating lease agreements.



Additional information of Matson's fleet equipment is as follows:

<b>Fleet Equipment</b>	<b>Total (1)</b>	<b>Approx. % Owned (1)</b>	<b>Approx. % Leased (1)</b>
Chassis	22,700	57 %	43 %
Dry Containers	35,200	82 %	18 %
Refrigerated Containers	8,500	47 %	53 %
Specialty Equipment (2)	5,500	89 %	11 %
Motor Generators	2,100	90 %	10 %

(1) Amounts represent approximations of equipment totals and percentage allocations.

(2) Specialty equipment includes auto frames, flat racks, insulated containers, open top containers, platforms, flat bed trailers and tanks.

### **Operating Costs:**

Major components of Ocean Transportation operating costs are as follows:

*Direct Cargo Expense* includes terminal handling costs, purchased outside transportation and other related costs.

*Vessel Operating Expense* includes crew wages and related costs; fuel consumption, pilot, tugs and line related costs; vessel charter expenses and other vessel related expenses. Matson purchases fuel oil, lubricants and gasoline for its operations; and also pays fuel surcharges to other third party transportation providers.

*Operating Overhead* includes equipment repair costs, equipment operating lease and repositioning expenses, vessel repair and maintenance costs, dry-docking amortization, insurance, port engineers and other maintenance costs, and other vessel and shoreside related overhead.

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 vessels undergo two dry-docking inspections within a five-year period. The majority of Matson's U.S. flagged vessels used in the Hawaii service are enrolled in the U.S. Coast Guard's Underwater Survey in Lieu of Dry-docking ("UWILD") program. The UWILD program allows eligible vessels to meet their intermediate dry-docking requirement with a less costly underwater inspection.

Matson is responsible for ensuring that its non-U.S. flagged owned and bareboat chartered vessels 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 time chartered vessels are the responsibility of the vessel owners.

### **Competition:**

The following is a summary of major competitors in Matson's Ocean Transportation service:

*Hawaii Service:* Matson's Hawaii service has one major U.S. flag Jones Act ocean carrier competitor, Pasha Hawaii ("Pasha"), which operates container and roll-on/roll-off services between the ports of Long Beach, Oakland and San Diego, California to Hawaii. There also are two U.S. flag Jones Act barge operators, Aloha Marine Lines and Sause Brothers, which offer barge service between the Pacific Northwest and Hawaii.

Foreign-flag vessels carrying cargo to Hawaii from non-U.S. locations also provide alternatives for companies shipping to Hawaii. Other competitors in the Hawaii service include proprietary operators and contract carriers of bulk cargo. Air freight competition for time-sensitive and perishable cargo 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 the cost of air freight transportation.

Matson vessels are operated on schedules that provide customers, shippers and consignees fixed day-of-the-week sailings from the U.S. West Coast as well as fixed day-of-the-week arrivals in Hawaii. Matson offers four westbound sailings per week, though this amount may be adjusted according to seasonal demand and market conditions. One of Matson's westbound sailings each week continues on to Guam, Japan and China, so the number of eastbound sailings direct from Hawaii to the U.S. Mainland is three per week. This service is attractive to customers because more frequent sailings permit customers to reduce inventory carrying costs. Matson also competes by offering a more comprehensive

service to customers, including: service to and from the three largest U.S. West Coast ports; the most efficient terminal network on the U.S. West Coast provided by Matson's Terminal Joint Venture partner SSAT; a dedicated inter-island barge network; an award winning customer service team; and its efficiency and experience in handling cargo of all types.

*Alaska Service:* Matson's Alaska service has one major U.S. flag Jones Act competitor, Totem Ocean Trailer Express, Inc., which operates a roll-on/roll off service between Tacoma, Washington and Anchorage, Alaska. There are also two U.S. flag Jones Act barge operators, Alaska Marine Lines which mainly provides services from Seattle, Washington to the main ports of Anchorage and Dutch Harbor, and other locations in Alaska, and Samson Tug & Barge which mainly serves Western Alaska and other locations. The barge operators have historically shipped lower value commodities that can accommodate a longer transit time, as well as construction materials and other cargo that are not conducive to movement in containers.

Foreign-flag vessels provide alternatives for companies shipping cargo (mainly seafood) from the Alaska ports of Kodiak and Dutch Harbor.

Matson offers customers twice weekly scheduled services from Tacoma, Washington to Anchorage and Kodiak, Alaska and weekly service to Dutch Harbor, Alaska. The Company also provides a weekly barge service between Dutch Harbor and Akutan in Alaska. Matson is the only Jones Act containership operator providing service to Kodiak and Dutch Harbor in Alaska, which are the primary loading ports for southbound seafood. Matson offers dedicated terminal services at the Alaska ports of Anchorage, Kodiak and Dutch Harbor performed by MatNav, and at the port of Tacoma, Washington performed by Matson's Terminal Joint Venture partner SSAT.

*China Service:* Major competitors to Matson's China service include large international carriers such as Maersk, MSC, APL, CMA CGM, Evergreen, China COSCO, "K" Line, OOCL, Hyundai, SM Line and NYK Line.

Matson competes by offering a fast and reliable service from the ports of Ningbo and Shanghai in China to Long Beach, California, providing fixed day arrivals and next-day cargo availability. Matson's service is further differentiated by offering a dedicated marine terminal in Long Beach, California provided by Matson's Terminal Joint Venture partner SSAT, an off-dock container yard providing fast truck turn times, one-stop intermodal connections, and providing state-of-the-art technology and world-class customer service. Matson has offices in Hong Kong, Shenzhen, Xiamen, Ningbo and Shanghai, and has contracted with terminal operators in Ningbo and Shanghai.

*Guam Service:* Matson's Guam service has one major competitor, APL, which operates a weekly U.S. flagged container feeder service connecting the U.S. West Coast to Guam and Saipan, via transshipments over Yokohama, Japan and Busan, South Korea. Waterman operates a roll-on/roll-off service which periodically calls at Guam. There are also several foreign carriers that call at Guam from foreign origin ports.

*Japan Service:* Matson's Japan service competes primarily with APL, which operates a weekly U.S. flagged containership service from the U.S. West Coast to the Port of Naha, Okinawa, Japan.

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

***Customer Concentration:***

Matson serves customers in numerous industries and carries a wide variety of cargo, mitigating its dependence upon any single customer or single type of cargo. In 2017, 2016 and 2015, the Company's 10 largest Ocean Transportation customers accounted for approximately 23 percent, 24 percent and 23 percent of the Company's Ocean Transportation revenue, respectively. None of these customers accounted for more than 10 percent of Matson's Ocean Transportation operating revenues. For additional information on Ocean Transportation revenues for the years ended December 31, 2017, 2016 and 2015, see Note 2 to the Consolidated Financial Statements in Item 8 of Part II below.

***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 decline in demand during the fourth and first quarters. This seasonality trend is amplified in the Alaska service primarily due to winter weather and the timing of southbound seafood trade. 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. In addition, in 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.

***Maritime Laws and the Jones Act:***

*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, be manned predominantly by U.S. crews, and owned and operated by U.S.-organized companies that are controlled and 75 percent 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. West Coast, Hawaii and Alaska on foreign-built or foreign-documented vessels is prohibited.

During the years ended December 31, 2017 and 2016, approximately 72 percent and 71 percent of Matson's ocean transportation revenues, respectively, came from the Hawaii and Alaska trades that were subject to the Jones Act. Matson's Hawaii and Alaska trade routes are included within the non-contiguous Jones Act market. Hawaii, as an island economy, and Alaska due to its geographical location, are both dependent on ocean transportation. The Jones Act ensures frequent, reliable, roundtrip service to these locations. Matson's vessels operating in these trade routes are Jones Act qualified.

Matson is a member of the American Maritime Partnership ("AMP"), which supports the retention of the Jones Act and similar cabotage laws. The Jones Act has broad support from 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. AMP 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 that do not have to abide by all U.S. laws and regulations to sail between U.S. ports in direct competition with Matson and other U.S. domestic operators that must comply with all 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.

***Rate Regulations and Fuel Related Surcharge:***

Matson is subject to the jurisdiction of the Surface Transportation Board with respect to its domestic ocean rates. A rate in the non-contiguous 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 generally provides a 30-day notice to customers of any increases in general rates and terminal handling charges, and passes along decreases as soon as possible.

Matson's Ocean Transportation services 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. Conducting business in foreign shipping markets subjects the Company to certain risks (see Item 1A of Part I below for additional information about such risks).

Matson applies a fuel surcharge rate to its ocean transportation customers. Changes in the fuel surcharge levels are correlated to prevailing market rates for bunker fuel prices along with other fuel related cost factors.

***Emission Regulations:***

Matson is focused on reducing transportation emissions, including carbon dioxide, nitrous oxide, particulate matter and sulfur dioxide, through improvements in vessel fuel consumption and truck efficiency; and the development of more fuel-efficient transportation solutions.

The global sulfur emissions cap was reduced to 3.5 percent effective January 1, 2012, and is scheduled to be further reduced to 0.5 percent beginning January 1, 2020. With respect to North America, the U.S. Environmental Protection Agency (“EPA”) received approval from the International Maritime Organization, in coordination with Environment Canada, to designate all waters, with certain limited exceptions, within 200 nautical miles of U.S. and Canadian coast lines as designated emission control areas (“ECAs”). Most of Matson’s vessels operate a portion of their voyages in ECAs while Matson’s Alaska vessels operate a substantial portion of their voyages in ECAs. The North American ECA went into effect on August 1, 2012, limiting the sulfur emissions to 1.0 percent, with scheduled reductions in future years. Beginning January 1, 2015, maximum sulfur emissions permitted in designated ECA’s were reduced to 0.1 percent.

In December 2017, Matson received an ECA Permit that is effective through December 31, 2019, for three diesel-powered vessels used in the Hawaii service. Beginning January 1, 2018, the ECA Permit allows for the use of fuel with 0.9 percent or less of sulfur content, with subsequent target reductions in fuel sulfur content to occur in increments of not less than 0.05 percent on a semiannual basis. The ECA Permit is subject to the development of technologies that monitor main engine performance and promote full power operations on fuels with a sulfur content of less than 0.1 percent. The Company continues to develop solutions and other operating strategies to comply with the requirements of the ECA Permit for these three vessels.

**(2) LOGISTICS SEGMENT**

***Logistics Services:***

Matson’s Logistics segment provides the following services:

*Transportation Brokerage Services:* Matson Logistics’ transportation brokerage services provide intermodal rail, highway, and other third-party logistics services for North American customers and international ocean carrier customers, including MatNav. Matson Logistics is able to reduce transportation costs for its customers 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 operates customer service centers and has sales offices throughout North America.

*Freight Forwarding Services:* Matson Logistics provides LCL consolidation and freight forwarding services primarily to the Alaska market through its wholly owned subsidiary, Span Alaska. Span Alaska’s business aggregates LCL freight at its main terminal in Auburn, Washington for consolidation and shipment to a network of terminals in Alaska. Span Alaska also provides trucking services to its Auburn terminal and from its Alaska based terminals to final customer destinations in Alaska.

*Warehousing and Distribution Services:* Matson Logistics operates two warehouses in Georgia and two warehouses in Northern California providing warehousing, value-added packaging, and distribution services.

*Supply Chain Management and Other Services:* Matson Logistics’ supply chain management provides customers with a variety of logistics services including purchase order management, customs brokerage, LCL and full container load non-vessel operating common carrier (NVOCC) freight forwarding services.

***Operating Costs:***

Logistics operating costs primarily include the costs of purchased transportation, leased warehouse and other facilities operating costs, salaries and benefits, and other operating overhead.

**Competition:**

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' transportation brokerage services competes most directly with C.H. Robinson Worldwide, the Hub Group, and other freight brokers and intermodal marketing companies, and asset-invested market leaders such as J.B. 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.

Matson Logistics' freight forwarding services compete most directly with a variety of freight forwarding companies that operate within Alaska including Carlile, Lynden, American Fast Freight and Alaska Traffic Company.

**Customer Concentration:**

Matson Logistics serves customers in numerous industries and geographical locations. In 2017, 2016 and 2015, the Company's 10 largest logistics customers accounted for approximately 19 percent, 22 percent and 23 percent of Matson's Logistics revenue, respectively. None of these customers accounted for more than 10 percent of Matson Logistics' operating revenues. For additional information on Logistics revenues for the years ended December 31, 2017, 2016 and 2015, see Note 2 to the Consolidated Financial Statements in Item 8 of Part II below.

**Seasonality:**

Matson's Logistics services are generally not significantly impacted by seasonality factors, except for its freight forwarding service to Alaska which is affected by the winter weather, the cyclical nature of the oil, construction and fishing industries, and the seasonal nature of the tourism industry.

**C. EMPLOYEES AND LABOR RELATIONS**

**Employees:**

As of December 31, 2017, Matson and its subsidiaries had 1,947 employees, of which 748 employees were covered by collective bargaining agreements with shoreside and offshore unions. These numbers do not include billets on vessels discussed below, employees of SSAT, or other non-employees, such as agents, temporary workers and contractors.

Matson's active fleet employed seagoing personnel in 328 billets at December 31, 2017. Each billet corresponds to a position on a vessel that typically is filled by two or more employees because seagoing personnel rotate between active sea-duty and time ashore. Matson's ship management services also employed personnel in 28 billets at December 31, 2017.

**Bargaining Agreements:**

Matson and SSAT are members of the Pacific Maritime Association ("PMA"), which on behalf of its members negotiates collective bargaining agreements with the International Longshore and Warehouse Union ("ILWU") on the U.S. Pacific Coast. The PMA/ILWU collective bargaining agreements cover substantially all U.S. West Coast longshore labor. In August 2017, the ILWU agreed to extend its contract with the PMA to July 1, 2022. Matson also has collective bargaining agreements with other unions that expire at various dates in the future.

Matson's seagoing employees are represented by unions for both unlicensed and licensed crew members. Matson also has collective bargaining agreements with these unions that expire at various dates in the future.

Certain collective bargaining agreements expire during 2018. While Matson believes that it will be able to renegotiate these collective bargaining agreements with its various unions as they expire without any significant impact on its

operations, no assurance can be given that such agreements will be reached without slow-downs, strikes, lock-out or other disruptions that may adversely impact Matson's operations.

***Multi-employer Pension and Post-retirement Plans:***

Matson contributes to a number of multi-employer pension and post-retirement plans. Matson has no present intention of withdrawing from, and does not anticipate the termination of any of the multi-employer pension plans that it contributes to except for the ILA-PRSSA pension fund in Puerto Rico from which Horizon withdrew in 2015 (see Notes 11 and 12 to the Consolidated Financial Statements in Item 8 of Part II below for a discussion of withdrawal liabilities under certain multi-employer pension plans).

**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](http://www.matson.com). The contents of our website are not incorporated by reference into this Form 10-K.

The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding Matson and other issuers that file electronically with the SEC. The public may read and copy any materials Matson files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The address of the SEC's Internet website is [www.sec.gov](http://www.sec.gov).

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

A weakening of domestic 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 and Alaska, which include tourism, military spending, construction starts, personal income growth and employment, or the weakening of consumer confidence, market demand, the economy in the U.S. Mainland, or the effect of a change in the strength of the U.S. dollar against other foreign currencies, may further reduce the demand for goods to and from Asia, Hawaii and Alaska, adversely affecting inland and ocean transportation volumes or rates. In addition, overcapacity in the global or transpacific ocean transportation markets, a change in the cost of goods or currency exchange rates, imposition of tariffs, or a change in international trade policies 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 new vessels 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. For example, in August 2017, TOTE announced its intent to establish a new domestic shipping service to Hawaii but subsequently announced in January 2018 that its plans are on hold as a result of its Phase 1 technical review of Piers 1 and 2 in Honolulu Harbor. In addition in December 2016, the Company's major competitor in the Guam service upgraded its U.S. flagged feeder containership from a bi-weekly service to a weekly service

connecting the U.S. West Coast to Guam and Saipan via transshipments over Yokohama, Japan and Busan, South Korea. As a result of these and other potential competitor actions, the Company could experience a reduction in profitability.

**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 could be adversely affected by any changes in the services provided, or changes to the costs of services provided by key vendors and agents. Relationships with railroads and shipping companies and agents are important in the Company's intermodal business as well as in the Guam, Micronesia, Japan and South Pacific services.

The Company's business also relies on its relationships with the military, freight forwarders, large retailers and consumer goods and automobile manufacturers, as well as other larger customers. In 2017, the Company's Ocean Transportation segment's 10 largest customers accounted for approximately 23 percent of the business' revenue. In 2017, the Company's Logistics segment's 10 largest customers accounted for approximately 19 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.

**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. Increases in fuel costs also can lead to increases in other expenses, for example: increased energy costs, and the costs of purchased outside transportation services. In the Company's Ocean Transportation and Logistics services segments, the Company utilizes fuel related surcharges, 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 caused by unionized workers of the Company, other workers or their unions in related industries may adversely affect the Company's operations.**

As of December 31, 2017, Matson and its subsidiaries had 1,947 regular employees, of which 748 employees were covered by collective bargaining agreements with unions. In addition, at December 31, 2016, the active Matson fleet employed seagoing personnel in 328 billets, and vessel management services employed personnel in 28 billets. Each billet corresponds to a position on a vessel that typically is filled by two or more employees, because seagoing personnel rotate between active sea-duty and time ashore. Such employees are also subject to collective bargaining agreements. Furthermore, the Company relies on the services of third-parties including SSAT that employ persons covered by collective bargaining agreements. For additional information on collective bargaining agreements with unions, see Item 1. C. Employees and Labor Relations of Part I above.

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 benefit increases or modify work practices. Strikes and disruptions may occur as a result of the failure of Matson or other companies in its industry to negotiate collective bargaining agreements with such unions successfully.

In addition, any slow-downs, strikes, lock-outs or other disruptions, including limits to availability of labor through trade union hiring halts could have an adverse impact on Matson's or SSAT's operations.

**The Company is susceptible to weather, natural disasters and other operating risks.**

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 and cranes, 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's vessels and their cargoes are also subject to operating risks such as mechanical failure, collisions and human error. The occurrence of any of these events may result in damage to or loss of vessels or other property, or injury or death of people. If any of these events were to occur, the Company could be exposed to liability for resulting damages and possible penalties that, pursuant to typical maritime industry policies, it must pay and then seek reimbursement from its insurer. Affected vessels may also be removed from service and thus would be unavailable for income-generating activity.

The Company maintains casualty and liability insurance policies, which 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.

**The Company may face unexpected drydock or repair costs for its vessels.**

We routinely engage shipyards to drydock our vessels for regulatory compliance and to provide repair and maintenance. Vessels may also have to be drydocked or repaired at sea in the event of accidents or other unforeseen damage. The cost of repairs are difficult to predict with certainty and can be substantial. Large drydocking and other repair expenses could adversely affect the Company's results of operations and cash flows. In addition, the time when a vessel is out of service for maintenance is determined by a number of factors, including regulatory deadlines, market conditions, shipyard availability and customer requirements, and accordingly, the length of time that a vessel may be out of service may be longer than anticipated, which could adversely affect the Company's business, financial condition, results of operations and cash flows.

**If we are not able to use our information technology and communications systems effectively, our ability to conduct business might be negatively impacted.**

The Company is highly dependent on the proper functioning of our information technology systems to enable operations and compete effectively. Our information technology systems rely on third-party service providers for access to the Internet, satellite-based communications systems, the electric grid, database storage facilities and telecommunications providers. We have no control over the operations of these third-party service providers. If our information technology and communications systems experience reliability issues, integration or compatibility concerns or if our third-party providers are unable to perform effectively or experience disruptions or failures, there could be an adverse impact on the availability and functioning of our information technology and communications systems, which could lead to business disruption or inefficiencies, reputational harm or loss of customers that could have an adverse effect on our business.

**Our information technology systems may be exposed to cybersecurity risks and other disruptions that could impair the Company's ability to operate and adversely affect its business.**

The Company relies extensively on its information technology systems and third-party service providers including cloud services for accounting, billing, disbursement, cargo booking and tracking, vessel scheduling and stowage, equipment tracking, customer service, banking, payroll and employee communication systems. The Company also collects, stores and transmits sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees. Despite our continuous efforts to make investments in our information technology systems and system-wide data security program, the implementation of security measures to protect our data and infrastructure against breaches and other cyber threats, and our use of internal processes and



controls designed to protect the security and availability of our systems, our information technology and communication systems may be vulnerable to cybersecurity risks such as computer viruses, hacking, malware, denial of service attacks, cyber terrorism, circumvention of security systems, malfeasance, breaches due to employee error, natural disasters, telecommunications failure, or other catastrophic events at the Company's facilities, aboard its vessels or at third-party locations.

Any failure, breach or unauthorized access to the Company's or third-party systems could result in the loss of confidential, sensitive or proprietary information, interruptions in its service or production or otherwise impact our ability to conduct business operations, and could result in potential reductions in revenue and profits, damage to its reputation or liability.

**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 incur significant costs to replace them. Additionally, 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 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 a terminal joint venture, SSAT (and through SSAT, other joint ventures at U.S. West Coast terminals), 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;
- A joint venture partner at any time may have economic or business interests that are inconsistent with the Company's;
- A 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;
- A 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; and
- Actions of the joint venture may result in reputational harm to the Company.

In addition, the Company relies on the terminal joint venture, SSAT, and SSA for its stevedoring services at the ports of Long Beach and Oakland, California, and Seattle and Tacoma, Washington on the U.S. West Coast. The Company could be adversely affected by any changes in the services provided, or to the costs of such services provided by the Company's terminal joint venture, SSAT, and SSA.

**The Company is subject to risks associated with conducting business in foreign shipping markets.**

Matson's China, Micronesia, Japan 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 business associates in our foreign operations;
- Difficulties in staffing and managing foreign operations;
- Our ability to be in compliance with 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;

- Not having continued access to existing port facilities;
- Competition with established and new carriers;
- Changes in vessel deployment by competitors that impact the Company's services;
- Currency exchange rate fluctuations and our ability to manage these fluctuations;
- Political and economic instability;
- Protectionist measures including the imposition of tariffs 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 its 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.

**The Company's Shipbuilding Agreements with Philly Shipyard and NASSCO are subject to risks.**

On November 6, 2013, MatNav and Philly Shipyard entered into definitive agreements pursuant to which Philly Shipyard will construct two new 3,600-TEU Aloha Class dual-fuel capable containerships, with expected delivery dates during the third quarter of 2018 and the first quarter of 2019. On August 25, 2016, MatNav and NASSCO entered into definitive agreements pursuant to which NASSCO will construct two new 3,500-TEU Kanaloa Class dual-fuel capable container and roll-on/roll-off vessels, with expected delivery dates at the end of 2019 and mid-2020. Failure of any party to the shipbuilding agreements to fulfill its obligations under the agreements could have an adverse effect on the Company's financial position and results of operations. Such a failure could happen for a variety of reasons, including but not limited to (i) delivery delays, (ii) delivery of vessels that fail to meet any of the required operating specifications (for example, capacity, fuel efficiency or speed), (iii) events in Korea which prevent one or more significant subcontractors to each of, Philly Shipyard or NASSCO from performing, or (iv) the insolvency of, or the refusal or inability to perform for any reason, by Philly Shipyard, NASSCO, or any of their respective subcontractors. Significant delays in the delivery of the new vessels could limit our ability to replace aging steamships without substantial modifications, which could also have an adverse impact on our business plans, financial condition and results of operations.

**The Company's terminals in Hawaii and Alaska require modernization.**

We have purchased three new gantry cranes and are upgrading three existing cranes as part of a broader project to expand and improve the Company's Sand Island terminal in Honolulu Harbor. We have also begun discussions with state and local authorities in Anchorage, Alaska regarding upgrades to those terminal and port facilities. Regulatory, construction or other delays or cost overruns related to the modernization of the terminals could have an adverse impact on our business plans, financial condition 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, Guam or Alaska, thereby adversely affecting those economies 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.

**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 Horizon and Span Alaska Acquisitions may expose us to unknown liabilities.**

We acquired Horizon subject to all of the liabilities and obligations of its non-Hawaii business, including any remaining liabilities and obligations associated with its Puerto Rico operations, which Horizon ceased during the first quarter of 2015. Similarly, in August 2016, we acquired Span Alaska subject to all of its liabilities and obligations. The disposition of these liabilities, and any other obligations that are unknown to the Company, including contingent liabilities, could have an adverse effect on the Company's financial condition and results of operations.

**We may continue to be exposed to risks and liabilities related to Horizon's former Hawaii business.**

Pasha acquired Horizon's former Hawaii business immediately before we acquired Horizon, and Pasha assumed substantially all liabilities and obligations related to Horizon's Hawaii business and agreed to perform various covenants. In some cases however, Horizon, as the original contracting party, may remain primarily responsible for such assumed Hawaii liabilities and obligations. The Company may incur losses related to such assumed Hawaii liabilities and obligations.

**We may be required to record a significant charge to earnings if recorded intangible assets associated with the Horizon and Span Alaska Acquisitions became impaired.**

We recorded significant intangible assets related to goodwill and customer relationships arising from the Horizon and Span Alaska acquisitions. We are required to test goodwill for impairment annually, or 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. Factors that could lead to an impairment of goodwill or intangible customer relationships include any significant adverse changes affecting the reporting unit's financial condition, results of operations, and future cash flows.

***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 a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), a minimum ratio of EBITDA to interest expense, the maintenance of no more than a maximum amount of priority debt as a percentage of consolidated tangible assets, and the maintenance of minimum shareholders' equity. If the Company does not maintain these and other required covenants, and a breach of such covenants is not cured timely or waived by the lenders resulting in a 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, impact 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 including the Tax Cuts and Jobs Act enacted on December 22, 2017 (the "Tax Act"), regulations, and rulings; changes in interpretations of existing tax laws, regulations and rulings; changes in the evaluation of the Company's ability to realize deferred tax assets, and changes in 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; and 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 multi-employer 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 the Company 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 multi-employer 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 multi-employer 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 (See Note 11 to the Consolidated Financial Statements in Item 8 of Part II below). 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 of 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 multi-employer plan fails to satisfy the minimum funding requirements, the Internal Revenue Service will impose certain penalties and taxes.

***Risks Relating to Legal and Legislative Matters***

**Compliance with safety and environmental protection and other governmental requirements may adversely affect our operations.**

The shipping industry in general, our business and the operation of our vessels and terminals in particular are affected by extensive and changing safety, environmental protection and other international, national, State and local governmental laws and regulations, including the following: laws pertaining to air emissions; wastewater discharges; the transportation, handling and disposal of solid and hazardous materials, oil and oil-related products, hazardous substances and wastes; the investigation and remediation of contamination; and health, safety and the protection of the environment and natural resources. For example, our U.S. flagged vessels generally must be maintained "in class" and are subject to periodic inspections by the American Bureau of Shipping or similar classification societies, and must be periodically inspected by, or on behalf of, the United States Coast Guard. Federal environmental laws and certain State laws require us, as a vessel operator, to comply with numerous environmental regulations and to obtain certificates of financial responsibility and to adopt procedures for oil and hazardous substance spill prevention, response and clean up.

In complying with these laws, we have incurred expenses and may incur future expenses for vessel modifications, changes in operating procedures and undergoing additional oversight inspections. Changes in enforcement policies for existing requirements and additional laws and regulations adopted in the future could limit our ability to do business or further increase the cost of our doing business. Our vessels' operating certificates and licenses are renewed periodically during the required annual surveys of the vessels. However, there can be no assurance that such certificates and licenses will be renewed, even though Matson maintains extensive programs and policies to ensure such renewal. Also, in the future, we may have to alter existing equipment, add new equipment, or change operating procedures for our vessels to comply with changes in governmental regulations, safety or other equipment standards to meet our customers' changing needs. If any such costs are material, they could adversely affect our financial condition.

**We are subject to regulation and liability under environmental laws that could result in substantial fines and penalties that may have a material adverse effect on our results of operations.**

The U.S. Act to Prevent Pollution from vessels, which implements the International Maritime Pollution (MARPOL) treaty, and the Oil Pollution Action of 1990 (OPA-90), among many other laws, treaties and regulations, provides for severe civil and criminal penalties related to vessel-generated pollution for incidents in U.S. waters within three nautical miles and in some cases within the 200-mile exclusive economic zone. The EPA requires vessels to obtain coverage under a general permit and to comply with inspection, monitoring, discharge, recordkeeping and reporting requirements. Matson's vessels operate within sulfur emission control areas (SECAs) or emission control areas (ECAs). If our vessels are not operated in accordance with these requirements, including waivers, permits or record keeping and other reporting requirements, such violations could result in substantial fines or penalties that could have a material adverse effect on our results of operations and our business.

**The Company is subject to, and may in the future be subject to disputes, legal or other proceedings, and 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, and 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 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.

**Repeal, substantial amendment, or waiver of the Jones Act or its application would 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 or Alaska markets 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.

**Non-compliance 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. Non-compliance 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 such as a "cap and trade" system of allowances and credits, if enacted, 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.

***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 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 as 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.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

Matson leases terminal facilities including office and storage space at the following locations:

<u>Ocean Transportation Services</u>	<u>Terminal Location</u>	<u>Description of Facility</u>	<u>Acreage</u>
Hawaii	Honolulu, Hawaii	Terminal facility	105
	West Oahu, Hawaii	Terminal storage	7
Alaska	Anchorage, Alaska	Terminal facility	38
	Kodiak, Alaska	Terminal facility	6
	Dutch Harbor, Alaska	Terminal facility	18
Guam	Polaris Point, Guam	Terminal storage	30

The Company is currently renewing certain terminal leases which expire during 2018. The Company expects to be able to renew these leases as they expire on similar terms to those that currently exist within these lease agreements. The Company's other primary terminal facilities located at the Ports of Oakland and Long Beach, California, and the Ports of Seattle and Tacoma, Washington are leased by the Company's Terminal Joint Venture, SSAT.

The Company's other significant office locations, warehouses and storage facilities are as follows:

<u>Significant Offices, Warehouses and Storage Facilities</u>	<u>Description of Facility</u>	<u>Square Footage</u>
<b><i>U.S. Office Locations:</i></b>		
	Corporate headquarters	16,444
Honolulu, Hawaii	Office	48,162
Oakland, California	Office	27,986
Phoenix, Arizona	Office	17,004
Oakbrook Terrace, Illinois	Office	7,974
Concord, California	Office	5,000
Asan, Guam	Office	3,770
Renton, Washington	Office	3,685
Atlanta, Georgia	Office	3,500
Akron, Ohio	Office	2,722
Tacoma, Washington	Office	1,628
Cerritos, California	Office	1,205
Hilo, Hawaii	Office	
<b><i>Foreign Office Locations:</i></b>		
Shanghai, China	Office	7,240
Auckland, New Zealand	Office	3,832
Ningbo, China	Office	2,103
Hong Kong, China	Office	1,535
Xiamen, China	Office	1,399
Shenzhen, China	Office	1,065
<b><i>Warehouses and Storage Facility:</i></b>		
Pooler, Georgia	Warehouse	710,844
Oakland, California	Warehouse	400,000
Pooler, Georgia	Warehouse	324,832
Oakland, California	Warehouse	132,000
Tacoma, Washington	Warehouse	80,000
Piti, Guam	Warehouse	62,478
Auburn, Washington	Warehouse	51,250
Anchorage, Alaska	Warehouse	23,680
Anchorage, Alaska	Warehouse	13,954
Fairbanks, Alaska	Warehouse	6,000
Soldotna, Alaska	Warehouse	5,400
Kodiak, Alaska	Warehouse	4,000
Auburn, Washington	Warehouse	2,500
Wasilla, Alaska	Warehouse	2,000
Alameda, California	Storage facility	53,785

**ITEM 3. LEGAL PROCEEDINGS**

*Environmental Matters:* The Company's Ocean Transportation segment has certain 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.

*Other Matters:* 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.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.



**PART II**

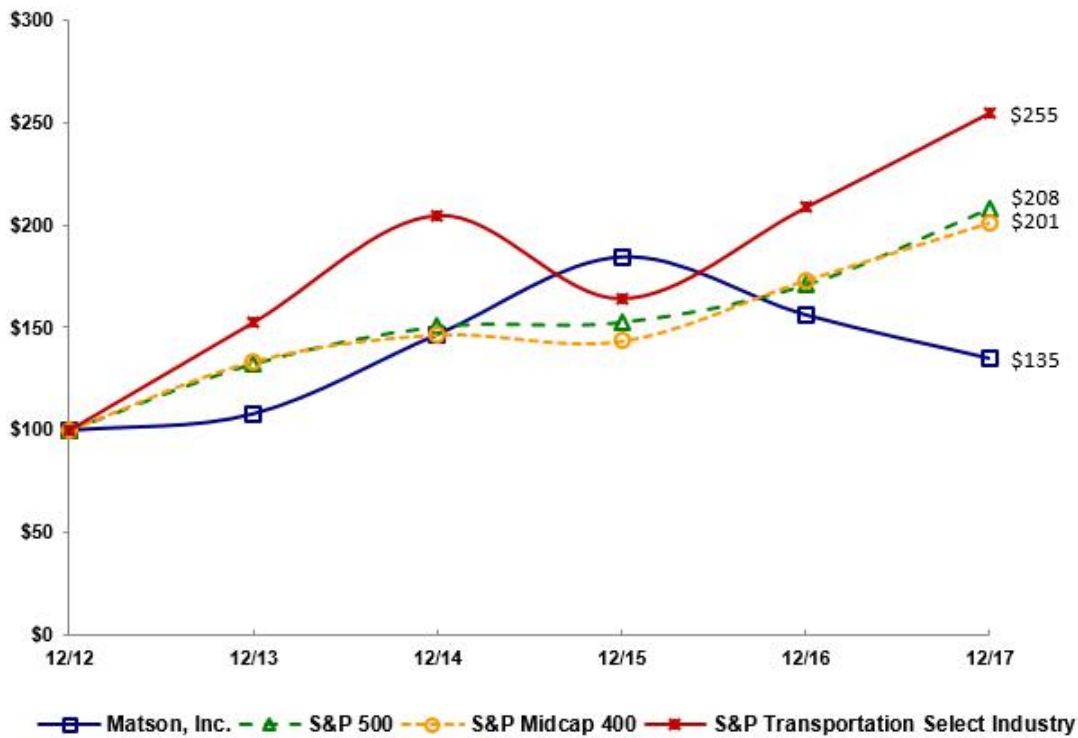
**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

*General Information:* Matson’s common stock is traded on the New York Stock Exchange under the ticker symbol “MATX”. As of February 20, 2018, there were 2,297 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.

*Stockholder Return Performance Graph and Other Information:* The following information in this Item 5 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

The cumulative total return listed below assumed an initial investment of \$100 and reinvestment of dividends at each fiscal end and measures the performance of this investment as of the last trading day in the month of December for each of the five years ended December 31, 2017. The graph is a historical representation of past performance only and is not necessarily indicative of future performance.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
 Among Matson, Inc., the S&P 500 Index,  
 the S&P Midcap 400 Index, and the S&P Transportation Select Industry Index



\* \$100 invested on December 31, 2012 in stock or index, including reinvestment of dividends.

Trading volume averaged 241,338 shares a day in 2017, compared with 279,852 shares a day in 2016 and 240,996 shares a day in 2015, as reported by the New York Stock Exchange.

The quarterly intra-day high and low sales prices and end of quarter closing prices, as reported by the New York Stock Exchange for each fiscal quarter during 2017 and 2016, were as follows:

	Dividends Declared and Paid	Market Price		
		High	Low	Close
<b>2017</b>				
First Quarter	\$ 0.19	\$37.32	\$30.00	\$31.76
Second Quarter	\$ 0.19	\$34.29	\$28.07	\$30.04
Third Quarter	\$ 0.20	\$31.05	\$21.63	\$28.18
Fourth Quarter	\$ 0.20	\$30.63	\$26.55	\$29.84
<b>2016</b>				
First Quarter	\$ 0.18	\$43.24	\$34.55	\$40.17
Second Quarter	\$ 0.18	\$39.96	\$30.54	\$32.29
Third Quarter	\$ 0.19	\$43.00	\$32.08	\$39.88
Fourth Quarter	\$ 0.19	\$42.00	\$28.79	\$35.39

*Dividends:* Dividends declared and paid per share of common stock by the Company for each fiscal quarter during 2017 and 2016, were as follows:

	Dividends Declared	Shareholders of Record Date	Date Paid
<b>2017</b>			
First Quarter	\$ 0.19	February 9, 2017	March 2, 2017
Second Quarter	\$ 0.19	May 11, 2017	June 1, 2017
Third Quarter	\$ 0.20	August 3, 2017	September 7, 2017
Fourth Quarter	\$ 0.20	November 9, 2017	December 7, 2017
<b>2016</b>			
First Quarter	\$ 0.18	February 11, 2016	March 3, 2016
Second Quarter	\$ 0.18	May 12, 2016	June 2, 2016
Third Quarter	\$ 0.19	August 4, 2016	September 1, 2016
Fourth Quarter	\$ 0.19	November 10, 2016	December 1, 2016

Matson's Board of Directors also declared a cash dividend of \$0.20 per share for the first quarter 2018, payable on March 1, 2018 to shareholders of record on February 8, 2018. 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.

*Share Repurchases:* On November 4, 2015, the Company announced that Matson's Board of Directors had approved a share repurchase program of up to 3.0 million shares of common stock through November 2, 2018. Shares can be repurchased in the open market from time to time, and may be made pursuant to a trading plan in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. During the quarter ended December 31, 2017, no shares were repurchased, excluding shares withheld for employee taxes upon vesting of share-based awards. The maximum number of remaining shares that may be purchased under the share repurchase program was 1,151,288 as of December 31, 2017.

*Equity Compensation Plan Information:* The following table sets forth, as of December 31, 2017, certain information regarding Matson's equity compensation plan:

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	920,254 (1)	\$ 21.54 (2)	2,035,964 (3)
Equity compensation plans not approved by shareholders	—	\$ —	—
Total	920,254	\$ 21.54	2,035,964

(1) In addition to 234,525 shares subject to outstanding stock option awards, includes 394,838 shares subject to unvested restricted stock unit awards and 290,891 shares subject to unvested Performance Share awards.

(2) As restricted stock unit and Performance Share awards do not have exercise prices, the weighted average exercise price is computed using only outstanding stock option awards.

(3) These shares are available for issuance under the Company's 2016 Incentive Compensation Plan.

**ITEM 6. SELECTED FINANCIAL DATA**

The comparative selected financial data of the Company is presented for each of the five years in the periods ended December 31, 2017. The information 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”. All fiscal years include 52 weeks, except for the year ended December 31, 2016 which includes 53 weeks:

<b>(In millions, except shareholders of record and per-share amounts)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenue:</b>					
Ocean Transportation (1)	\$1,571.8	\$1,541.1	\$1,498.0	\$1,278.4	\$1,229.4
Logistics (2)	475.1	400.5	386.9	435.8	407.8
<b>Total Operating Revenue</b>	<b>\$2,046.9</b>	<b>\$1,941.6</b>	<b>\$1,884.9</b>	<b>\$1,714.2</b>	<b>\$1,637.2</b>
<b>Operating and Net Income:</b>					
Ocean Transportation (1)(3)	\$ 128.8	\$ 142.7	\$ 187.8	\$ 131.1	\$ 94.3
Logistics (2)	20.6	11.9	8.5	8.9	6.0
<b>Total Operating Income</b>	<b>149.4</b>	<b>154.6</b>	<b>196.3</b>	<b>140.0</b>	<b>100.3</b>
Interest expense	(24.2)	(24.1)	(18.5)	(17.3)	(14.4)
<b>Income before Income Taxes</b>	<b>125.2</b>	<b>130.5</b>	<b>177.8</b>	<b>122.7</b>	<b>85.9</b>
Income taxes (4)	106.8	(49.1)	(74.8)	(51.9)	(32.2)
<b>Net Income</b>	<b>\$ 232.0</b>	<b>\$ 81.4</b>	<b>\$ 103.0</b>	<b>\$ 70.8</b>	<b>\$ 53.7</b>
<b>Identifiable Assets:</b>					
Ocean Transportation (5)	\$1,937.4	\$1,722.2	\$1,601.0	\$1,313.9	\$1,168.6
Logistics	310.1	293.3	68.8	87.9	79.7
<b>Total Assets</b>	<b>\$2,247.5</b>	<b>\$2,015.5</b>	<b>\$1,669.8</b>	<b>\$1,401.8</b>	<b>\$1,248.3</b>
<b>Capital Expenditure (6):</b>					
Ocean Transportation	\$ 305.3	\$ 179.1	\$ 67.5	\$ 27.8	\$ 33.8
Logistics	1.7	0.3	0.3	0.1	1.4
<b>Total Capital Expenditures</b>	<b>\$ 307.0</b>	<b>\$ 179.4</b>	<b>\$ 67.8</b>	<b>\$ 27.9</b>	<b>\$ 35.2</b>
<b>Depreciation and Amortization:</b>					
Ocean Transportation	\$ 93.3	\$ 92.6	\$ 81.4	\$ 66.6	\$ 66.4
Logistics	7.9	4.5	2.0	3.1	3.3
	101.2	97.1	83.4	69.7	69.7
<b>Deferred Dry-docking Amortization — Ocean Transportation</b>	<b>46.2</b>	<b>38.9</b>	<b>23.1</b>	<b>21.1</b>	<b>22.0</b>
<b>Total Depreciation and Amortization</b>	<b>\$ 147.4</b>	<b>\$ 136.0</b>	<b>\$ 106.5</b>	<b>\$ 90.8</b>	<b>\$ 91.7</b>
<b>Earnings Per Share in Net Income:</b>					
Basic	\$ 5.41	\$ 1.89	\$ 2.37	\$ 1.65	\$ 1.26
Diluted	5.37	1.87	2.34	1.63	1.25
<b>Cash dividends per share declared</b>	<b>\$ 0.78</b>	<b>\$ 0.74</b>	<b>\$ 0.70</b>	<b>\$ 0.66</b>	<b>\$ 0.62</b>
<b>As of December 31:</b>					
Total debt obligations — including current portion	\$ 857.1	\$ 738.9	\$ 429.9	\$ 373.6	\$ 286.1
Total Shareholders' equity	\$ 678.2	\$ 494.9	\$ 450.6	\$ 363.8	\$ 338.2
Shareholders of record	2,271	2,341	2,406	2,509	2,607
Shares outstanding	42.5	42.9	43.5	43.2	42.8

(1) 2015 and subsequent selected financial data includes the operations of Horizon acquired as of May 29, 2015.

(2) 2016 and subsequent selected financial data includes the operations of Span Alaska acquired as of August 4, 2016.

(3) The Ocean Transportation segment includes \$28.2 million, \$15.8 million, \$16.5 million, \$6.6 million, and \$(2.0) million of equity in income/(loss) from the Company’s Terminal Joint Venture, SSAT, for 2017, 2016, 2015, 2014, and 2013, respectively.

- (4) Income taxes for the year ended December 31, 2017 includes a non-cash income tax benefit of \$155.0 million related to the remeasurement of the Company's deferred assets and liabilities and other discrete adjustments as a result of applying the Tax Cut and Jobs Act during the year ended December 31, 2017.
- (5) The Ocean Transportation segment includes \$93.2 million, \$82.4 million, \$66.4 million, \$64.4 million, and \$57.6 million, related to the Company's Terminal Joint Venture equity investment in SSAT as of December 31, 2017, 2016, 2015, 2014, and 2013, respectively.
- (6) Excludes expenditures related to Matson's acquisitions which are classified as payments for acquisitions in Cash Flows used in Investing Activities within the Consolidated Statements of Cash Flows.

## **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 websites (including websites 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 2018 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 following is the Company's fourth quarter 2017 discussion and 2018 Outlook:

### *Ocean Transportation:*

*Ocean Transportation:* The Hawaii economy experienced modest growth in the fourth quarter 2017; however, the Company's container volume was 11.1 percent lower year-over-year due primarily to an extra week in 2016 and lower construction-related volumes as the construction cycle in Oahu transitions from high-rise projects to the master planned community projects in West Oahu. The Company expects flat-to-modest volume growth in 2018, reflecting a growing Hawaii economy and stable market share.

In China, the Company's container volume in the fourth quarter 2017 was 14.3 percent lower year-over-year largely due to an additional week in 2016 as well as volume gains in prior year period related to the Hanjin bankruptcy. The Company continued to realize a sizeable rate premium in the fourth quarter 2017 and achieved average freight rates moderately higher than the fourth quarter 2016. For 2018, the Company expects pricing to remain as favorable as 2017 and volume to be modestly lower compared to the levels achieved in 2017.

In Guam, as expected, the Company's container volume in the fourth quarter 2017 was lower on a year-over-year basis, the result of competitive losses to a U.S. flagged containership service that increased its service frequency to weekly in December 2016. For 2018, the Company expects a continued heightened competitive environment and lower volume when compared to levels achieved in 2017.

In Alaska, the Company's container volume for the fourth quarter 2017 was 10.1 percent lower year-over-year, primarily due to volume in the additional week in the prior year. For the full year 2018, we expect volume to approximate the level in 2017 with modest improvement in northbound volumes, offset by lower southbound seafood-related volume due to a moderation from the very strong seafood harvest levels in 2017.

As a result of the business outlook noted above, the Company expects full year 2018 Ocean Transportation operating income to approximate the level achieved in 2017. In the first quarter 2018, the Company expects Ocean Transportation operating income will be moderately higher than the level achieved in the first quarter 2017 primarily due to the timing of fuel surcharge collections.

*Logistics:* In the fourth quarter 2017, operating income for the Company's Logistics segment was roughly flat compared to the operating income achieved in the prior year period. For the full year 2018, the Company expects Logistics operating income to increase modestly compared to the level achieved in 2017. In the first quarter 2018, the Company expects operating income to approximate the level achieved in the first quarter 2017.

*Depreciation and Amortization:* For the full year 2018, the Company expects depreciation and amortization expense to be approximately \$135 million, inclusive of dry-docking amortization of approximately \$36 million.

*EBITDA:* The Company expects full year 2018 EBITDA to be lower than the \$296.0 million achieved in 2017.

*Interest Expense:* The Company expects interest expense for the full year 2018 to be approximately \$22 million.

*Income Taxes:* The Company's effective tax rate for the fourth quarter and full year 2017 was -738.7 percent and -85.3 percent, respectively. The fourth quarter and full year 2017 effective tax rates include the one-time, non-cash adjustment of \$155.0 million as a result of the Tax Act. Excluding this tax adjustment, the effective tax rates for the fourth quarter and full year 2017 would have been 40.2 percent and 38.5 percent, respectively. For the full year 2018, the Company expects its effective tax rate to be approximately 28 percent, which is based on the Company's initial analysis of the Tax Act and is subject to change based on guidance issued by the Internal Revenue Service and the U.S. Department of the Treasury as well as clarifications of state tax law.

*Capital and Vessel Dry-docking Expenditures:* For the full year 2017, the Company made maintenance capital expenditure payments of \$55.0 million, capitalized vessel construction expenditures of \$252.0 million, and dry-docking payments of \$54.6 million. For the full year 2018, the Company expects to make maintenance capital expenditure payments of approximately \$68 million, vessel construction expenditures (inclusive of capitalized interest and owner's items) of approximately \$436 million, and dry-docking payments of approximately \$18 million.

**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: 2017 compared with 2016:**

(Dollars in millions, except per-share amounts)	Years Ended December 31,			
	2017	2016	Change	
Operating revenue	\$ 2,046.9	\$ 1,941.6	\$ 105.3	5.4 %
Operating costs and expenses	(1,897.5)	(1,787.0)	(110.5)	6.2 %
Operating income	149.4	154.6	(5.2)	(3.4)%
Interest expense	(24.2)	(24.1)	(0.1)	0.4 %
Income before income taxes	125.2	130.5	(5.3)	(4.1)%
Income taxes	106.8	(49.1)	155.9	(317.5)%
Net income	\$ 232.0	\$ 81.4	\$ 150.6	185.0 %
Basic earnings per-share	\$ 5.41	\$ 1.89	\$ 3.52	186.2 %
Diluted earnings per-share	\$ 5.37	\$ 1.87	\$ 3.50	187.2 %

*Fiscal Year:* Fiscal years ended December 31, 2017 and 2016 include 52 weeks and 53 weeks, respectively.

*Consolidated Operating Revenue* for the year ended December 31, 2017 increased \$105.3 million, or 5.4 percent, compared to the prior year due to increases of \$30.7 million and \$74.6 million in Ocean Transportation and Logistics revenues, respectively.

*Operating Costs and Expenses* for the year ended December 31, 2017 increased \$110.5 million, or 6.2 percent, compared to the prior year. The increase was due to an increase of \$44.6 million and \$65.9 million in operating costs and expenses for Ocean Transportation and Logistics, respectively.

*Operating Income* during the year ended December 31, 2017 decreased \$5.2 million, or 3.4 percent, compared to the prior year. The decrease was due to a decrease of \$13.9 million for Ocean Transportation, partially offset by an increase of \$8.7 million for Logistics in operating income.

The reasons for changes in operating revenue, operating costs and expenses, and operating income are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

*Interest Expense* during the year ended December 31, 2017 was \$24.2 million compared to \$24.1 million for the year ended December 31, 2016. The increase in interest expense was due to higher borrowings as a result of recent acquisitions and vessel construction payments, offset by higher capitalized interest.

*Income Taxes* during the year ended December 31, 2017 was a non-cash income tax benefit of \$106.8 million, or 85.3 percent of income before income taxes, as compared to income tax expense of \$49.1 million, or 37.6 percent of income before income taxes in the prior year. The non-cash income tax benefit includes the benefit of \$155.0 million related to the remeasurement of the Company's deferred assets and liabilities, and other discrete tax adjustments resulting from applying the Tax Cuts and Jobs Act (the "Tax Act") as of December 31, 2017. Excluding the impact of the Tax Act, adjusted income tax expense would have been \$48.2 million, or 38.5 percent of income before income taxes. The adjusted 2017 income tax rate would have been higher than the 2016 income tax rate as that 2016 income tax rate was favorably impacted by the release of unrecognized tax benefit reserves during 2016.

*Net Income* during the year ended December 31, 2017 increased \$150.6 million, or 185.0 percent compared to the prior year.

**Consolidated Results: 2016 compared with 2015:**

(Dollars in millions, except per-share amounts)	Years Ended December 31,			
	2016	2015	Change	
Operating revenue	\$ 1,941.6	\$ 1,884.9	\$ 56.7	3.0 %
Operating costs and expenses	(1,787.0)	(1,688.6)	(98.4)	5.8 %
Operating income	154.6	196.3	(41.7)	(21.2)%
Interest expense	(24.1)	(18.5)	(5.6)	30.3 %
Income before income taxes	130.5	177.8	(47.3)	(26.6)%
Income taxes	(49.1)	(74.8)	25.7	(34.4)%
Net income	\$ 81.4	\$ 103.0	\$ (21.6)	(21.0)%
Basic earnings per-share	\$ 1.89	\$ 2.37	\$ (0.48)	(20.3)%
Diluted earnings per-share	\$ 1.87	\$ 2.34	\$ (0.47)	(20.1)%

*Fiscal Year:* Fiscal year ended December 31, 2016 and 2015 include 53 weeks and 52 weeks, respectively.

*Consolidated Operating Revenue* for the year ended December 31, 2016 increased \$56.7 million, or 3.0 percent, compared to the prior year due to increases of \$43.1 million and \$13.6 million in Ocean Transportation and Logistics revenues, respectively.

*Operating Costs and Expenses* for the year ended December 31, 2016 increased \$98.4 million, or 5.8 percent, compared to the prior year. The increase was due to an increase of \$88.2 million and \$10.2 million in operating costs and expenses for Ocean Transportation and Logistics, respectively.

*Operating Income* during the year ended December 31, 2016 decreased \$41.7 million, or 21.2 percent, compared to the prior year. The decrease was due to a decrease of \$45.1 million for Ocean Transportation, partially offset by an increase of \$3.4 million for Logistics in operating income.

The reasons for changes in operating revenue, operating costs and expenses, and operating income are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment.

*Interest Expense* during the year ended December 31, 2016 was \$24.1 million compared to \$18.5 million for the year ended December 31, 2015. The increase in interest expense was due to higher borrowings as a result of recent acquisitions and increased capital and dry-docking related expenditures.

*Income Taxes* during the year ended December 31, 2016 was \$49.1 million, or 37.6 percent of income before income taxes, as compared to \$74.8 million, or 42.1 percent of income before income taxes in the prior year. The decrease in the income tax rate was primarily due to deferred tax charges recorded in 2015 that did not reoccur in 2016. In addition, the 2016 income tax rate was favorably impacted by the release of unrecognized tax benefit reserves.

*Net Income* during the year ended December 31, 2016 decreased \$21.6 million, or 21.0 percent compared to the prior year.

**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 3 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: 2017 compared with 2016:**

(Dollars in millions)	Years Ended December 31,			
	2017	2016 (3)	Change	
Ocean Transportation revenue	\$ 1,571.8	\$ 1,541.1	\$ 30.7	2.0 %
Operating costs and expenses	(1,443.0)	(1,398.4)	(44.6)	3.2 %
Operating income	\$ 128.8	\$ 142.7	\$ (13.9)	(9.7)%
Operating income margin	8.2 %	9.3 %		
Volume (Forty-foot equivalent units (FEU) except for automobiles) (1)				
Hawaii containers	149,800	160,200	(10,400)	(6.5)%
Hawaii automobiles	67,000	75,200	(8,200)	(10.9)%
Alaska containers	67,400	68,400	(1,000)	(1.5)%
China containers	66,000	61,600	4,400	7.1 %
Guam containers	20,300	24,800	(4,500)	(18.1)%
Other containers (2)	11,700	10,500	1,200	11.4 %

- (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 in transit at the end of each reporting period.  
(2) Includes containers from services in various islands in Micronesia and the South Pacific, and in Okinawa, Japan  
(3) 2016 includes the benefit of a 53<sup>rd</sup> week.

Ocean Transportation revenue increased \$30.7 million, or 2.0 percent, during the year ended December 31, 2017, compared with the year ended December 31, 2016. This increase was primarily due to higher fuel surcharge revenue and higher average freight rates in China, partially offset by lower construction-related volume, one less week and the absence of competitive volume gains in Hawaii and lower volume in Guam due to competitive losses and one less week.

On a year-over-year FEU basis, Hawaii container volume decreased by 6.5 percent primarily due to lower construction-related volume, one less week, and the absence of competitive volume gains in the prior year; Alaska volume decreased by 1.5 percent primarily due to one less week, partially offset by higher southbound volume attributable to the stronger seafood season; China volume was 7.1 percent higher due to stronger demand for the Company's expedited service and additional sailings during the year; and Guam volume was 18.1 percent lower due to competitive losses and one less week.

Ocean Transportation operating income decreased \$13.9 million, or 9.7 percent, during the year ended December 31, 2017, compared with the year ended December 31, 2016. This decrease was primarily due to lower volumes in Hawaii, higher terminal handling costs and lower volume in Guam, partially offset by higher average freight rates in China, a higher contribution from SSAT, and favorable timing of fuel surcharge collections.

The Company's SSAT terminal joint venture investment contributed \$28.2 million during the year ended December 31, 2017, compared to a \$15.8 million contribution in the year ended December 31, 2016. The increase was primarily attributable to improved lift volume.



**Ocean Transportation: 2016 compared with 2015:**

(Dollars in millions)	Years Ended December 31,			
	2016 (4)	2015	Change	
Ocean Transportation revenue	\$ 1,541.1	\$ 1,498.0	\$ 43.1	2.9 %
Operating costs and expenses	(1,398.4)	(1,310.2)	(88.2)	6.7 %
Operating income	\$ 142.7	\$ 187.8	\$ (45.1)	(24.0)%
Operating income margin	9.3 %	12.5 %		
Volume (Forty-foot equivalent units (FEU) except for automobiles) (1)				
Hawaii containers	160,200	159,200	1,000	0.6 %
Hawaii automobiles	75,200	70,000	5,200	7.4 %
Alaska containers (2)	68,400	42,500	25,900	60.9 %
China containers	61,600	62,700	(1,100)	(1.8)%
Guam containers	24,800	25,500	(700)	(2.7)%
Other containers (3)	10,500	8,600	1,900	22.1 %

(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) Alaska container volumes represent operations from May 29, 2015.

(3) Includes containers from services in various islands in Micronesia and the South Pacific.

(4) 2016 includes the benefit of a 53<sup>rd</sup> week.

Ocean Transportation revenue increased \$43.1 million, or 2.9 percent, during the year ended December 31, 2016 compared with the year ended December 31, 2015. This increase was primarily due to the inclusion of revenue from the Company's acquired Alaska service for the full year period, partially offset by lower freight rates in the Company's China service and lower fuel surcharge revenue.

On a year-over-year FEU basis, Hawaii container volume increased by 0.6 percent as modest market growth was offset by the absence of volume gains attributed to a competitor's service reconfiguration and vessel mechanical failure in the prior year; Alaska volume was higher due to the inclusion of a full year period in 2016; China volume declined by 1.8 percent; and Guam volume was 2.7 percent lower as competitive losses associated with the launch of a competitor's bi-weekly U.S. flagged containership service in January 2016 were partially offset by modest market growth.

Ocean Transportation operating income decreased \$45.1 million, or 24.0 percent, during the year ended December 31, 2016 compared with the year ended December 31, 2015. The decrease was primarily due to lower freight rates in the Company's China service, higher vessel operating expenses related to the deployment of additional vessels in the Hawaii trade in the first half of 2016, unfavorable timing of fuel surcharge collections, higher terminal handling expenses, and higher vessel dry-docking amortization. Partially offsetting these unfavorable items were the absence of general and administrative expenses related to the Horizon Acquisition and costs related to the Molasses Settlement, and container yield improvements in Hawaii.

The Company's SSAT terminal joint venture investment contributed \$15.8 million during the year ended December 31, 2016, compared to \$16.5 million in the year ended December 31, 2015. On a year-over-year basis, SSAT's lift volume improved during 2016; however, the positive impact of lift volume was offset by the absence of the benefits related to the clearing of international cargo volume after the U.S. West Coast labor disruptions in the first half 2015 and by an increase in SSAT's allowance for doubtful accounts receivable.

**Logistics: 2017 compared with 2016:**

(Dollars in millions)	Years Ended December 31,			
	2017	2016	Change	
Logistics Revenue (1)	\$ 475.1	\$ 400.5	\$ 74.6	18.6 %
Operating costs and expenses (1)	(454.5)	(388.6)	(65.9)	17.0 %
Operating income (1)	\$ 20.6	\$ 11.9	\$ 8.7	73.1 %
Operating income margin (1)	4.3 %	3.0 %		

(1) Logistics operating results include Span Alaska operating results from the date of acquisition on August 4, 2016.

Logistics revenue increased \$74.6 million, or 18.6 percent, during the year ended December 31, 2017, compared to the year ended December 31, 2016. This increase was primarily due to the inclusion of freight forwarding revenue from the acquired Span Alaska business, higher intermodal volumes, and higher fuel surcharge revenue.

Logistics operating income increased \$8.7 million during the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase was primarily due to the inclusion of freight forwarding operating results attributable to the acquired Span Alaska business, partially offset by lower intermodal yield.

#### Logistics: 2016 compared with 2015:

(Dollars in millions)	Years Ended December 31,			
	2016	2015	Change	
Logistics Revenue (1)	\$ 400.5	\$ 386.9	\$ 13.6	3.5 %
Operating costs and expenses (1)	(388.6)	(378.4)	(10.2)	2.7 %
Operating income (1)	\$ 11.9	\$ 8.5	\$ 3.4	40.0 %
Operating income margin (1)	3.0 %	2.2 %		

(1) Logistics operating results include Span Alaska operating results from the date of acquisition on August 4, 2016.

Logistics revenue increased \$13.6 million, or 3.5 percent, during the year ended December 31, 2016 compared to the year ended December 31, 2015. This increase was primarily due to the inclusion of freight forwarding revenue from the acquired Span Alaska business, partially offset by lower fuel surcharge revenue.

Logistics operating income increased \$3.4 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was primarily due to the inclusion of freight forwarding operating results attributable to the acquired Span Alaska business and higher intermodal volume, partially offset by lower intermodal yield.

## LIQUIDITY AND CAPITAL RESOURCES

**Sources of Liquidity:** Sources of liquidity available to the Company at December 31, 2017 compared to December 31, 2016, were as follows:

(In millions)	Year Ended December 31,		
	2017	2016	Change
Cash and cash equivalents	\$ 19.8	\$ 13.9	\$ 5.9
Accounts receivable, net (1)	\$ 194.6	\$ 189.5	\$ 5.1
CCF - cash on deposit (2)	\$ 0.9	\$ 31.2	\$ (30.3)

(1) Eligible accounts receivable of \$134.8 million and \$174.7 million at December 31, 2017 and 2016, respectively, were assigned to the CCF.

(2) The decrease in cash on deposit in the CCF deposits relates to withdrawals from the CCF used for vessel construction progress payments (see Note 7 to the Consolidated Financial Statements in Item 8 of Part II below for additional information about CCF).

**Revolving Credit Facility:** As of December 31, 2017, the Company had \$294.7 million of available borrowing under the revolving credit facility (see Note 8 to the Consolidated Financial Statements in Item 8 of Part II below for additional information about debt).

**Changes in the Cash and Cash Equivalents:** Significant changes in the Company's cash and cash equivalents for the year ended December 31, 2017 compared to December 31, 2016 were as follows:

(In millions)	As of December 31,				
	2017	2016	2015	2017-2016	2016-2015
Net cash provided by operating activities (1)	\$ 224.9	\$ 157.8	\$ 245.3	\$ 67.1	\$ (87.5)
Net cash used in investing activities (2)	(276.9)	(320.7)	(63.8)	43.8	(256.9)
Net cash provided by (used in) financing activities (3)	57.9	151.3	(449.4)	(93.4)	600.7
Net increase (decrease) in cash and cash equivalents	5.9	(11.6)	(267.9)	17.5	256.3
Cash and cash equivalents, beginning of the year	13.9	25.5	293.4	(11.6)	(267.9)
Cash and cash equivalents, end of the year	\$ 19.8	\$ 13.9	\$ 25.5	\$ 5.9	\$ (11.6)

**(1) Changes in Net Cash Provided by Operating Activities:**

Changes in net cash provided by operating activities for the year ended December 31, 2017 compared to the prior year were due to the following:

<b>(In millions)</b>	<b>Change</b>	
	<b>2017-2016</b>	<b>2016-2015</b>
Net income from operations	\$ 150.6	\$ (21.6)
Non-cash deferred income taxes	(153.6)	(26.0)
Equity in income of Terminal Joint Venture, net of distributions	5.1	(13.3)
Other non-cash related charges, net	11.5	28.4
Deferred dry-docking payments	4.6	(33.5)
Accounts receivable, net	(19.5)	0.9
Prepaid expenses and other assets	28.0	(0.4)
Accounts payable, accruals and other liabilities	18.3	11.5
Other long-term liabilities	22.1	(33.5)
Total	\$ 67.1	\$ (87.5)

The change in deferred income taxes is primarily related to the remeasurement of the Company's deferred assets and liabilities, and other discrete tax adjustments resulting from applying the Tax Act as of December 31, 2017. Equity in income of Terminal Joint Venture increased primarily due to \$17.5 million of distributions received from SSAT during the year ended December 31, 2017, compared to no distributions received in the prior year. Decrease in deferred dry-docking payments was due to fewer dry-docking activities during the year ended December 31, 2017, compared to the prior year. Changes in accounts receivable are due to amount of billing and the timing of collections as of December 31, 2017, compared to the prior year. Changes in prepaid expenses and other assets are due to the timing of prepaid income taxes, changes in the amount of prepaid fuel and changes in other prepaid amounts as at December 31, 2017, compared to the prior year. Changes in accounts payable, accruals and other liabilities for the year ended December 31, 2017, compared to the prior year are due to the impact of liabilities associated with the Horizon and Span Alaska acquisitions, and the timing of payments associated with those and other liabilities.

**(2) Changes in Net Cash Used in Investing Activities:**

Changes in net cash used in investing activities for the year ended December 31, 2017, compared to the prior year were due to the following:

<b>(In millions)</b>	<b>Change</b>	
	<b>2017-2016</b>	<b>2016-2015</b>
Capitalized vessel construction expenditures	\$ (157.5)	\$ (73.2)
Other capital expenditures	29.9	(38.4)
Proceeds from disposal of property and equipment, net	(2.7)	(3.0)
Cash deposits into, and withdrawals from the CCF, net	61.5	(58.7)
Payments for membership interests in Span Alaska, net of cash acquired	112.6	(112.6)
Payments for Horizon's common stock, net of cash acquired, and other acquisitions	—	29.0
Total	\$ 43.8	\$ (256.9)

The increase in capitalized vessel construction expenditures including the net of cash deposited into the CCF less cash withdrawals from the CCF which are used for vessel construction related payments, is due to the timing of payments related to the construction of four new vessels during the year ended December 31, 2017, compared to the prior year. Other capital expenditures (excluding capitalized vessel construction expenditures) decreased from \$84.9 million in 2016, compared to \$55.0 million in 2017. The decrease was primarily due to lower levels of capital expenditures required during the year ended December 31, 2017, compared to the prior year.

There were no acquisition related payments during the year ended December 31, 2017. During the year ended December 31, 2016, the Company paid \$112.6 million related to the acquisition of Span Alaska, compared to \$29.0 million paid during the year ended December 31, 2015 related to the Horizon Acquisition and other acquisitions (see Note 18 to the Consolidated Financial Statements in Item 8 of Part II below for additional information on the Company's acquisitions).

### (3) Changes Net Cash Provided by (Used in) Financing Activities:

Changes in net cash provided by (used in) financing activities for the year ended December 31, 2017, compared to the prior year were due to the following:

(In millions)	Change	
	2017-2016	2016-2015
Payments of Horizon debt and redemption of warrants, net	\$ —	\$ 466.0
Payments of Span Alaska debt	81.9	(81.9)
Proceeds received from issuance of debt	(275.0)	200.0
Repayments of debt and capital leases	(9.6)	(0.2)
Change in borrowings under revolving credit facility, net	95.0	55.0
Repurchase of Matson common stock	18.7	(33.1)
Change in other payments, net	(4.4)	(5.1)
Total	\$ (93.4)	\$ 600.7

There was no payment of acquisition related debt during the year ended December 31, 2017. During the year ended December 31, 2016, the Company repaid all of Span Alaska's outstanding debt of \$81.9 million, and during the year ended December 31, 2015, the Company repaid all of Horizon's outstanding debt and redeemed the warrants of \$466.0 million related to the Horizon Acquisition (see Note 18 to the Consolidated Financial Statements in Item 8 of Part II below for additional information on the Company's acquisitions).

During the year ended December 31, 2017, the Company's debt borrowings increased by \$118.2 million, compared to the prior year. The increase in debt borrowing is primarily related to the construction of four new vessels, and to fund other capital expenditure and dry-docking expenditures. During the year ended December 31, 2017, the Company repurchased \$19.3 million of Matson stock compared to \$38.0 million of Matson stock repurchased during the prior year.

**Working Capital:** The Company had negative working capital of \$20.3 million at December 31, 2017 compared to negative working capital of \$3.4 million at December 31, 2016.

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

### Contractual Obligations:

At December 31, 2017, the Company had the following estimated contractual obligations:

Contractual Obligations (in millions)	Payment Due By Period				Total
	2018	2019-2020	2021-2022	Thereafter	
Construction of vessels obligations (1)	\$389.0	\$170.5	\$ —	\$ —	\$ 559.5
Total debt obligations (2)	30.8	90.5	319.1	416.7	857.1
Estimated interest on debt (3)	30.7	56.7	46.0	83.3	216.7
Purchase obligations and other capital expenditure obligations (4)	15.9	—	—	—	15.9
Qualified defined benefit pension obligations (5)	12.7	26.4	27.7	73.3	140.1
Non-qualified pension obligations (6)	1.8	0.7	0.3	2.5	5.3
Post-retirement benefit obligations (7)	1.2	2.4	2.4	7.0	13.0
Multi-employer withdrawal obligation (8)	4.1	8.2	8.2	72.1	92.6
Operating lease obligations (9)	57.1	84.0	42.0	44.5	227.6
Total	\$543.3	\$439.4	\$445.7	\$ 699.4	\$2,127.8

- (1) Construction of vessels obligations represents contractual agreements entered into for the construction of four new vessels.
- (2) Total debt obligations include principal repayments of outstanding debt and capital leases (see Note 8 to the Consolidated Financial Statements in Item 8 of Part II below for additional information about debt).
- (3) Estimated interest on debt is determined based on: (i) the stated interest rate for fixed debt, and (ii) the estimated variable interest on revolving credit facility assuming the balance at December 31, 2017 remains outstanding until maturity.

- (4) Purchase obligations and other capital expenditure obligations include: (i) non-cancellable contractual capital project obligations (excluding construction of vessels obligations shown in (1) above); and (ii) other dry-docking related obligations. Amounts are considered obligations if a contract has been agreed to specifying significant terms of the contract. Any amounts reflected in the consolidated balance sheets as accounts payable, accruals and other liabilities are excluded from the table above.
- (5) Qualified defined benefit pension benefit obligations include estimated payments for the next ten years. The \$73.3 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2023 through 2027 (see Note 11 to the Consolidated Financial Statements in Item 8 of Part II below, for additional information about the Company's qualified defined benefit pension plans).
- (6) Non-qualified pension obligations include estimated payments to executives and directors under the Company's four non-qualified plans for the next ten years. The \$2.5 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2023 through 2027 (see Note 11 to the Consolidated Financial Statements in Item 8 of Part II below, for additional information about the Company's non-qualified pension plans).
- (7) Post-retirement benefit obligations include estimated payments to medical service providers in connection with providing benefits to the Company's employees and retirees for the next ten years. The \$7.0 million noted in the column labeled "Thereafter" comprises estimated post-retirement benefit payments for 2023 through 2027 (see Note 11 to the Consolidated Financial Statements in Item 8 of Part II below, for additional information about the Company's post-retirement benefit obligations).
- (8) Multi-employer withdrawal obligation relates to the discounted liability associated with Horizon's mass withdrawal from Puerto Rico's multi-employer ILA-PRSSA (see Note 12 to the Consolidated Financial Statements in Item 8 of Part II below, for additional information about the Company's multi-employer withdrawal liability).
- (9) Operating lease obligations primarily consist of land, office and terminal facilities; vessels, containers and equipment under non-cancellable; and long-term lease arrangements that do not transfer the rights and risks of ownership to the Company (see Note 9 to the Consolidated Financial Statements in Item 8 of Part II below for additional information about the Company's leases).

Estimated timing and amount of payments related to unrecognized tax position liabilities of \$15.9 million as of December 31, 2017 are excluded from the table due to the uncertainty of such timing and payments, if any.

### **Commitments, Contingencies and Off-Balance Sheet Arrangements:**

*Capital spending and Vessel Dry-docking:* For the full year 2018, the Company expects to make maintenance capital expenditures of approximately \$68 million, vessel construction expenditures (inclusive of capitalized interest and owner's items) of approximately \$436 million, and deferred dry-docking payments of approximately \$18 million.

A description of other commitments and contingencies (including benefit plan withdrawal obligations for multi-employer pension plans in which the Company is a participant) is set forth in Note 17 to the Consolidated Financial Statements in Item 8 of Part II below, and is incorporated herein by reference.

The Company is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results in operations or cash flows that are material.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company's significant accounting policies are described in Note 2 to the Consolidated Financial Statements in Item 8 of Part II below. The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America, upon which the Company's Management Discussion and Analysis of Financial Condition and Results of Operations 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.

**Business Combinations:** The Company accounts for acquired businesses when it obtains control of the business using the acquisition method of accounting. Assets acquired and liabilities assumed are recorded based upon the estimated fair value as of the acquisition date. Estimated fair values are generally determined using a market-based income approach which determines the estimated price that would be paid by a third party market participant based upon the highest and best use of the assets acquired or liabilities assumed. The determination of the fair value of assets acquired and liabilities assumed requires significant judgment and estimates. In making such judgments and estimates, the Company utilizes inputs from various independent third-party valuation specialists, industry experts and other sources. Any excess of the purchase price over the estimated fair values of the net assets acquired and liabilities assumed is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred. During 2016 and 2015, the Company acquired the businesses of Span Alaska and Horizon, respectively. See Note 18 to the Consolidated Financial Statements included in Item 8 of Part II below for additional information related to the Company's acquisition of Horizon and Span Alaska.

**Impairment of Terminal Joint Venture Investments:** The Company's investment in its Terminal Joint Venture, SSAT, 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 SSAT, 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, 2017, 2016, and 2015.

**Impairment of Long-Lived Assets, Intangible Assets and Goodwill:** The Company evaluates its long-lived assets, intangible assets and goodwill for possible impairment in the fourth quarter, or whenever events or changes in circumstances indicate that it is more likely than not that the fair value is less than its carrying amount. The Company has reporting units within the Ocean Transportation and Logistics reportable segments. Long-lived assets and finite-lived intangible assets are grouped at the lowest level reporting unit for which identifiable cash flows are available.

*Long-lived Assets and Finite-lived Intangible Assets:* In evaluating impairment, the estimated future undiscounted cash flows generated by each of these asset groups is compared with the carrying value recorded for each asset group to determine if its carrying value is not recoverable. If this review determines that the amount recorded will not be recovered, the amount recorded for the asset group is reduced to its 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.

No impairment charges were recorded for the years ended December 31, 2017, and 2016. During the year ended December 31, 2015, the Company recorded an impairment charge of \$2.1 million related to the write-down of inactive vessels from its recorded net book value to its estimated fair value of zero. The impairment expense is included in operating costs in the Consolidated Statements of Income and Comprehensive Income. No impairment charges for finite-lived intangible assets were recorded for the years ended December 31, 2017, 2016 and 2015.

Additional information about Matson's vessels included in property and equipment as of December 31, 2017 is as follows:

<u>Vessel Name (in millions)</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
MAUNALEI	September 2006	\$ 160.6	\$ 57.3	\$ 103.3
MANULANI	June 2005	154.0	61.3	92.7
MAUNAWILI	September 2004	105.3	43.7	61.6
MANUKAI	September 2003	108.5	48.3	60.2
MATSON KODIAK	May 2015	53.0	11.3	41.7
MATSON ANCHORAGE	May 2015	49.9	10.2	39.7
MATSON TACOMA	May 2015	49.7	10.7	39.0
R.J. PFEIFFER	August 1992	167.2	130.3	36.9
MOKIHANA	January 1996	104.6	82.6	22.0
MANOA	January 1996	70.9	56.7	14.2
MAHIMAHI	January 1996	65.7	53.9	11.8
KAUAI	September 1980	93.9	86.7	7.2
OTHER VESSELS (1)		250.3	240.2	10.1
Total		<u>\$1,433.6</u>	<u>\$ 893.2</u>	<u>\$ 540.4</u>

(1) Includes active and inactive vessels with an individual net book value of less than \$5.0 million.

**Indefinite-life Intangible Assets and Goodwill:** The Company's intangible assets include goodwill, customer relationships and trade name. 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 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 and indefinite-life intangible assets for impairment and determined that the fair value of each reporting unit exceeds book value. No impairment charges were recorded for the years ended December 31, 2017, 2016 and 2015, respectively.

**Deferred Dry-docking Costs:** U.S. flagged vessels must meet specified seaworthiness standards established by U.S. Coast Guard rules and classification society rules. These standards require U.S. flagged vessels to undergo two dry-docking inspections within a five-year period, with a maximum of 36 months between them. However, U.S. flagged vessels that are enrolled in the U.S. Coast Guard's Underwater Survey in Lieu of Dry-docking ("UWILD") program, are allowed to have their Intermediate Survey dry-docking requirement met with a less costly underwater inspection. Non-U.S. flag vessels are required to meet applicable classification society rules and their own Port State standards for seaworthiness, which also mandate vessels to undergo two dry-docking inspections every five years.

The Company is responsible for maintaining its vessels in compliance with U.S. and international standards. As costs associated with 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 regulatory scheduled dry-docking, 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. Amortized amounts are charged to operating expenses of the Ocean Transportation segment in the Consolidated Statements of Income and Comprehensive Income.

**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 un-asserted 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.

**Uninsured Claims and Related Liabilities:** The Company is uninsured for certain claims 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 uninsured claims and related 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 uninsured claims and related liabilities. The Company's uninsured claims and related 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 of 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.

**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 (loss). Additionally, these unamortized gains and losses are amortized and reclassified to income (loss) over future periods.

Additional information about the Company's benefit plans and assumptions used is included in Note 11 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. 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. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

The Company recorded a valuation allowance against deferred tax assets related to accumulated operating losses of a foreign subsidiary and various state net operating losses of \$13.0 million at December 31, 2017, that the Company determined may not be realized in future periods.

The calculation of deferred tax assets and liabilities may be impacted by various factors including but not limited to changes in tax rates; changes in tax laws, regulations, and rulings; changes in interpretations of existing tax laws, regulations and rulings; and changes in the evaluation of the Company's ability to realize deferred tax assets including operating loss and tax credit carryforwards. 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. On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. The Tax Act includes numerous changes in existing tax law, including a reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction and other changes take effect on January 1, 2018. Other changes such as remeasurement of deferred tax assets and liabilities are effective as of the fourth quarter of 2017.



Also, on December 22, 2017, the Securities Exchange Commission (“SEC”) staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In connection with the Company’s analysis of the impact of the Tax Act, the Company recorded a net tax benefit of \$155.0 million related to the remeasurement and other discrete adjustments to the Company’s deferred tax assets and liabilities during the year ended December 31, 2017. The net tax benefit is based on information and interpretations of the Tax Act that are currently available. However, such amounts may be subject to revision pending further clarification and interpretations of the Tax Act. The Company will continue to assess the impact of the Tax Act and any related interpretations, when issued, on the Company’s income tax estimates. These and other factors could materially affect the Company’s financial condition or its future operating results. The Company’s income taxes are more fully described in Note 10 to the Consolidated Financial Statements in Item 8 of Part II below.

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 impact the Company’s financial condition or its future operating results.

#### **OTHER MATTERS**

*New Accounting Pronouncements:* See Note 2 to the Consolidated Financial Statements in Item 8 of Part II below for additional information on new accounting pronouncements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

*Debt and Interest Rate Risks:* 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, including borrowings under its revolving credit facility. In order to manage its exposure to changes in interest rates, Matson utilizes a balanced mix of both fixed-rate and variable-rate debt with various maturity dates. The nature and amount of Matson’s outstanding debt is expected to fluctuate as a result of future business requirements, market conditions and other factors. Matson’s outstanding variable and fixed rate debt was \$205.0 million and \$652.1 million as of December 31, 2017, and \$55.0 million and \$683.9 million as of December 31, 2016, respectively. Additional information about the Company’s debt is included in Note 8 to the Consolidated Financial Statements in Item 8 of Part II below.

Other than in certain events of default, the Company is not obligated to prepay its variable and fixed rate debt prior to maturity. For fixed rate debt, changes in market interest rates would not affect the Company’s financial condition or results of operations. For variable rate debt, a 100 basis point increase in the variable interest rate would have an impact on the Company’s results of operations for 2017 of approximately \$2.0 million, assuming the December 31, 2017 balance of the variable rate debt was outstanding throughout 2017. This change is not expected to have a material impact on the fair value of the Company’s variable rate debt.

*Investment Risks:* From time to time, Matson may invest its excess cash in short-term money market funds that purchase government securities or corporate debt securities, or in other deposit products allowed under Matson’s Cash Investment Policy. These money market funds and deposits 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. The Company had a nominal amount on deposit in money market funds as of December 31, 2017 and 2016.

Through its Capital Construction Fund (“CCF”), the Company may, from time to time, invest in money market funds or other eligible investments. The Company’s cash deposits in the CCF at December 31, 2017 and 2016 was \$0.9 million and \$31.2 million, respectively.

*Foreign Currency Risks:* 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, Guam, Alaska and other locations. 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 South Pacific service 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.

**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, 2017. 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 (2013)*. Based on its assessment, management believes that, as of December 31, 2017, 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  
\_\_\_\_\_  
Matthew J. Cox  
Chairman and Chief Executive Officer  
February 23, 2018

/s/ Joel M. Wine  
\_\_\_\_\_  
Joel M. Wine  
Senior Vice President and Chief Financial Officer  
February 23, 2018

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Matson, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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, 2017, based on the criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

### Basis for Opinions

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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 performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP  
Honolulu, Hawaii  
February 23, 2018

We have served as the Company's auditor since at least 1976; however, the specific year has not been determined.

**MATSON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(In millions, except per-share amounts)	Years Ended December 31,		
	2017	2016	2015
<b>Operating Revenue:</b>			
Ocean Transportation	\$ 1,571.8	\$ 1,541.1	\$ 1,498.0
Logistics	475.1	400.5	386.9
Total Operating Revenue	<u>2,046.9</u>	<u>1,941.6</u>	<u>1,884.9</u>
<b>Costs and Expenses:</b>			
Operating costs	(1,717.2)	(1,617.7)	(1,510.1)
Equity in income of Terminal Joint Venture	28.2	15.8	16.5
Selling, general and administrative	(208.5)	(185.1)	(195.0)
Total Costs and Expenses	<u>(1,897.5)</u>	<u>(1,787.0)</u>	<u>(1,688.6)</u>
Operating Income	149.4	154.6	196.3
Interest expense	(24.2)	(24.1)	(18.5)
Income before Income Taxes	125.2	130.5	177.8
Income taxes	106.8	(49.1)	(74.8)
Net Income	<u>\$ 232.0</u>	<u>81.4</u>	<u>103.0</u>
<b>Other Comprehensive (Loss) Income, Net of Income Taxes:</b>			
Net Income	\$ 232.0	\$ 81.4	\$ 103.0
<b>Other Comprehensive Income (Loss):</b>			
Net gain in prior service cost	0.8	24.1	5.1
Amortization of prior service cost included in net periodic pension cost	(4.0)	(2.2)	(1.3)
Amortization of net loss included in net periodic pension cost	1.7	1.2	1.8
Other adjustments	0.2	0.2	0.8
Total Other Comprehensive (Loss) Income	<u>(1.3)</u>	<u>23.3</u>	<u>6.4</u>
Comprehensive Income	<u>\$ 230.7</u>	<u>\$ 104.7</u>	<u>\$ 109.4</u>
Basic Earnings Per-Share:	\$ 5.41	\$ 1.89	\$ 2.37
Diluted Earnings Per-Share:	\$ 5.37	\$ 1.87	\$ 2.34
<b>Weighted Average Number of Shares Outstanding:</b>			
Basic	42.9	43.1	43.5
Diluted	43.2	43.5	44.0

See Notes to Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except per-share amount)	As at December 31,	
	2017	2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 19.8	\$ 13.9
Accounts receivable, net	194.6	189.5
Prepaid expenses and other assets	51.6	70.8
Total current assets	266.0	274.2
Long-term Assets:		
Investment in Terminal Joint Venture	93.2	82.4
Property and equipment, net	1,165.7	949.2
Goodwill	323.7	323.7
Intangible assets, net	225.2	236.6
Deferred dry-docking costs, net	89.2	89.1
Other long-term assets	84.5	60.3
Total long-term assets	1,981.5	1,741.3
Total assets	\$ 2,247.5	\$ 2,015.5
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of debt	\$ 30.8	\$ 31.8
Accounts payable	175.1	170.5
Accruals and other liabilities	80.4	75.3
Total current liabilities	286.3	277.6
Long-term Liabilities:		
Long-term debt	826.3	707.1
Deferred income taxes	285.2	363.8
Other long-term liabilities	171.5	172.1
Total long-term liabilities	1,283.0	1,243.0
Commitments and Contingencies (Note 17)		
Shareholders' Equity:		
Common stock — common stock without par value; authorized, 150.0 million shares (\$0.75 stated value per share); outstanding, 42.5 million shares in 2017 and 42.9 million shares in 2016	31.9	32.1
Additional paid in capital	289.7	289.8
Accumulated other comprehensive loss, net	(24.9)	(23.6)
Retained earnings	381.5	196.6
Total shareholders' equity	678.2	494.9
Total liabilities and shareholders' equity	\$ 2,247.5	\$ 2,015.5

See Notes to Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)	Years Ended December 31,		
	2017	2016	2015
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 232.0	\$ 81.4	\$ 103.0
Reconciling adjustments:			
Depreciation and amortization	101.2	97.1	83.4
Deferred income taxes	(128.9)	24.7	50.7
Loss on disposal of property	3.0	0.9	1.2
Share-based compensation expense	11.1	11.2	12.2
Equity in income of Terminal Joint Venture	(28.2)	(15.8)	(16.5)
Distributions from Terminal Joint Venture	17.5	—	14.0
Tax benefit from equity issuance	—	2.2	2.6
Tax benefit from stock-based compensation	—	(0.3)	(0.9)
Changes in assets and liabilities:			
Accounts receivable, net	(5.1)	14.4	13.5
Deferred dry-docking payments	(54.6)	(59.2)	(25.7)
Deferred dry-docking amortization	46.2	38.9	23.1
Prepaid expenses and other assets	14.4	(13.6)	(13.2)
Accounts payable, accruals and other liabilities	20.4	2.1	(9.4)
Other long-term liabilities	(4.1)	(26.2)	7.3
Net cash provided by operating activities	<u>224.9</u>	<u>157.8</u>	<u>245.3</u>
<b>Cash Flows From Investing Activities:</b>			
Capitalized vessel construction expenditure	(252.0)	(94.5)	(21.3)
Other capital expenditures	(55.0)	(84.9)	(46.5)
Proceeds from (payments for) disposal of property and equipment	(0.2)	2.5	5.5
Cash deposits into Capital Construction Fund	(171.4)	(123.4)	(77.9)
Withdrawals from Capital Construction Fund	201.7	92.2	105.4
Payments for membership interests in Span Alaska, net of cash acquired	—	(112.6)	—
Payments for Horizon's common stock, net of cash acquired, and other acquisitions	—	—	(29.0)
Net cash used in investing activities	<u>(276.9)</u>	<u>(320.7)</u>	<u>(63.8)</u>
<b>Cash Flows From Financing Activities:</b>			
Proceeds from issuance of debt	—	275.0	75.0
Repayments of debt	(30.0)	(20.5)	(20.5)
Repayment of capital leases	(1.8)	(1.7)	(1.5)
Proceeds from revolving credit facility	469.0	1,103.0	588.0
Repayments of revolving credit facility	(319.0)	(1,048.0)	(588.0)
Payment of financing costs	(1.7)	—	(0.9)
Proceeds from issuance of common stock	1.9	1.2	2.2
Dividends paid	(33.8)	(32.2)	(30.8)
Repurchase of Matson common stock	(19.3)	(38.0)	(4.9)
Tax withholding related to net share settlements of restricted stock units	(7.4)	(5.9)	(2.9)
Tax benefit from stock-based compensation	—	0.3	0.9
Payments of Span Alaska debt	—	(81.9)	—
Payments of Horizon debt and redemption of warrants, net	—	—	(466.0)
Net cash provided by (used in) financing activities	<u>57.9</u>	<u>151.3</u>	<u>(449.4)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5.9	(11.6)	(267.9)
Cash and Cash Equivalents, Beginning of the Year	13.9	25.5	293.4
Cash and Cash Equivalents, End of the Year	<u>\$ 19.8</u>	<u>\$ 13.9</u>	<u>\$ 25.5</u>
<b>Supplemental Cash Flow Information:</b>			
Interest paid, net of capitalized interest	\$ 23.9	\$ 21.6	\$ 17.7
Income tax paid, net of income tax refunds	\$ 2.6	\$ 15.6	\$ 40.0
<b>Non-cash Information:</b>			
Capital expenditures included in accounts payable, accruals and other liabilities	\$ 1.2	\$ 4.1	\$ 13.5
Capital lease obligations	\$ —	\$ —	\$ 1.8

See Notes to Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the three years ended December 31, 2017**

<b>(In millions, except per-share amounts)</b>	<b>Common Stock</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Retained</b>	<b>Total</b>	
	<b>Shares</b>	<b>Paid In</b>	<b>Other</b>	<b>Earnings</b>		
	<b>Stated</b>	<b>Capital</b>	<b>Comprehensive</b>	<b>Income (Loss)</b>	<b>Value</b>	
	<b>Value</b>	<b>Value</b>	<b>Income (Loss)</b>	<b>Value</b>	<b>Value</b>	
Balance at December 31, 2014	43.2	\$ 32.4	\$ 274.9	\$ (53.3)	\$ 109.8	\$ 363.8
Net income	—	—	—	—	103.0	103.0
Other comprehensive income, net of tax	—	—	—	6.4	—	6.4
Tax benefit from stock-based compensation and share withholding	—	—	2.6	—	—	2.6
Share-based compensation	—	—	12.2	—	—	12.2
Shares issued	0.4	0.3	(1.0)	—	—	(0.7)
Shares repurchased	(0.1)	(0.1)	(0.8)	—	(5.0)	(5.9)
Dividends (\$0.70 per share)	—	—	—	—	(30.8)	(30.8)
Balance at December 31, 2015	43.5	32.6	287.9	(46.9)	177.0	450.6
Net income	—	—	—	—	81.4	81.4
Other comprehensive income, net of tax	—	—	—	23.3	—	23.3
Tax benefit from stock-based compensation and share withholding	—	—	2.2	—	—	2.2
Share-based compensation	—	—	11.2	—	—	11.2
Shares issued	0.3	0.2	(4.9)	—	—	(4.7)
Shares repurchased	(0.9)	(0.7)	(6.6)	—	(29.6)	(36.9)
Dividends (\$0.74 per share)	—	—	—	—	(32.2)	(32.2)
Balance at December 31, 2016	42.9	32.1	289.8	(23.6)	196.6	494.9
Net income	—	—	—	—	232.0	232.0
Other comprehensive loss, net of tax	—	—	—	(1.3)	—	(1.3)
Share-based compensation	—	—	11.1	—	—	11.1
Shares issued	0.3	0.3	(5.7)	—	—	(5.4)
Shares repurchased	(0.7)	(0.5)	(5.5)	—	(13.3)	(19.3)
Dividends (\$0.78 per share)	—	—	—	—	(33.8)	(33.8)
Balance at December 31, 2017	42.5	\$ 31.9	\$ 289.7	\$ (24.9)	\$ 381.5	\$ 678.2

See Notes to Consolidated Financial Statements.



**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. The Company consists of two segments, Ocean Transportation and Logistics. For financial information on the Company’s reportable segments for the three years ended December 31, 2017, see Note 3.

*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 provides a vital lifeline of ocean freight transportation services to the domestic non-contiguous economies of Hawaii, Alaska and Guam, and to other island economies in Micronesia. MatNav also operates a premium, expedited service from China to Long Beach, California, and provides services to Okinawa, Japan and various islands in the South Pacific. In addition, subsidiaries of MatNav provide container stevedoring, refrigerated cargo services, inland transportation and other terminal services for MatNav and other ocean carriers on the Hawaiian islands of Oahu, Hawaii, Maui and Kauai, and in the Alaska locations of Anchorage, Kodiak and Dutch Harbor.

Matson has a 35 percent ownership interest in SSA Terminals, LLC (“SSAT”), 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 seven terminal facilities on the U.S. West Coast, including four facilities which are used by MatNav (“Terminal Joint Venture”). Matson records its share of income in the Terminal Joint Venture in operating costs in the Consolidated Statements of Income and Comprehensive Income, and 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”), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides a variety of logistics services to its customers including: (i) multimodal transportation brokerage of domestic and international rail intermodal services, long-haul and regional highway trucking services, specialized hauling, flat-bed and project services, less-than-truckload services, and expedited freight services (collectively “Transportation Brokerage Services”); (ii) less-than-container load consolidation (“LCL”) and freight forwarding services (collectively “Freight Forwarding Services”); (iii) warehousing and distribution services; and (iv) supply chain management and other services.

*Recent Acquisitions:* On August 4, 2016, Matson Logistics completed its acquisition of Span Intermediate, LLC (“Span Alaska”), a market leading provider of LCL consolidation and freight forwarding services to Alaska (the “Span Alaska Acquisition”). On May 29, 2015, Matson completed its acquisition of Horizon Lines, Inc. (“Horizon”). As a result, Matson acquired Horizon’s Alaska operations and assumed all of Horizon’s non-Hawaii assets and liabilities (the “Horizon Acquisition”) (see Note 18).

**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 and transactions. 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. The Company accounts for its investment in the Terminal Joint Venture using the equity method of accounting (see Note 4). The Consolidated Financial Statements include the accounts and activities of Horizon from acquisition date on May 29, 2015, and Span Alaska from acquisition date on August 4, 2016 (see Note 18).

*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, Inc. whose period closed on December 31. Included in these Consolidated Financial Statements are 52 weeks in the 2017 and 2015 fiscal years, and 53 weeks in the 2016 fiscal year, for MatNav.

*Foreign Currency Transactions:* The United States (U.S.) dollar is the functional currency for substantially all of the financial statements of the Company's foreign subsidiaries. Foreign currency denominated assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates. Translation adjustments resulting from fluctuations in exchange rates are recorded as a component of accumulated other comprehensive loss (gain) within shareholders' equity. The Company translates the result of operations of its foreign subsidiaries at the average exchange rate during the respective periods. Gains and losses resulting from foreign currency transactions are included in selling, general and administrative costs in the Consolidated Statements of Income and Comprehensive Income.

*Use of Estimates:* The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the U.S. 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, capitalized interest, allowance for doubtful accounts, goodwill and other finite-lived intangible assets impairment, legal contingencies, uninsured liabilities, accrual estimates, pension and post-retirement estimates, multi-employer withdrawal liabilities, and income taxes. Future results could be materially affected if actual results differ from these estimates and assumptions.

*Immaterial Correction of an Error in Previously Issued Financial Statements:* Subsequent to the filing of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, the Company identified an error related to its post-retirement benefit plan liabilities. The Company did not account for the transfer of certain participants belonging to three stevedore union groups in Hawaii out of the Company's post-retirement benefit plan and into a multi-employer Stevedore Industry Committee Welfare Benefit Plan ("SIC Plan"), that was approved by the Board of the SIC Plan in August 2016 (the "Transfer"). The SIC Plan assumed the existing unfunded obligation related to the transferred participants who continue to receive substantially the same post-retirement benefits that they previously received under the Company's post-retirement benefit plan. The Company determined that the Transfer should have been accounted for in August 2016 when the Transfer was approved by the SIC Board as a negative plan amendment in accordance with Accounting Standards Codification ("ASC") 715-60, *Defined Benefit Plans – Other Postretirements* since the Company retains significant risks related to the obligation for the transferred participants' benefits, and will continue to participate in the funding of the transferred benefit obligation through ongoing and increased contributions to the SIC Plan.

Accordingly, the Company corrected this error by recording a decrease of \$36.8 million in employee benefit plan liabilities and \$1.6 million in accruals and other liabilities, with a corresponding net gain in prior service costs of \$22.5 million in accumulated other comprehensive income (loss), net of \$15.0 million of deferred income taxes, and a \$0.9 million increase in retained earnings as of December 31, 2016. The net gain in prior service costs included in accumulated other comprehensive income (loss) will be amortized over a period of approximately 10 years. The correction resulted in an increase in Ocean Transportation segment operating income of \$1.4 million, and income tax expense of \$0.5 million in the Company's Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2016. The Company's disclosures in the Consolidated Financial Statements for the year ended December 31, 2016, including the Consolidated Statements of Income and Comprehensive Income, Consolidated Balance Sheets, Note 11 *Pensions and Post-Retirement Plans*, and Note 13 *Accumulated Other Comprehensive Income (Loss)* have been adjusted to reflect the correction of this error. The Company believes the correction of this error is immaterial to previously issued Consolidated Financial Statements for prior periods. The misstatement had no impact on the Company's Condensed Consolidated Statements of Cash Flows.

*Reclassifications:* Certain amounts included within cash flows from operating activities of the Consolidated Statement of Cash Flow for the year ended December 31, 2016, have been reclassified to conform to the current period presentation. There was no change in net cash provided by operating activities for the year ended December 31, 2016.

*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 \$18.7 million and \$21.3 million at December 31, 2017 and 2016, respectively, and are reflected as current liabilities in the Consolidated Balance Sheets.

*Accounts Receivable, net:* Accounts receivable represents amounts due from trade customers arising in the normal course of business. Accounts receivable are shown net of allowance for doubtful accounts receivable in the Consolidated Balance Sheets. At December 31, 2017, and 2016, the Company had assigned \$134.8 million and \$174.7 million of eligible accounts receivable, respectively, to the Capital Construction Fund (see Note 7).

*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 of the customer and the potential risks to collection, the customer's payment history and other factors which are regularly monitored by the Company. Changes in the allowance for doubtful accounts receivable for the three years ended December 31, 2017 were as follows:

<b>Year (in millions)</b>	<b>Balance at Beginning of Year</b>	<b>Expense (Recovery) (1)</b>	<b>Write-offs and Other</b>	<b>Balance at End of Year</b>
2017	\$ 4.2	\$ 1.0	\$ (0.6)	\$ 4.6
2016	\$ 6.6	\$ (0.3)	\$ (2.1)	\$ 4.2
2015	\$ 5.0	\$ 2.0	\$ (0.4)	\$ 6.6

(1) Expense is shown net of amounts recovered from previously reserved doubtful accounts.

*Prepaid Expenses and Other Assets:* Prepaid expenses and other assets consist of the following at December 31, 2017 and 2016:

<b>Prepaid Expenses and Other Assets (in millions)</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Income tax receivables	\$ 2.6	\$ 23.4
Insurance related receivables	15.2	17.6
Prepaid fuel	14.4	11.5
Other	19.4	18.3
<b>Total</b>	<b>\$ 51.6</b>	<b>\$ 70.8</b>

*Other Long-Term Assets:* Other long-term assets consist of the following at December 31, 2017 and 2016:

<b>Other Long-Term Assets (in millions)</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Alternative minimum tax (AMT) receivable (1)	\$ 50.2	\$ —
Deferred charges and other	20.7	17.7
Vessel and equipment spare parts	12.7	11.4
Capital construction fund - cash on deposit (See Note 7)	0.9	31.2
<b>Total</b>	<b>\$ 84.5</b>	<b>\$ 60.3</b>

(1) Represents AMT tax credits refundable as a result of the Tax Act.

*Impairment of Terminal Joint Venture Investment:* The Company's investment in its Terminal Joint Venture, a related party, is reviewed for impairment annually, or whenever there is evidence that fair value may be below carrying cost. No impairment was identified for the years ended December 31, 2017, 2016, and 2015.

*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. The estimated useful lives of property and equipment range up to the following maximum life:

<b>Classification</b>	<b>Life</b>
Vessels	40 years
Machinery and equipment	30 years
Terminal facilities	35 years

*Capitalized Interest:* The Company entered into agreements with shipyards for the construction of four new vessels to be utilized within the Company's operations (see Note 5). The Company is funding the construction of these vessels through borrowings and cash flows generated by the Company. The Company determined that the construction of these vessels are considered qualifying assets for the purposes of capitalizing interest on these assets.

The Company's policy is to capitalize interest costs during the period the qualified assets are being readied for their intended use. The amount of capitalized interest is calculated based on the amount of payments incurred related to the construction of these vessels using a weighted average interest rate. The weighted average interest rate is determined

using the Company's average borrowings outstanding during the period. Capitalized interest is included in vessel construction in progress in property and equipment in the Company's Consolidated Balance Sheets (see Note 5). During the three years ended December 31, 2017, 2016 and 2015, the Company capitalized \$7.5 million, \$2.1 million and \$0.4 million of interest related to the construction of new vessels.

*Deferred Dry-docking Costs:* U.S. flagged vessels must meet specified seaworthiness standards established by U.S. Coast Guard rules and classification society rules. These standards require U.S. flagged vessels to undergo two dry-docking inspections within a five-year period, with a maximum of 36 months between them. However, U.S. flagged vessels that are enrolled in the U.S. Coast Guard's Underwater Survey in Lieu of Dry-docking ("UWILD") program, are allowed to have their Intermediate Survey dry-docking requirement met with a less costly underwater inspection. Non-U.S. flag vessels are required to meet applicable classification society rules and their own Port State standards for seaworthiness, which also mandate vessels to undergo two dry-docking inspections every five years.

The Company is responsible for maintaining its vessels in compliance with U.S. and international standards. As costs associated with 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 regulatory scheduled dry-docking, 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. Amortized amounts are charged to operating expenses of the Ocean Transportation segment in the Consolidated Statements of Income and Comprehensive Income.

As costs associated with 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 regulatory scheduled dry-docking, 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 amortization amounts are charged to operating expenses of the Ocean Transportation segment in the Consolidated Statements of Income and Comprehensive Income.

*Goodwill and Intangible Assets:* Goodwill and intangible assets arise as a result of acquisitions made by the Company (see Notes 6 and 18). Intangible assets consisted of customer relationships which are being amortized using the straight-line method over the expected useful lives ranging from 3 to 21 years, and a trade name that has an indefinite life.

*Impairment of Long-Lived Assets, Intangible Assets and Goodwill:* The Company evaluates its long-lived assets, including intangible assets and goodwill for possible impairment in the fourth quarter, or whenever events or changes in circumstances indicate that it is more likely than not that the fair value is less than its carrying amount. The Company has reporting units within the Ocean Transportation and Logistics reportable segments. Long-lived assets and finite-lived intangible assets are grouped at the lowest level for which identifiable cash flows are available.

*Long-lived Assets and Finite-lived Intangible Assets:* In evaluating impairment, the estimated future undiscounted cash flows generated by each of these asset groups is compared with the amount recorded for each asset group to determine if its carrying value is not recoverable. If this review determines that the amount recorded will not be recovered, the amount recorded for the asset group is reduced to its estimated fair value. No impairment charges of long-lived assets were recorded for the years ended December 31, 2016, and 2014 as a result of this evaluation. During the year ended December 31, 2015, the Company recorded an impairment charge of \$2.1 million related to the write-down of inactive vessels from its recorded net book value to its estimated fair value of zero. The impairment expense is included in Ocean Transportation operating costs on the Consolidated Statements of Income and Comprehensive Income. No impairment charges of finite-lived intangible assets was recorded for the years ended December 31, 2017, 2016 and 2015.

*Indefinite-life Intangible Assets and Goodwill:* 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"). Based upon the Company's evaluation of its indefinite-life intangible assets and goodwill for impairment, the Company determined that the fair value of each reporting unit exceeds book value. Therefore, no impairment charges of goodwill were recorded for the years ended December 31, 2017, 2016 and 2015, respectively.

*Accruals and other liabilities:* Accruals and other liabilities consist of the following at December 31, 2017 and 2016:

<b>Accruals and Other Liabilities (in millions)</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Payroll and vacation related accruals	\$ 24.7	\$ 23.3
Uninsured claims and related liabilities - short term	15.4	18.4
Employee incentives and other related accruals	17.4	8.7
Interest on debt	5.4	5.8
Multi-employer withdrawal liability - short term (see Note 12)	4.1	4.1
Deferred revenues	5.0	2.9
Pension and post-retirement liabilities - short term (see Note 11)	3.0	2.1
Other liabilities	5.4	10.0
<b>Total</b>	<b>\$ 80.4</b>	<b>\$ 75.3</b>

*Other long-term liabilities:* Other long-term liabilities consist of the following at December 31, 2017 and 2016:

<b>Other Long-term Liabilities (in millions)</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Pension and post-retirement liabilities (see Note 11)	\$ 75.1	\$ 75.0
Multi-employer withdrawal liability (see Note 12)	58.4	60.1
Uninsured claims and related liabilities	29.5	27.4
Other long-term liabilities	8.5	9.6
<b>Total</b>	<b>\$ 171.5</b>	<b>\$ 172.1</b>

*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 multi-employer pension plans covering certain shoreside bargaining unit personnel. The Company directly negotiates multi-employer pension plans covering other bargaining unit personnel. Pension costs are accrued in accordance with contribution rates established by the PMA, the parties to a plan or the trustees of a plan. Several trustee, 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. Additional information about the Company’s pension and post-retirement plans is included in Note 11.

*Uninsured Claims and Related Liabilities:* The Company is uninsured for certain claims 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 uninsured claims and related 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 uninsured claims and related liabilities.

*Recognition of Revenues and Expenses:* Revenue in the Company’s Consolidated Financial Statements is presented net of elimination of intercompany transactions. The following is a description of the Company’s principal revenue generating activities by segment, and the Company’s revenue recognition policy for each activity:

<b>Ocean Transportation (in millions) (1)</b>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Ocean transportation services	\$ 1,531.8	\$ 1,504.5	\$ 1,472.0
Terminal and other related services	23.5	22.9	15.9
Fuel sales	9.9	7.5	10.1
Ship management services	6.6	6.2	—
<b>Total</b>	<b>\$ 1,571.8</b>	<b>\$ 1,541.1</b>	<b>\$ 1,498.0</b>

- (1) Ocean transportation revenue transactions are primarily denominated in U.S. dollars except for approximately 3 percent of ocean transportation revenues and fuel sales which are denominated in foreign currencies.
- § Ocean transportation services revenue is recognized ratably over the duration of a voyage based on the relative transit time completed in each reporting period. Vessel operating costs and other ocean transportation operating costs, such as terminal operating overhead and general and administrative expenses, are charged to operating costs as incurred.
- § Terminal and other related service revenues to third parties are recognized as the services are performed.
- § Ship management services revenue and related cost are recognized in proportion to the services completed.
- § Fuel sale revenue is recognized when the Company has completed delivery of the product to the customer in accordance with the terms and conditions of the contract.

Logistics (in millions) (1)	Year Ended December 31,		
	2017	2016	2015
Transportation brokerage and freight forwarding services	\$ 445.1	\$ 373.7	\$ 360.7
Warehouse and distribution services	17.5	19.7	19.8
Supply chain management and other services	12.5	7.1	6.4
Total	\$ 475.1	\$ 400.5	\$ 386.9

- (1) Logistics revenue transactions are primarily dominated in U.S. dollars except for approximately 3 percent of transportation brokerage and freight forwarding services revenue, and supply chain management and other services revenue categories are denominated in foreign currencies.
- § Logistics transportation brokerage and freight forwarding services revenue consists of amounts billed to customers for services provided. The primary costs include third-party purchased transportation services, and labor costs. Revenue and the related purchased third-party transportation costs are recognized over the duration of a delivery based upon the relative transit time completed in each reporting period. Labor costs are expensed as incurred. The Company reports revenue on a gross basis as the Company serves as the principal in these transactions because it is responsible for the contractual relationship with the customer and has latitude in establishing prices.
- § Logistics warehousing and distribution services revenue consist of amounts billed to customers for storage, handling, and value-added packaging of customer merchandise. For customer dedicated warehouses, storage revenue is recognized as earned over the life of the contract. For customers in other warehouses, storage revenue is recognized in the month the service is provided to the customer. Storage expenses are recognized as incurred. Other warehousing and distribution services revenue and expense are recognized in proportion to the services performed.
- § Supply chain management and other services revenue and related costs are recognized in proportion to the services performed.

The Company generally invoices its customers at the commencement of the voyage or the transportation service being provided, or as other services are being performed. Revenue is deferred when services are paid in advance by the customer or when the voyage or transportation services have not commenced as of the end of the fiscal period. The Company's receivables are classified as short-term as collection terms are for periods of less than one year.

The Company expenses sales commissions and contract acquisition costs as incurred because the amounts are generally immaterial. These expenses are included in selling, general and administration expenses in the Consolidated Statements of Income and Comprehensive Income.

*Dividends:* The Company recognizes dividends as a liability when approved by the Board of Directors.

*Share-Based Compensation:* The Company records compensation expense for all share-based awards made to employees and directors. The Company's various stock-based compensation plans are more fully described in Note 15.

*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 in accordance with ASC 740, *Income Taxes* ("ASC 740"). 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. On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. The Tax Act includes numerous changes in existing tax law, including a reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction and other changes take effect on

January 1, 2018. Other changes such as remeasurement of deferred tax assets and liabilities are effective as of the fourth quarter of 2017.

Also, on December 22, 2017, the Securities Exchange Commission (“SEC”) staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In connection with the Company’s analysis of the impact of the Tax Act, the Company recorded a net tax benefit of \$155.0 million related to the remeasurement and other discrete adjustments to the Company’s deferred tax assets and liabilities during the year ended December 31, 2017. The net tax benefit is based on information and interpretations of the Tax Act that are currently available. However, such amounts may be subject to revision pending further clarification and interpretations of the Tax Act. The Company will continue to assess the impact of the Tax Act and any related interpretations, when issued, on the Company’s income tax estimates. These and other factors could materially affect the Company’s financial condition or its future operating results. The Company’s income taxes are more fully described in Note 10.

The Company also 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. 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 (see Note 10). Significant changes to these estimates may result in an increase or decrease to the Company’s tax provision in a subsequent period.

*Rounding:* Amounts in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements are rounded to millions, except for per-share calculations and percentages which 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.

*New Accounting Pronouncements: Revenue from Contracts with Customers:* In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” (“ASU 2014-09”).  
*Recognition of Revenues and Expenses:* The new standard is effective for interim and annual reporting periods beginning after December 15, 2017. The Company plans to adopt ASU 2014-09 commencing the first quarter of 2018 using the modified retrospective method. This method allows the Company to recognize the cumulative effect of initially applying ASU 2014-09 as an adjustment to retained earnings as of December 31, 2017. Prior to adopting ASU 2014-09, the Company performed a review of its revenue contracts and evaluated the Company’s current accounting policies and procedures for recognizing revenue in the Company’s Consolidated Financial Statements, and compared these to the new requirements of ASU 2014-09. In addition, the Company identified the performance obligations and consideration applicable under each contract.

Based upon this evaluation, the Company determined that the impact of adopting ASU 2014-09 was immaterial because ASU 2014-09 supports the recognition of revenue over time as a service is performed, which is consistent with the Company’s current revenue recognition policy. The majority of the Company’s contracts require the Company to provide ocean and logistics transportation services to its customers. Such services are provided by the Company over a period of time, generally, when cargo is being delivered from a source to a destination point, or as the service is being performed. Therefore, performance obligations are completed during a short period of time due to the nature of the services being provided by the Company. Under the new standard, revenues from the Company’s contracts will continue to be recognized over time as the customer simultaneously receives and consumes the benefit of these services as described in ASU 2014-09. In addition, the identification of performance obligations and the related consideration under the new standard is not different from the Company’s current accounting treatment.

In February 2018, the FASB issued ASU 2018-02 “*Income Statement- Reporting Comprehensive Income (Topic 220)*” (“ASU 2018-02”). ASU 2018-02 allows a reclassification from accumulated other comprehensive loss (“AOCL”) to retained earnings for stranded tax effects resulting from the Tax Act. ASU 2018-02 is effective for fiscal years, and for

interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the federal corporate income tax rate in the Tax Act is recognized. ASU 2018-02 provides the Company with an option to elect an accounting policy to reclassify the effect of remeasuring deferred tax liabilities and assets related to items within AOCL using the newly enacted federal corporate income tax rate. The Company is in the process of evaluating the impact of this guidance.

**Leases:** In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to record most leases in their balance sheets but recognize the expenses in their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments, and a right-of-use asset for the underlying leased asset for the period of the lease term. The new standard is effective for interim and annual periods beginning after December 15, 2018 and early adoption is permitted. The Company is in the process of evaluating this guidance.

**Net Periodic Pension Cost and Benefit Cost:** In March 2017, the FASB issued ASU 2017-07. “*Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Benefit Cost*” (“ASU 2017-07”). ASU 2017-07 requires employees that sponsor defined benefit pension and other post-retirement plans to present the service cost component of net benefit cost in the same income statement line item as other employee compensation costs arising from services rendered, and that only the service cost component will be eligible for capitalization. The other components of the net periodic benefit cost must be presented separately from the line item that includes the service cost component and outside of the income from operations subtotal. ASU 2017-07 is effective for interim and annual periods beginning after December 15, 2017. The Company does not expect the adoption of ASU 2017-07 to have a significant impact on the Company’s Consolidated Financial Statements.

### **3. 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 reportable segments, Ocean Transportation and Logistics, which are further described in Note 1. Reportable segments are measured based on operating income, exclusive of interest expense 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. The Company’s Terminal Joint Venture segment has been aggregated into the Company’s Ocean Transportation segment due to the operations of the Terminal Joint Venture being an integral part of the Company’s Ocean Transportation business (see Note 4). Included in the reportable segment information below are 52 weeks in the 2017 and 2015 fiscal years, and 53 weeks in the 2016 fiscal year.

The Company’s Ocean Transportation segment provides ocean transportation services to the Logistics segment. Accordingly, inter-segment revenue of \$40.9 million, \$20.8 million and \$11.3 million for the years ended December 31, 2017, 2016 and 2015, respectively, have been eliminated from Logistics’ operating revenues due to the nature of how those services were performed. Reportable segment information for 2017, 2016, and 2015, are as follows:



(In millions)	Years Ended December 31,		
	2017	2016	2015
<b>Operating Revenue:</b>			
Ocean Transportation (1)	\$ 1,571.8	\$ 1,541.1	\$ 1,498.0
Logistics (2)	475.1	400.5	386.9
Total Operating Revenue	\$ 2,046.9	\$ 1,941.6	\$ 1,884.9
<b>Operating Income:</b>			
Ocean Transportation (1) (3)	\$ 128.8	\$ 142.7	\$ 187.8
Logistics (2)	20.6	11.9	8.5
Total Operating Income	149.4	154.6	196.3
Interest expense, net	(24.2)	(24.1)	(18.5)
Income before Income Taxes	125.2	130.5	177.8
Income taxes	106.8	(49.1)	(74.8)
Net Income	\$ 232.0	\$ 81.4	\$ 103.0

- (1) 2017, 2016 and 2015 Ocean Transportation segment information include the operations of Horizon acquired as of May 29, 2015.  
(2) 2017 and 2016 Logistics segment information include the operations of Span Alaska acquired as of August 4, 2016.  
(3) Ocean Transportation segment information includes \$28.2 million, \$15.8 million, and \$16.5 million of equity in income from the Company's Terminal Joint Venture, SSAT, for the years ended December 31, 2017, 2016, and 2015, respectively.

(In millions)	As of December 31,		
	2017	2016	2015
<b>Identifiable Assets:</b>			
Ocean Transportation (1)	\$ 1,937.4	\$ 1,722.2	\$ 1,601.0
Logistics	310.1	293.3	68.8
Total Assets	\$ 2,247.5	\$ 2,015.5	\$ 1,669.8
<b>Capital Expenditures:</b>			
Ocean Transportation	\$ 305.3	\$ 179.1	\$ 67.5
Logistics	1.7	0.3	0.3
Total Capital Expenditures	\$ 307.0	\$ 179.4	\$ 67.8
<b>Depreciation and Amortization:</b>			
Ocean Transportation	\$ 93.3	\$ 92.6	\$ 81.4
Logistics	7.9	4.5	2.0
	101.2	97.1	83.4
Deferred dry-docking amortization - Ocean Transportation	46.2	38.9	23.1
Total Depreciation and Amortization	\$ 147.4	\$ 136.0	\$ 106.5

- (1) The Ocean Transportation segment includes \$93.2 million, \$82.4 million and \$66.4 million related to the Company's Terminal Joint Venture equity investment in SSAT as of December 31, 2017, 2016, and 2015, respectively.

#### 4. INVESTMENT IN TERMINAL JOINT VENTURE

The Company accounts for its 35 percent ownership interest in the related party Terminal Joint Venture using the equity method of accounting. The Company records its share of income in the Terminal Joint Venture in operating costs within the Ocean Transportation segment due to operations of the Terminal Joint Venture being an integral part of the Company's Ocean Transportation business. The Company's investment in the Terminal Joint Venture was \$93.2 million and \$82.4 million at December 31, 2017 and 2016, respectively.

The Company's share of income recorded in the Consolidated Statements of Income and Comprehensive Income, and dividends received by the Company during the years ended December 31, 2017, 2016 and 2015 is as follows:

<b>Terminal Joint Venture (in millions)</b>	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Company Share of Net Income	\$ 28.2	\$ 15.8	\$ 16.5
Distributions Received	\$ 17.5	\$ —	\$ 14.0

The Company's Ocean Transportation segment operating costs include \$181.3 million, \$177.8 million and \$174.1 million for the years ended December 31, 2017, 2016 and 2015, respectively, for terminal services provided by SSAT. Accounts payable and accrued liabilities in the Consolidated Balance Sheets include \$22.8 million and \$16.7 million for terminal services payable to the Terminal Joint Venture at December 31, 2017 and 2016, respectively.

A summary of unaudited condensed financial information for the Terminal Joint Venture at December 31, 2017 and 2016 is as follows:

<b>Condensed Balance Sheets (Unaudited) (in millions)</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 181.0	\$ 147.7
Non-current assets	161.8	138.5
<b>Total Assets</b>	<b>\$ 342.8</b>	<b>\$ 286.2</b>
Current liabilities	\$ 65.3	\$ 48.9
Non-current liabilities	23.8	14.8
Equity	253.7	222.5
<b>Total Liabilities and Equity</b>	<b>\$ 342.8</b>	<b>\$ 286.2</b>

<b>Condensed Statements of Operating Income and Net Income (Unaudited) (in millions)</b>	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating revenue	\$ 933.5	\$ 740.9	\$ 621.0
Operating costs and expenses	850.2	706.5	610.2
Operating income	83.3	34.4	10.8
Net Income (1)	\$ 80.9	\$ 45.1	\$ 44.9

(1) Includes earnings from equity method investments held by the Terminal Joint Venture less earnings allocated to non-controlling interests.

## 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016, and depreciation expense for the three years ended December 31, 2017, 2016 and 2015 is as following:

<b>(In millions)</b>	<b>As of December 31, 2017</b>			<b>As of December 31, 2016</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Vessels	\$ 1,433.6	\$ 893.2	\$ 540.4	\$ 1,416.1	\$ 840.7	\$ 575.4
Containers and equipment	543.0	349.0	194.0	536.9	326.7	210.2
Terminal facilities and other property	64.8	36.3	28.5	43.2	35.3	7.9
Vessel construction in progress	376.6	—	376.6	124.5	—	124.5
Other construction in progress	26.2	—	26.2	31.2	—	31.2
<b>Total</b>	<b>\$ 2,444.2</b>	<b>\$ 1,278.5</b>	<b>\$ 1,165.7</b>	<b>\$ 2,151.9</b>	<b>\$ 1,202.7</b>	<b>\$ 949.2</b>

<b>(In millions)</b>	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Depreciation expense	\$ 86.7	\$ 86.0	\$ 76.4

The Company entered into agreements for the construction of four new vessels at an estimated combined contractual cost of approximately \$924.5 million, excluding owners' items and capitalized interest. The vessels are expected to be delivered during the periods from 2018 to 2020. Vessel construction in progress represents progress payments to the shipyards in accordance with the terms of the vessel construction agreements, and other related costs. Vessel

construction in progress costs include capitalized interest of \$10.4 million and \$2.9 million as of December 31, 2017 and 2016, respectively.

Property and equipment includes assets subject to capital leases with a net book value of \$4.9 million and \$6.4 million, net of accumulated depreciation of \$3.8 million and \$2.4 million at December 31, 2017 and 2016, respectively. Amortization recorded in the Consolidated Statement of Income and Comprehensive Income was \$1.5 million, \$1.2 million and \$0.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

## 6. GOODWILL AND INTANGIBLE ASSETS

Changes in the Company's goodwill for the years ended December 31, 2017 and 2016 consist of the following:

(In millions)	Goodwill		
	Ocean Transportation	Logistics	Total
Balance at December 31, 2015	\$ 215.0	\$ 26.6	\$ 241.6
Additions - Horizon Acquisition (purchase price adjustment)	3.5	—	3.5
Additions - Span Alaska Acquisition	—	78.6	78.6
Balance at December 31, 2016	218.5	105.2	323.7
Additions	—	—	—
Balance at December 31, 2017	\$ 218.5	\$ 105.2	\$ 323.7

Intangible assets as of December 31, 2017 and 2016 consist of the following:

(In millions)	As of December 31, 2017			As of December 31, 2016		
	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Ocean Transportation - Customer relationships	\$ 140.6	\$ 17.8	\$ 122.8	\$ 140.6	\$ 11.0	\$ 129.6
Logistics:						
Customer relationships	90.1	15.0	75.1	90.1	10.4	79.7
Trade name	27.3	—	27.3	27.3	—	27.3
Total Logistics	117.4	15.0	102.4	117.4	10.4	107.0
Total	\$ 258.0	\$ 32.8	\$ 225.2	\$ 258.0	\$ 21.4	\$ 236.6

Ocean Transportation intangible assets of \$140.6 million relates to customer relationships acquired as part of the Horizon Acquisition, and is being amortized over 21 years (see Note 18). Logistics intangible assets include \$79.3 million of customer relationships that is being amortized over 20 years, and \$27.3 million indefinite life trade name, acquired as part of the Span Alaska Acquisition (see Note 18). The remaining Logistics customer relationships of \$10.8 million is being amortized over a period of up to 13 years.

Intangible asset related amortization expense for 2017, 2016, and 2015, is as follows:

(In millions)	Years Ended December 31,		
	2017	2016	2015
Amortization expense	\$ 11.4	\$ 9.1	\$ 4.4

As of December 31, 2017, estimated amortization expenses related to intangible assets – customer relationships during the next five years and thereafter are as follows:

Year (in millions)	Customer Relationships
2018	\$ 11.2
2019	11.0
2020	11.0
2021	10.9
2022	10.7
Thereafter	143.1
Total	\$ 197.9

## 7. CAPITAL CONSTRUCTION FUND

The Company is party to an agreement with the U.S. Department of Transportation, Maritime Administration (“MARAD”) that established a Capital Construction Fund (“CCF”) program under provisions of the Merchant Marine Act of 1936, as amended (the “Merchant Marine Act”). The CCF program was created to assist owners and operators of U.S. flag vessels in raising capital necessary for the modernization and expansion of the U.S. merchant marine. CCF funds may be used for the acquisition, construction, or reconstruction of vessels, and for repayment of existing vessel indebtedness through the deferment of federal income taxes on certain deposits of monies and other property placed into the CCF. Qualified withdrawals from the CCF must be used for investment in vessels and certain related equipment built in the U.S., and for use between covered U.S. ports as described by the Merchant Marine Act (see Item 1 of Part 1 for additional information on Maritime Laws and the Jones Act). Participants of the CCF must also meet certain U.S. citizenship requirements.

Deposits into the CCF are limited by certain applicable earnings and other conditions. Such deposits, once made, are available as tax deductions in the Company’s income tax provision. Qualified withdrawals from the CCF do not give rise to a current income tax liability, but reduce the depreciable basis of the vessels or certain related equipment for income tax purposes. However, if withdrawals are made from the CCF for general corporate purposes or other non-qualified purposes, or upon termination of the agreement, they are taxable with interest payable from the year of deposit.

Amounts deposited into the CCF are a preference item for calculating federal alternative minimum taxable income through the tax year 2017. 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 in the Consolidated Balance Sheets either as obligations of the Company’s current assets or as receivables from the CCF.

As of December 31, 2017 and 2016, \$134.8 million and \$174.7 million, respectively, of eligible accounts receivable were assigned to the CCF. Due to the nature of the assignment of eligible accounts receivables into the CCF, such assigned amounts are classified as part of accounts receivable in the Consolidated Balance Sheets. At December 31, 2017 and 2016, the Company had \$0.9 million and \$31.2 million, respectively, on deposit in the CCF invested in a money market fund which are classified as other long-term assets in the Company’s Consolidated Balance Sheets.

## 8. DEBT

At December 31, 2017 and 2016, the Company’s debt consisted of the following:

(In millions)	As of December 31,	
	2017	2016
<b>Private Placement Term Loans:</b>		
5.79 %, payable through 2020	\$ 17.5	\$ 24.5
3.66 %, payable through 2023	50.1	59.3
4.16 %, payable through 2027	49.8	55.0
3.37 %, payable through 2027	75.0	75.0
3.14 %, payable through 2031	200.0	200.0
4.31 %, payable through 2032	35.1	37.5
4.35 %, payable through 2044	100.0	100.0
3.92 %, payable through 2045	73.2	75.0
<b>Title XI Bonds:</b>		
5.34 %, payable through 2028	24.2	26.4
5.27 %, payable through 2029	26.4	28.6
Revolving credit facility	205.0	55.0
Capital leases	0.8	2.6
<b>Total Debt</b>	<b>857.1</b>	<b>738.9</b>
Less: Current portion	(30.8)	(31.8)
<b>Total Long-term Debt</b>	<b>\$ 826.3</b>	<b>\$ 707.1</b>

The following is a description of the Company's debt:

*Private Placement Term Loans:* The 5.79 percent notes payable through 2020 are amortized by semi-annual principal payments of \$3.5 million plus interest.

During the second quarter of 2012, the Company issued \$170.0 million of unsecured notes, which funded in three tranches, \$77.5 million at an interest rate of 3.66 percent, \$55.0 million at an interest rate of 4.16 percent, and \$37.5 million at an interest rate of 4.31 percent (the "2012 Notes"). Interest is payable semi-annually. The 2012 Notes began to amortize in 2015 with aggregate semi-annual payments of \$4.6 million which continued through 2016, followed by \$8.4 million in 2017 through mid-year 2023, \$3.8 million through mid-year 2027, and \$1.2 million thereafter.

In January 2014, the Company issued \$100.0 million of 30-year senior unsecured notes at an interest rate of 4.35 percent, payable semi-annually (the "2014 Notes"). The 2014 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.

In July 2015, the Company issued \$75.0 million of 30-year senior unsecured notes at an interest rate of 3.92 percent, payable semi-annually (the "2015 Notes"). The 2015 Notes began to amortize in 2017, with annual principal payments of approximately \$1.8 million through 2019. During the years 2020 to 2026, the annual principal payments will range between approximately \$1.3 million and \$8.0 million. Starting in 2027, and in each year thereafter, the annual principal payments will be approximately \$1.5 million.

In September 2016, the Company issued \$200.0 million of 15-year senior unsecured notes (the "Series D Notes") at an interest rate of 3.14 percent, payable semi-annually. The Series D Notes will begin to amortize in 2019, with semi-annual principal payments of \$6.0 million in 2019, and \$9.2 million during the years 2020 to 2023. Starting in 2024, and in each year thereafter through maturity in 2031, the semi-annual principal payments will be \$7.15 million.

In December 2016, the Company issued \$75 million of 11-year senior unsecured notes at an interest rates of 3.37% percent, payable semi-annual (the "Series A Notes"). The Series A Notes will begin to amortize in 2021, with principal payments of \$5.8 million in 2021 and \$11.5 million per year, paid semi-annually, from 2022 through 2027.

*Title XI Bonds:* In September 2003, the Company issued \$55.0 million in U.S. Government guaranteed vessel 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 percent. The bonds are amortized by semi-annual payments of \$1.1 million plus interest. In August 2004, the Company issued \$55.0 million of U.S. Government guaranteed vessel 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 percent. The bonds are amortized by semi-annual payments of \$1.1 million plus interest.

*Revolving Credit Facility:* On June 29, 2017 (the "Closing Date"), the Company entered into an amended and restated credit agreement that provides the Company with additional sources of liquidity for working capital, capital expenditures and investment opportunities, and amends and restates the Company's previously amended and restated credit agreement (the "Credit Agreement" or the "revolving credit facility"). The Credit Agreement expires on June 29, 2022, and provides for committed aggregate borrowing of up to \$650 million, with an uncommitted option to increase the aggregate borrowing by up to \$250 million. The aggregate borrowing within the Credit Agreement includes a \$100 million sublimit for the issuance of standby and commercial letters of credit, and a \$50 million sublimit for swing line loans. The Company may prepay any amounts outstanding under the Credit Agreement without premium or penalty. All obligations of the Company under the Credit Agreement are guaranteed by Matson's principal operating subsidiary MatNav and by certain other subsidiaries.

Depending on the Company's consolidated net leverage ratio, borrowings under the Credit Agreement will bear interest at either LIBOR plus a margin of between 1.00 percent and 1.75 percent or the base rate plus a margin of between zero percent and 0.75 percent. Letters of credit are subject to fees based on the Company's consolidated net leverage ratio at a rate of between 1.00 percent and 1.75 percent. The Company will also pay a commitment fee of between 0.15 percent and 0.30 percent depending on the Company's consolidated net leverage ratio.

As of December 31, 2017, the Company had \$294.7 million of available borrowings under the Credit Agreement. The Company used \$10.4 million of the sub-limit for letters of credit outstanding as of December 31, 2017. Based upon the

Company's consolidated net leverage ratio, the interest rate applicable to any borrowings would have been approximately 2.98 percent at December 31, 2017.

*Amendments to Existing Private Placement Term Loan Facilities and New Shelf Facilities ("Private Loan Facilities"):* On June 29, 2017, the Company and the holders of the Company's term loans entered into amendments (collectively, the "2017 Amendments") to each of the term loan agreements and amendments thereto, previously issued prior to the Closing Date. The 2017 Amendments provide for amendments to certain covenants and other terms, including (at the Company's option under certain circumstances) adjustments to the required consolidated leverage ratio, and, in connection with the exercise of such option, the payment of additional interest for certain pre-defined periods. Interest rates and other substantive terms remained unchanged.

*Debt Covenants:* The Credit Agreement and Private Loan Facilities (collectively, the "Agreements") contain affirmative, negative and financial covenants customary for financings of this type, including, among other things, limitations on certain other indebtedness, loans and investments, liens, mergers, asset sales, and transactions with affiliates as defined within the Agreements. The Agreements also contain customary events of default.

A brief description of the principal covenants contained in the Agreements includes, but is not limited to the following (as defined within the Agreements):

- § Minimum Consolidated Interest Coverage Ratio as of the end of any fiscal quarter is not permitted to be less than 3.50 to 1.0;
- § Maximum Consolidated Leverage Ratio as of the end of any fiscal quarter is not permitted to exceed 3.25 to 1.0, subject to the Company's election of specific exceptions in which the Maximum Consolidated Leverage Ratio is not permitted to exceed 3.75 to 1.0 as described in the Agreements;
- § The principal amount of Priority Debt: (i) is not permitted to exceed 20 percent of Consolidated Tangible Assets at any time (subject to a reduction to 17.5 percent upon the earlier of December 31, 2017, or upon the occurrence of certain events), and; (ii) the principal amount of Priority Debt that is not Title XI Priority Debt at any time is not permitted to exceed 10 percent of Consolidated Tangible Assets.

Principle covenants generally will restrict the incurrence of liens except for permitted liens, which include, without limitation, liens securing Title XI Debt up to certain thresholds, as defined within the agreements. The Company was in compliance with these covenants as of December 31, 2017.

*Capital Leases:* The Company's capital lease obligations represent leasing of containers and other equipment, and have been classified as current and long-term debt in the Company's Consolidated Balance Sheets.

*Debt Guarantees:* All of the Company's debt as of December 31, 2017 was unsecured, except for \$50.6 million in Title XI bonds, all of which are guaranteed by the Company's significant subsidiaries. All of the Company's debt is fixed rate debt except for borrowings under the Credit Agreement.

*Debt Maturities:* At December 31, 2017, debt maturities during the next five years and thereafter are as follows:

<b>Year (in millions)</b>	<b>Total</b>
2018	\$ 30.8
2019	42.1
2020	48.4
2021	54.2
2022	264.9
Thereafter	416.7
<b>Total debt</b>	<b>\$ 857.1</b>

## **9. LEASES**

The Company leases certain property and equipment, and other facilities under various operating lease agreements, with terms that range from 1 to 65 years. Such leases generally include provisions for the maintenance of the leased assets, options to purchase the assets at fair value, and renewal options to extend the lease agreements. Management expects that in the normal course of business most of these operating leases will be renewed or replaced by other similar leases as they expire.

Rent expense recorded in costs and expenses in the Consolidated Statements of Income and Comprehensive Income from operating leases is as follows:

(In millions)	Years Ended December 31,		
	2017	2016	2015
Terminals, warehouse and other properties	\$ 26.6	\$ 25.6	\$ 22.4
Vessels and equipment leases	52.3	48.4	38.7
Other	49.8	45.6	44.4
Total	<u>\$ 128.7</u>	<u>\$ 119.6</u>	<u>\$ 105.5</u>

Future minimum payments under operating leases as of December 31, 2017 were as follows:

Year (in millions)	Total
2018	\$ 57.1
2019	44.7
2020	39.3
2021	25.5
2022	16.5
Thereafter	44.5
Total minimum lease payments	<u>\$ 227.6</u>

## 10. INCOME TAXES

Income taxes for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

(In millions)	Years Ended December 31,		
	2017	2016	2015
<b>Current:</b>			
Federal	\$ 21.6	\$ 10.5	\$ 22.6
State	2.2	(1.3)	2.9
Total	<u>23.8</u>	<u>9.2</u>	<u>25.5</u>
<b>Deferred:</b>			
Deferred tax expense	24.4	39.9	49.3
Remeasurement and discrete adjustments related to the Tax Act (1)	(155.0)	—	—
Total	<u>(130.6)</u>	<u>39.9</u>	<u>49.3</u>
Total income taxes	<u>\$ (106.8)</u>	<u>\$ 49.1</u>	<u>\$ 74.8</u>

- (1) Deferred income taxes for the year ended December 31, 2017 includes a non-cash income tax benefit of \$155.0 million related to the remeasurement of the Company's deferred assets and liabilities and other discrete adjustments as a result of applying the Tax Act during the year ended December 31, 2017.

Income taxes for the years ended December 31, 2017, 2016, and 2015, differs from amounts computed by applying the statutory federal rate to income before income taxes for the following reasons:

	Years Ended December 31,		
	2017	2016	2015
Computed federal income tax expense	35.0 %	35.0 %	35.0 %
State income tax	2.6 %	1.8 %	2.5 %
Valuation allowance	1.4 %	0.3 %	1.1 %
Foreign taxes	0.1 %	0.4 %	0.6 %
Remeasurement and discrete adjustments related to the Tax Act (1)	(123.8)%	— %	— %
Share-based payments	(1.4)%	— %	— %
Other — net	0.8 %	0.1 %	2.9 %
Effective income tax rate	<u>(85.3)%</u>	<u>37.6 %</u>	<u>42.1 %</u>

- (1) Effective income tax rate for the year ended December 31, 2017 includes the impact of a non-cash income tax benefit of \$155.0 million related to the remeasurement of the Company's deferred assets and liabilities and other discrete adjustments as a result of applying the Tax Act during the year ended December 31, 2017.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2017 and 2016, were as follows:

(In millions)	As of December 31,	
	2017	2016
<b>Deferred tax assets:</b>		
Benefit plans	\$ 42.6	\$ 63.1
Federal net operating losses	21.6	52.1
Insurance reserves	6.8	9.9
State net operating losses	7.4	7.9
Foreign losses	6.6	4.9
Alternative minimum tax credits	4.2	31.0
Allowance for doubtful accounts	0.9	1.3
Reserves	—	2.4
Other	1.9	3.5
<b>Total deferred tax assets</b>	<b>92.0</b>	<b>176.1</b>
Valuation allowance	(13.0)	(11.9)
<b>Total Deferred tax assets, net of valuation allowance</b>	<b>79.0</b>	<b>164.2</b>
<b>Deferred tax liabilities:</b>		
Basis differences for property and equipment	254.4	339.0
Capital Construction Fund	54.2	115.8
Intangibles	36.4	53.8
Deferred revenue	6.9	9.5
Joint ventures and other investments	9.6	9.9
Reserves	2.7	—
<b>Total deferred tax liabilities</b>	<b>364.2</b>	<b>528.0</b>
<b>Deferred tax liability, net</b>	<b>\$ 285.2</b>	<b>\$ 363.8</b>

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 at the fair market value of the stock at the time of vesting, tax-effected. The net tax benefits from share-based transactions were \$2.2 million and \$2.6 million for 2016 and 2015, 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 2016 Consolidated Statements of Shareholders' Equity.

*Valuation Allowance:* The Company recorded a valuation allowance against operating losses related to a foreign subsidiary of \$1.7 million, \$0.4 million and \$1.8 million in 2017, 2016 and 2015, respectively, as the Company determined the tax benefits associated with such losses may not be realized in future periods. Valuation allowances recorded against all of the Company's foreign income tax NOLs and a portion of the state income tax NOLs were \$13.0 million and \$11.9 million as of December 31, 2017 and 2016, respectively. The Company believes that it is more likely than not that the benefit from these amounts will not be realized.

*Net Operating Losses and Tax Credit Carryforwards:* The Company's net operating losses ("NOLs") and tax credit carryforwards at December 31, 2017 and 2016, were as follows:

(In millions)	Expiration Date	2017	2016
U.S. Federal income tax NOLs	Various dates beginning in 2027	\$ 183.8	\$ 190.0
U.S. State income tax NOLs	Various dates beginning in 2032	\$ 192.3	\$ 192.8
Foreign income tax NOLs	No expiration date	\$ 23.7	\$ 17.6
U.S. alternative minimum tax credit (1)	No expiration date	\$ 4.2	\$ 31.0

(1) 2017 amounts exclude \$50.2 million of federal alternative minimum tax credits which are refundable commencing 2018 in accordance with the Tax Act, and is included in the Company's other long-term assets in the Consolidated Balance Sheets (see Note 2).

The U.S. federal and state income tax NOLs in the Company's filed income tax returns include unrecognized tax benefits. The deferred tax assets recognized for those NOLs are presented net of these unrecognized tax benefits.



Because of the change of ownership provisions of the Tax Reform Act of 1986, use of a portion of the Company's domestic NOL and tax credit carryforwards may be limited in future periods. Further, a portion of the federal and state income tax NOLs and tax credit carryforwards may expire before being applied to reduce future income tax liabilities.

*Unrecognized Tax Benefits:* Total unrecognized benefits represent the amount that, if recognized, would favorably affect the Company's effective tax rate in future periods. The Company does not expect a material change in gross unrecognized benefits in the next twelve months. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

<b>Unrecognized Tax Benefits (in millions)</b>	<b>Amount</b>
Balance at December 31, 2014	\$ 6.7
Changes in tax positions of prior years, net	1.5
Additions from unrecognized tax benefits acquired	14.4
Reductions for lapse of statute of limitations	(0.5)
Balance at December 31, 2015	22.1
Changes in tax positions of prior years, net	(1.1)
Reductions for lapse of statute of limitations	(0.6)
Balance at December 31, 2016	20.4
Changes in tax positions of prior years, net	1.1
Reductions for lapse of statute of limitations	(0.1)
Revaluation of unrecognized tax benefits due to the Tax Act (1)	(5.5)
Balance at December 31, 2017	\$ 15.9

(1) Amount relates to the impact of applying the Tax Act during the year ended December 31, 2017.

Included in the balance of unrecognized tax benefits at December 31, 2017 are potential benefits of \$8.2 million that, if recognized, would affect the effective tax rate. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income taxes. 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 \$0.5 million and \$0.4 million as of December 31, 2017 and 2016, respectively.

The Company is no longer subject to U.S. federal income tax audits for years before 2013. The Company is routinely involved in state, local income and excise tax audits, and foreign tax audits.

## 11. PENSION AND POST-RETIREMENT PLANS

### *Non-bargaining 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. Most non-bargaining retirees pay a portion of the benefit costs.

*Plan Administration, Investments and Asset Allocations:* The Company has a Benefits Investment Committee that meets regularly with investment advisors to establish investment policies, direct investments and select investment options for the qualified plans. The Benefits 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 qualified 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 asset allocations at December 31, 2017 and 2016 were as follows:

<b>Asset Categories</b>	<b>Target</b>	<b>2017</b>	<b>2016</b>
Domestic equity securities	53 %	59 %	62 %
International equity securities	15 %	17 %	13 %
Debt securities	22 %	17 %	17 %
Real estate	5 %	6 %	6 %
Other and cash	5 %	1 %	2 %
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. All assets within specific funds are allocated to the target asset allocation of the fund.

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. Actual return on plan assets for the periods presented are as follows:

<b>Actual Return on Plan Assets</b>	<b>Returns</b>
One-year return	14.6 %
Three-year return	6.7 %
Five-year return	9.3 %
Long-term average return (since plan inception in 1989)	8.5 %

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.

*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 when broker/dealer quotes are not available, such as cash flow, security structure, or market information.

*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.

The fair values of the Company's pension plan assets at December 31, 2017 and 2016 by asset category, were as follows:

Asset Category (in millions)	Fair Value Measurements at December 31, 2017			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 6.6	\$ 6.6	\$ —	\$ —
Equity securities:				
U.S. large-cap	66.0	28.1	37.9	—
U.S. mid- and small-cap	42.6	28.3	14.3	—
International large-cap	21.6	—	21.6	—
International small-cap	9.5	—	9.5	—
Fixed income securities:				
U.S. Treasuries	8.0	—	8.0	—
Municipal bonds	0.1	—	0.1	—
Investment grade U.S. corporate bonds	17.5	—	17.5	—
High-yield U.S. corporate bonds	3.6	—	3.6	—
Emerging markets fixed income	—	—	—	—
Other types of investments:				
Real estate partnership interests	11.1	—	—	11.1
Private equity partnership interests	0.1	—	—	0.1
<b>Total</b>	<b>\$ 186.7</b>	<b>\$ 63.0</b>	<b>\$ 112.5</b>	<b>\$ 11.2</b>

Asset Category (in millions)	Fair Value Measurements at December 31, 2016			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 7.8	\$ 7.8	\$ —	\$ —
Equity securities:				
U.S. large-cap	67.1	31.6	35.5	—
U.S. mid- and small-cap	38.9	31.7	7.2	—
International large-cap	16.9	—	16.9	—
International small-cap	6.9	—	6.9	—
Fixed income securities:				
U.S. Treasuries	8.9	—	8.9	—
Municipal bonds	9.3	—	9.3	—
Investment grade U.S. corporate bonds	5.3	—	5.3	—
High-yield U.S. corporate bonds	6.3	—	6.3	—
Emerging markets fixed income	0.5	0.5	—	—
Other types of investments:				
Real estate partnership interests	10.8	—	—	10.8
Private equity partnership interests	0.1	—	—	0.1
<b>Total</b>	<b>\$ 178.8</b>	<b>\$ 71.6</b>	<b>\$ 96.3</b>	<b>\$ 10.9</b>

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, 2017 and 2016:

(In millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Real Estate	Private Equity	Total
Balance at December 31, 2015	\$ 10.3	\$ 0.2	\$ 10.5
Actual return (loss) on plan assets:			
Assets held at the reporting date	0.6	(0.1)	0.5
Assets sold during the period	0.5	0.1	0.6
Purchases, sales and settlements, net	(0.6)	(0.1)	(0.7)
Balance at December 31, 2016	10.8	0.1	10.9
Actual return (loss) on plan assets:			
Assets held at the reporting date	0.3	0.1	0.4
Assets sold during the period	0.5	(0.1)	0.4
Purchases, sales and settlements, net	(0.5)	—	(0.5)
Balance at December 31, 2017	\$ 11.1	\$ 0.1	\$ 11.2

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 2017, 2016 and 2015, the Company contributed \$3.0 million, \$7.5 million and \$4.7 million, respectively, in pension contributions in these plans. 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.

The status of the funded qualified defined benefit pension plans and the unfunded post-retirement benefit plans at December 31, 2017 and 2016 are shown below:

(In millions)	Pension Benefits December 31,		Post-retirement Benefits December 31,	
	2017	2016	2017	2016
<b>Change in Benefit Obligation:</b>				
Benefit obligation at beginning of year	\$ 225.4	\$ 220.2	\$ 25.2	\$ 60.5
Service cost	4.0	3.9	0.5	1.5
Interest cost	9.7	9.7	1.1	2.7
Plan amendments	—	—	—	(38.4)
Plan participants' contributions	—	—	1.1	1.0
Plan settlements	(0.3)	—	—	—
Actuarial losses	13.9	4.2	1.9	1.9
Benefits paid, net of subsidies received	(18.9)	(11.1)	(2.1)	(4.0)
Expenses paid	(1.7)	(1.5)	—	—
Benefit obligation at end of year	<u>232.1</u>	<u>225.4</u>	<u>27.7</u>	<u>25.2</u>
<b>Change in Plan Assets:</b>				
Fair value of plan assets at beginning of year	178.8	168.9	—	—
Actual return on plan assets	25.8	15.0	—	—
Plan participants' contributions	—	—	1.1	1.0
Plan settlements	(0.3)	—	—	—
Employer contributions	3.0	7.5	1.0	3.0
Benefits paid, net of subsidies received	(18.9)	(11.1)	(2.1)	(4.0)
Expenses paid	(1.7)	(1.5)	—	—
Fair value of plan assets at end of year	<u>186.7</u>	<u>178.8</u>	<u>—</u>	<u>—</u>
Funded Status and Recognized Liability	<u>\$ (45.4)</u>	<u>\$ (46.6)</u>	<u>\$ (27.7)</u>	<u>\$ (25.2)</u>

Qualified pension and post-retirement benefits plans liabilities recognized in the Consolidated Balance Sheets and expenses recognized in accumulated other comprehensive income (loss) at December 31, 2017 and 2016 were as follows:

(In millions)	Pension Benefits December 31,		Post-retirement Benefits December 31,	
	2017	2016	2017	2016
Non-current assets	\$ 0.5	\$ 1.0	\$ —	\$ —
Current liabilities	—	—	(1.2)	(1.1)
Non-current liabilities, net	(45.9)	(47.6)	(26.5)	(24.1)
Total	<u>\$ (45.4)</u>	<u>\$ (46.6)</u>	<u>\$ (27.7)</u>	<u>\$ (25.2)</u>
Net loss, net of taxes	\$ (46.9)	\$ (49.1)	\$ (4.6)	\$ (4.4)
Prior service credit, net of taxes	6.3	7.7	20.2	22.5
Total	<u>\$ (40.6)</u>	<u>\$ (41.4)</u>	<u>\$ 15.6</u>	<u>\$ 18.1</u>

The information for qualified defined benefit pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2017 and 2016 is shown below:

(In millions)	2017	2016
Projected benefit obligation	\$ 229.9	\$ 223.2
Accumulated benefit obligation	\$ 229.6	\$ 222.9
Fair value of plan assets	\$ 184.7	\$ 175.9

The estimated net loss and prior service credit for the qualified pension plans that will be amortized from accumulated other comprehensive income (loss) is a net periodic cost of \$1.4 million, net of tax, in 2018. The estimated net loss and prior service credit for the post-retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) is a net periodic benefit of \$1.3 million, net of tax, in 2018.

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 benefit plans during 2017, 2016, and 2015 were as follows:

(In millions)	Pension Benefits December 31,			Post-retirement Benefits December 31,		
	2017	2016	2015	2017	2016	2015
<b>Components of Net Periodic Benefit Cost (Benefit):</b>						
Service cost	\$ 4.0	\$ 3.9	\$ 3.3	\$ 0.5	\$ 1.5	\$ 1.5
Interest cost	9.7	9.7	9.5	1.1	2.7	2.5
Expected return on plan assets	(13.5)	(13.4)	(14.0)	—	—	—
Amortization of net loss	5.1	5.5	6.4	1.2	1.2	2.2
Amortization of prior service credit	(2.3)	(2.3)	(2.3)	(3.8)	(1.4)	—
Net periodic benefit cost	\$ 3.0	\$ 3.4	\$ 2.9	\$ (1.0)	\$ 4.0	\$ 6.2
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income, net of tax:</b>						
Net loss (gain)	\$ 0.8	\$ 1.6	\$ (1.0)	\$ 1.1	\$ 1.2	\$ (1.9)
New prior service cost (credit)	—	—	0.1	—	(23.4)	—
Amortization of net loss	(3.1)	(3.3)	(3.9)	(0.7)	(0.8)	(1.3)
Amortization of prior service credit	1.4	1.4	1.4	2.3	0.9	—
Total recognized in other comprehensive (income) loss	\$ (0.9)	\$ (0.3)	\$ (3.4)	\$ 2.7	\$ (22.1)	\$ (3.2)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	\$ 2.1	\$ 3.1	\$ (0.5)	\$ 1.7	\$ (18.1)	\$ 3.0

The weighted average assumptions used to determine benefit information during 2017, 2016, and 2015, were as follows:

	Pension Benefits December 31,			Post-retirement Benefits December 31,		
	2017	2016	2015	2017	2016	2015
Discount rate (1)	3.80 %	4.40 %	4.50 %	3.90 %	4.60 %	4.60 %
Expected return on plan assets	7.75 %	8.00 %	8.00 %			
Rate of compensation increase	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %
Initial health care cost trend rate:						
Pre-65 group				6.30 %	6.60 %	6.80 %
Post-65 group				6.80 %	7.20 %	7.60 %
Ultimate health care cost trend rate				4.40 %	4.40 %	4.40 %
Year ultimate health care cost trend rate is reached:						
Pre-65 group				2037	2037	2037
Post-65 group				2036	2036	2036

(1) The Company derives a single equivalent rate utilizing a yield curve constructed from a portfolio of high-quality corporate bonds with various maturities.

If the assumed health care cost trend rate were increased or decreased one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2017, 2016, and 2015 and the net periodic post-retirement benefit cost for 2017, 2016 and 2015, would have increased or decreased as follows:

(In millions)	Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2017	2016	2015	2017	2016	2015
Effect on total of service cost and interest cost components	\$ 0.3	\$ 0.9	\$ 0.9	\$ (0.2)	\$ (0.7)	\$ (0.7)
Effect on post-retirement benefit obligation	\$ 4.0	\$ 11.5	\$ 9.4	\$ (3.0)	\$ (8.3)	\$ (7.4)

**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. Non-qualified pension plan liabilities recognized in the Consolidated Balance Sheets and expenses recognized in accumulated other comprehensive income (loss) at December 31, 2017 and 2016 are as follows (in millions):

(In millions)	Non-qualified Pension Benefits December 31,	
	2017	2016
Current liabilities	\$ (1.8)	\$ (1.0)
Non-current liabilities, net	(2.7)	(3.3)
Total	\$ (4.5)	\$ (4.3)
Net loss, net of taxes	\$ (0.6)	\$ (0.8)
Prior service credit, net of taxes	0.3	0.4
Total	\$ (0.3)	\$ (0.4)

Discount rates of 3.2 percent and 3.4 percent were used in determining the 2017 and 2016 non-qualified pension plan obligations, respectively. The estimated net loss and prior service credit for the non-qualified pension plans that will be amortized from accumulated other comprehensive income (loss) is a net periodic cost of \$0.1 million, net of tax, in 2018.

**Estimated Benefit Payments:** The estimated future benefit payments for the next ten years were as follows:

Year (in millions)	Pension Benefits	Non-qualified Pension Benefits	Post-retirement Benefits (1)
2018	\$ 12.7	\$ 1.8	\$ 1.2
2019	13.0	0.2	1.2
2020	13.4	0.5	1.2
2021	13.7	—	1.2
2022	14.0	0.3	1.2
2023-2027	73.3	2.5	7.0
Total	\$ 140.1	\$ 5.3	\$ 13.0

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

**Defined Contribution Plans:** The Company sponsors defined contribution plans that qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. The Company may make discretionary matching contributions equal to a specified percentage of each participant's 401(k) contributions. For the year ended December 31, 2017, the Company provided matching contributions of up to 3 percent of eligible employee compensation. The Company's matching contributions expensed in 2017, 2016 and 2015 was \$2.4 million, \$2.1 million and \$2.0 million, respectively.

The Company may also provide a discretionary profit sharing contribution under the qualified defined contribution plans, to salaried, non-bargaining unit employees, if both a minimum threshold of Company performance is achieved and the Board has approved the profit sharing contribution. 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. Discretionary profit sharing contributions expensed in 2017 and 2015 were \$2.3 million and \$1.9 million, respectively. There were no discretionary profit sharing contributions made in 2016.

#### **Multi-employer Bargaining Plans:**

The Company contributes to multi-employer defined benefit pension plans under the terms of collective-bargaining agreements that cover its bargaining unit employees. Contributions are generally based on amounts paid for union labor or cargo volume. The risks of participating in multi-employer plans are different from single-employer plans because assets contributed to the multi-employer 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 multi-employer 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 multi-employer plan generally will be required to continue funding its proportional share of the plan’s unfunded vested benefits. As of December 31, 2017, the Company’s estimated benefit plan withdrawal obligations were \$261.5 million. Except as described in Note 12, no withdrawal obligations have been recorded by the Company in the Consolidated Balance Sheets at December 31, 2017 and 2016, as the Company has no present intention of withdrawing from and does not anticipate termination of any of these plans.

Information regarding the Company’s participation in multi-employer 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 2017 and 2016 is for the plan’s year-end at December 31, 2017 and 2016, 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 Funds	EIN/Pension Plan Number	Notes	Pension Protection Act Zone as of December 31,		FIP/RP Status Pending/ Implemented	5% Contributor	Contributions of Matson (In millions)			Surcharge Imposed	Expiration Date (5)
			2017	2016			2017	2016	2015		
American Radio Association Pension Fund	13-6161999-001		Green	Yellow	Implemented	Yes	\$ 1.0	\$ —	\$ —	No	8/15/2021
Hawaii Terminals Multiemployer Pension Plan	20-0389370-001		Yellow	Yellow	Implemented	Yes	5.7	5.3	4.9	No	6/30/2019
Hawaii Stevedoring Multiemployer Retirement Plan	99-0314293-001		Yellow	Yellow	Implemented	Yes	3.8	3.5	2.8	No	6/30/2019
Master, Mates and Pilots Pension Plan	13-6372630-001		Green	Green	No	Yes	3.0	3.1	2.2	No	6/15/2023, 6/15/2027
Masters, Mates and Pilots Adjustable Pension Plan	37-1719247-001		(1)	(1)	No	Yes	1.7	1.8	1.7	No	6/15/2023, 6/15/2027
MEBA Pension Trust - Defined Benefit Plan	51-6029896-001	(2)	Green	Green	No	Yes	4.4	4.1	3.2	No	8/15/2018, 6/15/2022
OCU Trust Pension Plan	26-1574440-001		Green	Green	No	No	0.2	0.2	0.1	No	6/30/2023
MFOU Supplementary Pension Plan	94-6201677-001		Green	Green	No	Yes	—	—	—	No	6/30/2021
SIU Pacific District Pension Plan	94-6061923-001		Green	Green	No	Yes	0.7	0.6	—	No	6/30/2021
Alaska Teamster - Employer Pension Plan	92-6003463-024	(3)	Red	Red	Implemented	Yes	2.4	2.6	1.5	Yes	6/30/2018, 6/30/2019, 6/30/2020
All Alaska Longshore Pension Plan	91-6085352-001	(3)	Green	Green	No	Yes	0.1	0.1	0.5	No	6/30/2020
Western Conference of Teamsters Pension Plan	91-6145047-001	(3)	Green	Green	No	No	1.3	1.3	0.8	No	3/31/2018
Western Conference of Teamsters Supplemental Benefit Trust	95-3746907-001	(3)	Green	Green	No	No	—	—	—	No	3/31/2018
OPEIU Local 153 Pension Plan	13-2864289-001	(3)	Red	Red	Implemented	No	0.1	0.1	0.1	No	11/09/2020
Seafarers Pension Trust	13-6100329-001	(3) (4)	Green	Green	No	No	—	—	—	No	6/30/2022
<b>Total</b>							<b>\$ 24.4</b>	<b>\$ 22.7</b>	<b>\$ 17.8</b>		

(1) The Plan is not subject to the PPA funding requirements under IRS Section 432 as the Plan was not in effect on July 16, 2006.

(2) In 2012, the Company agreed to contribute at least 11.7 percent of total wages paid to employees in covered Marine Engineer Benefits Association (“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.

(3) Matson’s contributions to these plans commenced after the Horizon Acquisition on May 29, 2015.

(4) The Company does not make contributions directly to the Seafarers Pension Plan. Instead, contributions are made to the Seafarers Health and Benefits Plan, and are subsequently re-allocated to the Seafarers Pension Plan at the discretion of the plan Trustee.

(5) Represents the expiration date of the collective bargaining agreement.

The Company also contributes to multi-employer plans that provide post-retirement health and other benefits other than pensions under the terms of collective-bargaining agreements. Benefits provided to active and retired employees and their eligible dependents under these plans include medical, dental, vision and prescription drug. These plans are not subject to the PBGC plan termination and withdrawal liability provisions of ERISA applicable to multi-employer defined benefit pension plans. Contributions to these multi-employer postretirement health and other benefits were \$27.0 million, \$22.5 million and \$18.1 million in 2017, 2016 and 2015, respectively.



*Multi-employer Defined Contribution Plans:* The Company contributes to six multi-employer defined contribution pension plans. These plans are not subject to the withdrawal liability provisions of ERISA or the PBGC applicable to multi-employer defined benefit pension plans. Contributions made to these plans by the Company were \$5.0 million, \$5.3 million and \$3.8 million in 2017, 2016 and 2015, respectively.

## 12. MULTI-EMPLOYER WITHDRAWAL LIABILITY

Horizon ceased all of its operations in Puerto Rico during the first quarter of 2015, which resulted in a mass withdrawal from its multi-employer ILA-PRSSA pension fund. The Company assumed this liability as part of the Horizon Acquisition (see Note 18). The Company estimated the mass withdrawal liability based upon the required undiscounted quarterly payment of approximately \$1.0 million to be paid to the ILA-PRSSA pension fund over a period which ends in March 2040, discounted to present value using the Company's incremental borrowing rate. Future estimated annual payments to be paid to the ILA-PRSSA pension fund as of December 31, 2017 were as follows:

Year (in millions)	Total
2018	\$ 4.1
2019	4.1
2020	4.1
2021	4.1
2022	4.1
Thereafter	72.1
Total remaining future undiscounted payments due to the ILA-PRSSA pension fund	92.6
Less: amount representing interest	(30.1)
Present value of multi-employer withdrawal liability	62.5
Current portion of multi-employer withdrawal liability (see Note 2)	(4.1)
Long-term portion of multi-employer withdrawal liability	\$ 58.4

## 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes all changes in Shareholders' Equity, except those resulting from common stock transactions. Changes in accumulated other comprehensive income (loss) by component, net of tax, are as follows:

(In millions)	Pension Benefits	Post-Retirement Benefits	Non-Qualified Pension Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2015	\$ (41.7)	\$ (4.7)	\$ (0.2)	\$ (0.3)	\$ (46.9)
Net gain (loss) in prior service costs	—	24.1	(0.1)	0.1	24.1
Amortization of prior service cost	(1.4)	(0.9)	(0.1)	0.2	(2.2)
Amortization of net loss (gain)	1.7	(0.4)	—	(0.1)	1.2
Other adjustments	—	—	—	0.2	0.2
Balance at December 31, 2016	(41.4)	18.1	(0.4)	0.1	(23.6)
Net gain in prior service costs	—	0.7	—	0.1	0.8
Amortization of prior service cost	(1.4)	(2.5)	(0.1)	—	(4.0)
Amortization of net loss (gain)	2.2	(0.7)	0.2	—	1.7
Other adjustments	—	—	—	0.2	0.2
Balance at December 31, 2017	\$ (40.6)	\$ 15.6	\$ (0.3)	\$ 0.4	\$ (24.9)

Other comprehensive income (loss) in the Consolidated Statements of Income and Comprehensive Income are shown net of tax benefit (expense) of \$(4.4) million, \$(14.2) million and \$(5.0) million for the years ended December 2017, 2016, and 2015, respectively.

## 14. EARNINGS PER-SHARE

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 stock units. The computation of weighted average dilutive shares outstanding excluded a nominal amount of anti-dilutive non-qualified stock options for each of the years 2017, 2016, and 2015.

The denominator used to compute basic and diluted earnings per share for the three years ended December 31, 2017, were as follows:

(In millions, except per-share amounts)	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	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:	\$ 232.0	42.9	\$ 5.41	\$ 81.4	43.1	\$ 1.89	\$ 103.0	43.5	\$ 2.37
Effect of Dilutive Securities:		0.3	(0.04)		0.4	(0.02)		0.5	(0.03)
Diluted:	\$ 232.0	43.2	\$ 5.37	\$ 81.4	43.5	\$ 1.87	\$ 103.0	44.0	\$ 2.34

## 15. SHARE-BASED AWARDS

The Company has share-based compensation plans which are described as follows:

*2016 Incentive Compensation Plan:* The 2016 Incentive Compensation Plan (the “2016 Plan”) serves as a successor to the 2007 Incentive Compensation Plan, 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 2016 Plan, 2.5 million shares of common stock were reserved for issuance. Shareholders approved the 2016 Plan at the 2016 Annual Meeting of Shareholders.

The 2016 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, shares of common stock, restricted stock units or performance shares may be granted. Time-based equity awards generally vest ratably over three years. Provided certain three-year performance targets are achieved, performance-based equity awards generally vest on the three-year anniversary date of the grant.

*Automatic Grant Program* — 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, under the automatic grant program. Awards of restricted stock units granted under the program generally vest ratably over one year.

The shares of common stock authorized to be issued under the 2016 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:* All predecessor plans have been superseded by the 2016 Plan. No further grants will be made under the predecessor plans.

Activity in the Company's stock option plans for the year ended December 31, 2017, was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

	2007 Plan	1998 Plan	Total Shares	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2016	319	5	324	\$ 21.67		
Granted	—	—	—			
Exercised	(84)	(3)	(87)	\$ 21.95		
Forfeited and expired	—	(2)	(2)	\$ 24.72		
Outstanding at December 31, 2017	235	—	235	\$ 21.54	3.3	\$ 1,946
Exercisable at December 31, 2017	235	—	235	\$ 21.54	3.3	\$ 1,946

The following table summarizes non-vested restricted stock unit activity through December 31, 2017, (in thousands, except weighted average grant-date fair value amounts):

	2007 Plan Restricted Stock Units	2016 Plan Restricted Stock Units	Total Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2016	701	19	720	\$ 33.35
Granted	153	304	457	\$ 31.76
Vested	(470)	(9)	(479)	\$ 27.35
Canceled	(7)	(5)	(12)	\$ 37.24
Outstanding at December 31, 2017	377	309	686	\$ 36.41

Share-based compensation expense and other information related to share-based awards for each of the three years in the period ended December 31, 2017, is as follows:

Share-based expense, net of estimated forfeitures (in millions)	Years Ended December 31,		
	2017	2016	2015
Share-based compensation expense	\$ 11.1	\$ 9.8	\$ 12.2
Intrinsic value of options exercised	\$ 0.7	\$ 2.0	\$ 9.2
Tax benefit realized upon stock vesting	\$ 6.8	\$ 5.9	\$ 3.4
Fair value of stock vested	\$ 17.3	\$ 15.8	\$ 8.6

As of December 31, 2017, there was no unrecognized compensation cost related to non-vested stock options. As of December 31, 2017, unrecognized compensation cost related to non-vested restricted stock units and performance-based equity awards were \$11.5 million. That unrecognized compensation cost is expected to be recognized over a weighted average period of approximately 1.7 years.

## 16. 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, and Level 2 inputs for its accounts receivable, capital construction fund – cash on deposit, and variable and fixed rate debt. The fair values of cash and cash equivalents, accounts receivable and variable rate debt approximate their carrying values due to the nature of the instruments. The fair value of fixed rate debt is calculated based upon interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements. The carrying value and fair value of the Company's financial instruments as of December 31, 2017 and 2016 are as follows:

(In millions)	Total	Total	Quoted Prices in	Significant	Significant
	Carrying Value		Active Markets	Observable	Unobservable
	December 31, 2017		(Level 1)	Inputs (Level 2)	Inputs (Level 3)
		Fair Value Measurements at December 31, 2017			
Cash and cash equivalents	\$ 19.8	\$ 19.8	\$ 19.8	\$ —	\$ —
CCF - cash on deposit	0.9	0.9	—	0.9	—
Variable rate debt	205.0	205.0	—	205.0	—
Fixed rate debt	652.1	651.4	—	651.4	—

(In millions)	Total	Total	Quoted Prices in	Significant	Significant
	December 31, 2016		Active Markets	Observable	Unobservable
			(Level 1)	Inputs (Level 2)	Inputs (Level 3)
		Fair Value Measurements at December 31, 2016			
Cash and cash equivalents	\$ 13.9	\$ 13.9	\$ 13.9	\$ —	\$ —
CCF - cash on deposit	31.2	31.2	—	31.2	—
Variable rate debt	55.0	55.0	—	55.0	—
Fixed rate debt	683.9	685.2	—	685.2	—

## 17. COMMITMENTS AND CONTINGENCIES

Commitments, including contractual obligations, excluding lease commitments (see Note 9), and pension and post-retirement plan commitments, and multi-employer bargaining plan withdrawal obligations (see Note 11), include the following as of December 31, 2017:

Commitments and Contractual Obligations (in millions)	Total
Standby letters of credit (1)	\$ 10.4
Bonds (2)	\$ 33.0
Construction of vessels obligations (3)	\$ 559.5
Purchase obligations and other capital expenditure obligations (4)	\$ 15.9

- (1) Standby letters of credit are required for the Company's uninsured workers' compensation and other insurance programs, and other needs.  
(2) Bonds are required for U.S. Customs and other related matters.  
(3) Construction of vessels obligations represents contractual obligations entered into for the construction of four new vessels.  
(4) Purchase obligations and other capital expenditure obligations include: (i) non-cancellable contractual capital project obligations (excluding construction of vessels obligations); and (ii) other dry-docking related obligations.

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

*Contingencies:* Contingencies and other litigation related matters are described as follows:

*Environmental Matters:* The Company's Ocean Transportation segment has certain 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.

*Other Matters:* 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.

## 18. BUSINESS COMBINATIONS

**Span Alaska Acquisition:** On August 4, 2016 (the "Effective Date"), Matson Logistics completed the purchase of 100 percent of the membership interests of Span Alaska pursuant to the terms of the Membership Interest Purchase Agreement, dated July 18, 2016. At the Effective Date, Span Alaska became a wholly-owned subsidiary of Matson Logistics. Span Alaska is an asset-light logistics company providing freight forwarding services primarily to the Alaska market. Span Alaska consolidates freight in Auburn, Washington, for shipment to Alaska and distribution through a network of terminals in Anchorage, Fairbanks, Wasilla, Kenai, Juneau and Kodiak. Span Alaska's operations are recorded within the Logistics segment of the Company.

Total consideration paid by the Company on the Effective Date for the membership interests in Span Alaska including the repayment of Span Alaska's debt and accrued interest, is as follows:

<b>Consideration (in millions)</b>	<b>Total</b>
Membership interests	\$ 117.0
Span Alaska's debt	81.9
<b>Total</b>	<b>\$ 198.9</b>

The Span Alaska Acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations* ("ASC 805"). The assets acquired and liabilities assumed in the Span Alaska Acquisition were recorded based on fair value estimates as of the Effective Date, with the remaining unallocated purchase price recorded as goodwill. Such fair value estimates require significant judgment, and include estimates used in the valuation of property and equipment, and intangible assets. The Company finalized its purchase accounting for the Span Alaska Acquisition as of December 31, 2016.

The following table summarizes the final fair values assigned to Span Alaska's assets acquired and liabilities assumed at the Effective Date:

<b>Purchase Price Allocation (in millions)</b>	<b>Final</b>
Cash and cash equivalents	\$ 4.4
Accounts receivable	11.1
Prepaid and other current assets	0.9
Property and equipment	8.1
Intangibles – Customer relationships	79.3
Intangibles – Trade name	27.3
Other long-term assets	0.1
Accounts payable	(3.3)
Accruals and other current liabilities	(6.4)
Capital lease obligations	(1.2)
Span Alaska's debt	(81.9)
Total identifiable assets less liabilities	38.4
Total consideration for membership interests	(117.0)
Goodwill	\$ 78.6

The Company's Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2017 and 2016 include operating revenue of \$59.1 million and \$22.8 million (after elimination of intercompany revenue), and operating income of \$12.8 million and \$3.5 million, respectively, from Span Alaska's operations. One-time acquisition related costs of approximately \$3.0 million incurred as a result of the Span Alaska Acquisition, is included in selling, general and administrative costs in the Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2016. One-time acquisition related costs incurred post December 31, 2016 were not material.

**Horizon Acquisition:** On May 29, 2015, Matson completed its acquisition of Horizon whereby MatNav acquired Horizon's Alaska operations and assumed all of Horizon's non-Hawaii assets and liabilities (the "Horizon Acquisition"). Immediately before the completion of the Horizon Acquisition, Horizon sold certain of its subsidiaries to the Pasha Group (the "Pasha Transaction") that: (i) conducted Horizon's Hawaii operations (including owning the assets used to conduct such Hawaii operations and being responsible for the liabilities related thereto), and (ii) employed the Horizon employees who conducted its Hawaii operations. Horizon also completed the termination of its Puerto Rico operations during the first quarter of 2015. The Alaska operations are recorded within the Ocean Transportation segment of the Company.

Total consideration for the Horizon Acquisition was \$495.4 million based on the fair value of common shares of \$29.4 million, warrants of \$37.1 million, and Horizon's debt including accrued interest and breakage fees of \$428.9 million. Immediately following the close of the Horizon Acquisition, the Company repaid the assumed debt and redeemed all of Horizon's outstanding warrants.

The Horizon Acquisition was accounted for as a business combination in accordance with ASC 805. Assets acquired and liabilities assumed were recorded at estimated fair value at May 29, 2015, with the remaining unallocated purchase price of \$217.7 million recorded as goodwill. The Company finalized its purchase accounting for the Horizon Acquisition as of June 30, 2016.

The following table summarizes the final fair values assigned to Horizon's assets acquired and liabilities assumed that were recognized as of the acquisition date:

<b>Purchase Price Allocation (in millions)</b>	<b>Final</b>	
Cash and cash equivalents	\$	0.8
Accounts receivable		31.7
Other current assets		7.2
Deferred tax assets, net		46.3
Property and equipment		170.4
Intangibles - Customer relationships		140.0
Other long-term assets		4.1
Accounts payable		(22.8)
Accruals and other current liabilities		(31.4)
Multi-employer withdrawal liability		(65.5)
Capital lease obligations		(1.6)
Horizon's debt and warrants		(467.5)
Total identifiable assets less liabilities		(188.3)
Total cash paid for common shares		(29.4)
Goodwill	\$	217.7

The Company's Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2016 include operating revenue and operating income from Horizon's operations of \$277.6 million and \$20.0 million, respectively. One-time acquisition costs related to the Horizon Acquisition incurred during the year ended December 31, 2016 were not material and were \$19.0 million during the year ended December 31, 2015.

***Pro Forma Financial Information (Unaudited):***

The following unaudited pro forma financial information presents the combined operating results of the Company, and those of Horizon (excluding its Hawaii operations) and Span Alaska, as if the Horizon and Span Alaska acquisitions had been completed at the beginning of each period presented below. The unaudited pro forma financial information includes the accounting effects of the business combinations, including the amortization of intangible assets, depreciation of property and equipment, and interest expense. Unaudited pro forma operating revenue is presented after elimination of intercompany revenue.

The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the result of operations that would have been achieved if the Horizon and Span Alaska acquisitions had taken place at the beginning of the periods presented, nor should it be taken as an indication of our future consolidated results of operations.

<b>(In millions, except per-share amount)</b>	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Pro Forma Combined:</b>		
Operating revenue	\$ 1,974.2	\$ 2,076.4
Net income after income taxes	\$ 86.0	\$ 107.7
Basic Earnings Per-Share:	\$ 2.00	\$ 2.48
Diluted Earnings Per-Share:	\$ 1.98	\$ 2.45
<b>Weighted-Average Number of Shares Outstanding:</b>		
Basic	43.1	43.5
Diluted	43.5	44.0

**19. QUARTERLY INFORMATION (Unaudited)**

Segment results by quarter for 2017 and 2016 are as follows:

<b>(In millions, except per-share amounts)</b>	<b>Quarters in the Year Ended December 31, 2017</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Operating Revenue:</b>				
Ocean Transportation	\$ 370.0	\$ 392.7	\$ 419.2	\$ 389.9
Logistics	104.4	119.8	124.7	126.2
<b>Total Operating Revenue</b>	<b>\$ 474.4</b>	<b>\$ 512.5</b>	<b>\$ 543.9</b>	<b>\$ 516.1</b>
<b>Operating Income:</b>				
Ocean Transportation	\$ 14.5	\$ 39.0	\$ 54.6	\$ 20.7
Logistics	1.9	6.9	7.2	4.6
<b>Total Operating Income</b>	<b>16.4</b>	<b>45.9</b>	<b>61.8</b>	<b>25.3</b>
<b>Interest Expense</b>	<b>(6.3)</b>	<b>(6.3)</b>	<b>(6.2)</b>	<b>(5.4)</b>
<b>Income before Income Taxes</b>	<b>10.1</b>	<b>39.6</b>	<b>55.6</b>	<b>19.9</b>
<b>Income Taxes</b>	<b>(3.1)</b>	<b>(15.6)</b>	<b>(21.5)</b>	<b>147.0</b>
<b>Net Income</b>	<b>\$ 7.0</b>	<b>\$ 24.0</b>	<b>\$ 34.1</b>	<b>\$ 166.9</b>
<b>Basic Earnings Per Share:</b>	<b>\$ 0.16</b>	<b>\$ 0.56</b>	<b>\$ 0.79</b>	<b>\$ 3.93</b>
<b>Diluted Earnings Per Share:</b>	<b>\$ 0.16</b>	<b>\$ 0.55</b>	<b>\$ 0.79</b>	<b>\$ 3.90</b>

<b>(In millions, except per-share amounts)</b>	<b>Quarters in the Year Ended December 31, 2016</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3 (1)</b>	<b>Q4 (1)</b>
<b>Operating Revenue:</b>				
Ocean Transportation	\$ 366.1	\$ 370.9	\$ 398.0	\$ 406.1
Logistics (2)	88.1	96.8	102.4	113.2
<b>Total Operating Revenue</b>	<b>\$ 454.2</b>	<b>\$ 467.7</b>	<b>\$ 500.4</b>	<b>\$ 519.3</b>
<b>Operating Income:</b>				
Ocean Transportation	\$ 33.0	\$ 33.9	\$ 43.2	\$ 32.6
Logistics (2)	1.6	2.2	3.5	4.6
<b>Total Operating Income</b>	<b>34.6</b>	<b>36.1</b>	<b>46.7</b>	<b>37.2</b>
<b>Interest Expense</b>	<b>(4.9)</b>	<b>(6.5)</b>	<b>(6.0)</b>	<b>(6.7)</b>
<b>Income before Income Taxes</b>	<b>29.7</b>	<b>29.6</b>	<b>40.7</b>	<b>30.5</b>
<b>Income Taxes</b>	<b>(11.6)</b>	<b>(11.6)</b>	<b>(15.4)</b>	<b>(10.5)</b>
<b>Net Income</b>	<b>\$ 18.1</b>	<b>\$ 18.0</b>	<b>\$ 25.3</b>	<b>\$ 20.0</b>
<b>Basic Earnings Per Share:</b>	<b>\$ 0.42</b>	<b>\$ 0.42</b>	<b>\$ 0.59</b>	<b>\$ 0.47</b>
<b>Diluted Earnings Per Share:</b>	<b>\$ 0.41</b>	<b>\$ 0.42</b>	<b>\$ 0.59</b>	<b>\$ 0.46</b>

- (1) Amounts have been adjusted for the correction of immaterial error related to its post-retirement benefit plan liabilities. See Note 2 *Immaterial Correction of an Error in Previously Issued Financial Statements* for additional information.
- (2) 2016 segment results include the operations of Span Alaska acquired as of August 4, 2016.

The following infrequent transactions impacted the Company's quarterly segment results during 2016 (there were no amounts in 2017):

<b>(In millions)</b>	<b>Quarters in the Year Ended December 31, 2016</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Span Alaska Acquisition Related Costs (1):</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (2.6)</b>	<b>\$ (0.2)</b>
<b>Molasses Settlement Paid (2):</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (0.7)</b>

- (1) One-time costs related to the Span Alaska Acquisition included in selling, general and administrative costs of the Logistics segment.
- (2) Litigation settlement paid by the Company resulting from molasses spill in September 2013, included in selling, general and administrative costs of the Ocean Transportation segment.

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

See page 43 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, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.



## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### A. Directors

The information about the Directors of Matson required under this item will be included under the section captioned “Election of Directors” in Matson’s Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2017 (“Matson’s 2018 Proxy Statement”), which section is incorporated herein by reference.

#### B. Executive Officers

The information about the executive officers of Matson required under this item will be included under the subsection captioned “Executive Officers” in Matson’s 2018 Proxy Statement, which subsection is incorporated herein by reference.

#### C. Corporate Governance

The information about the Audit Committee of the Matson Board of Directors and compliance with Section 16(a) of the Exchange Act, will be included under the subsections captioned “Board of Directors and Committees of Board” and “Section 16(a) Beneficial Ownership Reporting Compliance” in Matson’s 2018 Proxy Statement, which subsections are incorporated herein by reference.

#### D. Code of Ethics

The information about Matson’s Code of Ethics required under this item will be included under the subsection captioned “Code of Ethics” in Matson’s 2018 Proxy Statement, which subsection is incorporated herein by reference.

### ITEM 11. EXECUTIVE COMPENSATION

The information about required under this item will be included under the section captioned “Executive Compensation” and the subsections captioned “Compensation of Directors” and “Pay Risk Assessment” in Matson’s 2018 Proxy Statement, which section and subsections are incorporated herein by reference.

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

The information required under this item will be included under the section captioned “Security Ownership of Certain Shareholders” and the subsections captioned “Security Ownership of Directors and Executive Officers” in Matson’s 2018 Proxy Statement, which section and subsections are incorporated herein by reference.

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

The information required under this item will be included in the section captioned “Election of Directors” and the subsection captioned “Certain Relationships and Transactions” in Matson’s 2018 Proxy Statement, which section and subsection are incorporated herein by reference.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning principal accountant fees and services required under this item will be included under the sections captioned “Audit Committee Report” and “Ratification of Appointment of Independent Registered Public Accounting Firm” in Matson’s 2018 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

Except as described below, 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.

At December 31, 2017, the Company's investment in the Terminal Joint Venture, SSAT, exceeded the 10.0% and 20.0% thresholds in at least one of the tests under Rule 3-09 and Rule 4-08(g) of Regulation S-X, and as such the audited financial statements of the Terminal Joint Venture are required to be filed as financial statement schedules herein within 90 days of SSAT's fiscal year end, which is January 31. Accordingly, the financial statements of the Terminal Joint Venture will be filed via an amendment to this Annual Report on Form 10-K on or before May 1, 2018.

#### 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.

- |     |  |
|-----|--|
| 2   | Plan of acquisition, reorganization, arrangement, liquidation or succession.   |
| 2.1 | <a href="#">Agreement and Plan of Merger, dated as of November 11, 2014, by and among Matson Navigation Company, Inc., Hogan Acquisition Inc. and Horizon Lines, Inc. (incorporated by reference to Exhibit 2.1 of Matson's Form 8-K dated November 11, 2014).</a>   |
| 2.2 | <a href="#">Amendment No. 1 to Agreement and Plan of Merger, dated as of February 13, 2015, by and among Matson Navigation Company, Inc., Hogan Acquisition Inc. and Horizon Lines, Inc. (incorporated by reference to Exhibit 2.1 of Matson's Form 8-K dated February 17, 2015).</a>                                |
| 2.3 | <a href="#">Contribution, Assumption and Purchase Agreement, dated as of November 11, 2014, by and among The Pasha Group, SR Holding LLC, Horizon Lines, Inc. and Sunrise Operations LLC (incorporated by reference to Exhibit 2.2 of Horizon Lines, Inc.'s Form 8-K dated November 11, 2014).</a>                   |
| 2.4 | <a href="#">Amendment No. 1 to the Contribution, Assumption and Purchase Agreement, dated as of May 29, 2015, by and among The Pasha Group, SR Holding LLC, Horizon Lines, Inc. and Sunrise Operations LLC (incorporated by reference to Exhibit 2.2 of Matson's Form 10-Q for the quarter ended June 30, 2015).</a> |
| 2.5 | <a href="#">Membership Interest Purchase Agreement, dated as of July 18, 2016, by and between Matson Logistics, Inc. and Span Holdings, LLC (incorporated by reference to Exhibit 2.1 of Matson's Form 8-K dated July 18, 2016).</a>   |
| 3   | Articles of incorporation and bylaws.  |
| 3.1 | <a href="#">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).</a>   |

3.2	<a href="#">Articles of Amendment to Change Corporate Name (incorporated by reference to Exhibit 4.2 of Matson's Form S-8 dated October 26, 2012).</a>
3.3	<a href="#">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).</a>
10	Material contracts.
10.1	<a href="#">Amended and Restated Credit Agreement among Matson, Inc., Bank of America, N.A. as the Agent, and the lenders thereto, dated as of June 29, 2017 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated June 29, 2017).</a>
10.2	<a href="#">Amendment to Note Purchase Agreement among Matson, Inc. and the purchasers named therein, dated as of June 29, 2017 (incorporated by reference to Exhibit 10.2 of Matson's Form 8-K dated June 29, 2017).</a>
10.3	<a href="#">Amendment to Note Purchase Agreement among Matson, Inc. and the purchasers named therein, dated as of June 29, 2017 (incorporated by reference to Exhibit 10.3 of Matson's Form 8-K dated June 29, 2017).</a>
10.4	<a href="#">Amendment to Third Amended and Restated Note Purchase Agreement among Matson, Inc. and the purchasers named therein, dated as of June 29, 2017 (incorporated by reference to Exhibit 10.4 of Matson's Form 8-K dated June 29, 2017).</a>
10.5	<a href="#">Amendment to Note Purchase Agreement among Matson, Inc. and the purchasers named therein, dated as of June 29, 2017 (incorporated by reference to Exhibit 10.5 of Matson's Form 8-K dated June 29, 2017).</a>
10.6	<a href="#">Note Purchase Agreement among Matson, Inc. and the purchasers party thereto, dated as of December 21, 2016 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated December 21, 2016).</a>
10.7	<a href="#">Third Amended and Restated Note Purchase and Private Shelf Agreement among Matson, Inc. and the purchasers party thereto, dated as of September 14, 2016 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated September 14, 2016).</a>
10.8	<a href="#">Note Purchase Agreement among Matson, Inc. and the purchasers party thereto, dated as of July 30, 2015 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated August 3, 2015).</a>
10.9	<a href="#">Amendment to the Note Purchase Agreement among Matson, Inc. and the purchasers party thereto, dated as of July 30, 2015 (incorporated by reference to Exhibit 10.3 of Matson's Form 8-K dated August 3, 2015).</a>
10.10	<a href="#">First Amendment to Note Purchase Agreement amount Matson, Inc. and the purchasers party thereto, dated as of October 1, 2015 (incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated October 2, 2015).</a>
10.11	<a href="#">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).</a>
10.12	<a href="#">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).</a>

- 10.13 [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. \(incorporated by reference to Exhibit 10.2 of Matson's Form 10-Q for the quarter ended June 30, 2012\).](#)
- 10.14 [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\).](#)
- 10.15 [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\).](#)
- 10.16\* [Matson, Inc. 2007 Incentive Compensation Plan, amended and restated, effective January 29, 2015 \(incorporated by reference to Exhibit 10.13 of Matson's Form 10-K for the year ended December 31, 2014\).](#)
- 10.17\* [Form of Notice of Performance Share Award Grant \(incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated January 29, 2013\).](#)
- 10.18\* [Form of Matson, Inc. Performance Share Award Agreement \(incorporated by reference to Exhibit 10.2 of Matson's Form 8-K dated January 29, 2013\).](#)
- 10.19\* [Form of Notice of Stock Option Grant \(incorporated by reference to Exhibit 99.2 to Matson's Form S-8 dated October 26, 2012\).](#)
- 10.20\* [Form of Stock Option Agreement for Non-Executive Employees \(incorporated by reference to Exhibit 99.3 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.21\* [Form of Stock Option Agreement for Executive Employees \(incorporated by reference to Exhibit 99.4 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.22\* [Form of Notice of Time-Based Restricted Stock Unit Grant \(incorporated by reference to Exhibit 99.5 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.23\* [Form of Time-Based Restricted Stock Unit Agreement for Non-Executive Employees \(incorporated by reference to Exhibit 99.6 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.24\* [Form of Time-Based Restricted Stock Unit Agreement for Executive Employees \(incorporated by reference to Exhibit 99.7 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.25\* [Form of Amended and Restated Restricted Stock Unit Award Agreement for Non-Employee Directors \(No Deferral\).\(incorporated by reference to Exhibit 10.20 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.26\* [Form of Amended and Restated Restricted Stock Unit Award Agreement for Non-Employee Directors \(Deferral Election\).\(incorporated by reference to Exhibit 10.21 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.27\* [Form of Anti-Dilution Adjustment Amendment to Restricted Stock Unit Award Agreements \(incorporated by reference to Exhibit 99.10 of Matson's Form S-8 dated October 26, 2012\).](#)
- 10.28\* [Form of Anti-Dilution Adjustment Amendment to Stock Option Agreements \(incorporated by reference to Exhibit 99.11 of Matson's Form S-8 dated October 26, 2012\).](#)

- 10.29\* [Form of Stock Option Assumption Agreement \(incorporated by reference to Exhibit 99.4 of Post-Effective Amendment No. 2 to Alexander & Baldwin, Inc.'s Form S-8 dated June 6, 2012\).](#)
- 10.30\* [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, amended and restated effective August 27, 2014 \(incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated August 28, 2014\).](#)
- 10.33\* [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\).](#)
- 10.34\* [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\).](#)
- 10.35\* [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\).](#)
- 10.36\* [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\).](#)
- 10.37\* [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\).](#)
- 10.38\* [Matson, Inc. Retirement Plan for Outside Directors \(incorporated by reference to Exhibit 10.44 of Matson's Form 10-K for the year ended December 31, 2012\).](#)
- 10.39\* [Form of Letter Agreement entered into with certain executive officers \(incorporated by reference to Exhibit 10.45 of Matson's Form 10-K for the year ended December 31, 2012\).](#)
- 10.40\* [Schedule identifying executive officers who have entered into Form of Letter Agreement \(incorporated by reference to Exhibit 10.42 of Matson's Form 10-K for the year ended December 31, 2014\).](#)
- 10.41\* [Form of Letter Agreement entered into with executive officer \(incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated October 24, 2014\).](#)
- 10.42\* [Letter Agreement Counter Party \(incorporated by reference to Exhibit 10.2 of Matson's Form 8-K dated October 24, 2014\).](#)
- 10.43\* [Form of Letter Agreement entered into with executive officer \(incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated April 6, 2015\).](#)
- 10.44\* [Letter Agreement Counter Parties \(incorporated by reference to Exhibit 10.2 of Matson's Form 8-K dated April 6, 2015\).](#)

- 10.45\* [Matson, Inc. Executive Severance Plan \(incorporated by reference to Exhibit 10.47 of Matson's Form 10-K for the year ended December 31, 2012\).](#)
- 10.46\* [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. Deferred Compensation Plan \(incorporated by reference to Exhibit 10.51 of Matson's Form 10-K for the year ended December 31, 2012\).](#)
- 10.48 [Shipbuilding Contract, by and between Aker Philadelphia Shipyard, Inc. and Matson Navigation Company, Inc., dated as of November 6, 2013 \(certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission\) \(incorporated by reference to Exhibit 10.56 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.49 [Shipbuilding Contract, by and between Aker Philadelphia Shipyard, Inc. and Matson Navigation Company, Inc., dated as of November 6, 2013 \(certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission\) \(incorporated by reference to Exhibit 10.57 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.50 [Guaranty Agreement by Aker Philadelphia Shipyard ASA, in favor of Matson Navigation Company, Inc., dated as of November 6, 2013 \(incorporated by reference to Exhibit 10.58 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.51 [Contract for Construction of Two Vessels, dated as of August 25, 2016, by and between Matson Navigation Company, Inc. and National Steel and Shipbuilding Company \(certain portions of this exhibit have been omitted pursuant to a confidential treatment request submitted to the Commission\) \(incorporated by reference to Exhibit 10.1 of Matson's Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.52 [Purchaser's Corporate Guaranty Agreement, by Matson, Inc., dated as of August 25, 2016 \(incorporated by reference to Exhibit 10.2 of Matson's Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.53 [Contractor's Corporate Guaranty Agreement, by General Dynamics Corporation, dated as of August 25, 2016 \(incorporated by reference to Exhibit 10.3 of Matson's Form 10-Q for the quarter ended September 30, 2016\).](#)
- 10.54 [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 \(incorporated by reference to Exhibit 10.60 of Matson's Form 10-K for the year ended December 31, 2013\).](#)
- 10.55 [Form of Voting Agreement, dated as of November 11, 2014, among Matson Navigation Company, Inc. and certain holders of voting securities of Horizon Lines, Inc. \(incorporated by reference to Exhibit 10.1 of Matson's Form 8-K dated November 11, 2014\).](#)
- 10.56\*,\*\* [Matson, Inc. 2016 Incentive Compensation Plan, amended as of October 25, 2017.](#)
- 10.57\* [Amended and Restated Matson, Inc. Cash Incentive Plan, effective January 1, 2016 \(incorporated by reference to Exhibit 10.63 of Matson's Form 10-K for the year ended December 31, 2016\).](#)
- 10.58\* [Form of 2016 Plan Restricted Stock Unit Award Agreement for Non-Employee Directors \(No Deferral\) \(incorporated by reference to Exhibit 10.64 of Matson's Form 10-K for the year ended December 31, 2016\).](#)

10.59	<a href="#">Form of 2016 Plan Restricted Stock Unit Award Agreement for Non-Employee Directors (Deferral Election) (incorporated by reference to Exhibit 10.65 of Matson's Form 10-K for the year ended December 31, 2016).</a>
10.60*,**	<a href="#">Form of 2016 Plan Time-Based Restricted Stock Unit Agreement for Non-Executive Employees.</a>
10.61*,**	<a href="#">Form of 2016 Plan Time-Based Restricted Stock Unit Agreement for Executive Employees.</a>
10.62*,**	<a href="#">Form of 2016 Plan Performance Share Award Agreement for Non-Executive Employees.</a>
10.63*,**	<a href="#">Form of 2016 Plan Performance Share Award Agreement for Executive Employees.</a>
10.64*	<a href="#">Form of Notice of 2016 Plan Performance Share Award Grant for Non-Executive Employees (incorporated by reference to Exhibit 10.70 of Matson's Form 10-K for the year ended December 31, 2016).</a>
10.65	<a href="#">Form of Notice of 2016 Plan Performance Share Award Grant for Executive Employees (incorporated by reference to Exhibit 10.71 of Matson's Form 10-K for the year ended December 31, 2016).</a>
10.66	<a href="#">Form of Notice of 2016 Time-Based Restricted Stock Unit Award Grant for Non-Executive Employees (incorporated by reference to Exhibit 10.72 of Matson's Form 10-K for the year ended December 31, 2016).</a>
10.67	<a href="#">Form of Notice of 2016 Time-Based Restricted Stock Unit Award Grant for Executive Employees (incorporated by reference to Exhibit 10.73 of Matson's Form 10-K for the year ended December 31, 2016).</a>
10.68*,**	<a href="#">Addendum to Award Agreements for Outstanding Equity Awards, effective as of October 25, 2017</a>
21**	<a href="#">Matson, Inc. Subsidiaries as of February 1, 2018.</a>
23**	<a href="#">Consent of Deloitte &amp; Touche, LLP dated February 23, 2018.</a>
31.1**	<a href="#">Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2**	<a href="#">Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32***	<a href="#">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.</a>
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

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed herewith.

\*\*\* Furnished herewith.

## 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.

	<u>MATSON, INC.</u> (Registrant)
Date: February 23, 2018	<u>/s/ Matthew J. Cox</u> Matthew J. Cox Chairman and Chief Executive Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Matthew J. Cox</u> Matthew J. Cox	Chairman and Chief Executive Officer	February 23, 2018
<u>/s/ W. Blake Baird</u> W. Blake Baird	Director	February 23, 2018
<u>/s/ Michael J. Chun</u> Michael J. Chun	Director	February 23, 2018
<u>/s/ Thomas B. Fargo</u> Thomas B. Fargo	Director	February 23, 2018
<u>/s/ Stanley M. Kuriyama</u> Stanley M. Kuriyama	Director	February 23, 2018
<u>/s/ Constance H. Lau</u> Constance H. Lau	Director	February 23, 2018
<u>/s/ Jeffrey N. Watanabe</u> Jeffrey N. Watanabe	Director	February 23, 2018
<u>/s/ Joel M. Wine</u> Joel M. Wine	Senior Vice President and Chief Financial Officer	February 23, 2018
<u>/s/ Dale B. Hendler</u> Dale B. Hendler	Vice President and Controller (principal accounting officer)	February 23, 2018

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**MATSON, INC.**  
**2016 INCENTIVE COMPENSATION PLAN**

AS ADOPTED BY THE BOARD ON FEBRUARY 25, 2016, APPROVED  
BY THE STOCKHOLDERS ON APRIL 28, 2016, AND AMENDED BY  
THE BOARD ON OCTOBER 25, 2017

**ARTICLE ONE**

**GENERAL PROVISIONS**

**I. PURPOSE OF THE PLAN**

This 2016 Incentive Compensation Plan is intended to promote the interests of Matson, 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 motivate, attract and retain the services of persons who contribute to the success of the Corporation.

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

**II. STRUCTURE OF THE PLAN**

A. The Plan 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 and/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 to the Corporation (or any Parent or Subsidiary),

– 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

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– 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 Board has designated the Compensation Committee (either acting directly or through a subcommittee of two or more members of the Compensation Committee) as possessing the authority to administer the Discretionary Grant, Stock Issuance and Incentive Bonus Programs. The Board may at any time adopt resolutions to reacquire the power to administer any or all of those programs with respect to some or all eligible 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. 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. The Board has designated the Corporation's Chief Executive Officer as possessing the authority to make cash-based awards (but not awards that may be settled in shares of Common Stock) under the Incentive Bonus Program to Employees who are not Officers of the Corporation. For this purpose, the term "Officers" shall mean all officers of the Corporation at the level of Grade 40 and above, including all officers within the meaning of Section 16a-1(f) promulgated under the 1934 Act. The Compensation Committee may delegate its power, authority and duties as identified herein to one or more officers or employees of the Corporation, or a committee of such officers or employees, whose authority is subject to the terms and limitations set forth by the Compensation Committee; provided, however, that the Compensation Committee shall not delegate to any such officer or employee any power or authority required by any law, regulation or listing standard to be exercised by the Compensation Committee, to the extent permitted by law.

B. Members of the Compensation Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time.

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 (i) establish, amend, suspend, waive, cancel or terminate such rules and regulations as it may deem appropriate for proper administration of the Discretionary Grant, Stock Issuance and Incentive Bonus Programs; (ii) 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; (iii) amend the Plan or the terms and conditions of any outstanding Award subject to the provisions of Section V.A of Article Six; (iv) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any outstanding Award in the manner and to the extent it shall deem necessary, desirable or convenient to administer the Plan; and (v) make any other determination and take any other action that it deems necessary, desirable or convenient for the administration of the Plan. All decisions, determinations and interpretations of the Plan Administrator within the scope of its administrative functions under the Plan may be made at any

time, and shall be final, conclusive 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. A Participant or other holder of an Award may contest a decision or action by the Compensation Committee or other person exercising authority under the Plan only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Compensation Committee's or such other person's decision or action was arbitrary or capricious or was unlawful.

D. Service as a Plan Administrator by the members of the Compensation 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. Service as a Plan Administrator by an officer of the Corporation shall constitute service as an officer and employee of the Corporation, and any such person shall accordingly be entitled to full indemnification and reimbursement as an officer and employee of the Corporation for such service. No member of the Compensation Committee or other person providing service as a Plan Administrator 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 Grants and Annual Grants are to be made to the non-employee Board members in accordance with the dollar value formula set forth in Article Five.

F. The decisions of the Plan Administrator under the Plan (including without limitation, determinations of the person to receive Awards, the form, amount and time of such Awards, the terms and provisions of such Awards and the agreements evidencing the same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

#### **IV. ELIGIBILITY**

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

1. Employees,
2. non-employee members of the Board or the board of directors of any Parent or Subsidiary, and
3. Consultants 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 two million five hundred thousand (2,500,000) shares of Common Stock.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further stock option grants or unvested share awards shall be made under the Predecessor Plan on or after the Plan Effective Date. However, all option grants and unvested share awards outstanding under the Predecessor Plan 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 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 Plan on the Plan Effective Date expire or terminate unexercised or any unvested shares outstanding under the Predecessor Plan on the Plan Effective Date are forfeited, reacquired or repurchased by the Corporation at the original issue price, the number of shares of Common Stock subject to those expired or terminated options and the number of such forfeited, reacquired or repurchased shares

shall be added to the share reserve under this Plan and shall accordingly be available for issuance hereunder.

C. The maximum number of shares of Common Stock that may be issued pursuant to Incentive Options granted under the Plan shall not exceed two million five hundred thousand (2,500,000) shares of Common Stock.

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 one million (1,000,000) shares of Common Stock in the aggregate, 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. Each share of Common Stock issued pursuant to an Award shall reduce the number of shares of Common Stock reserved for issuance under the Plan by one (1) share. 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, terminate or are cancelled for any reason prior to the issuance of the shares of Common Stock subject to those Awards. Unvested shares of Common Stock issued under the Plan and subsequently forfeited, reacquired or repurchased by the Corporation, at a price per share not greater than the original issue price paid per share (if any), pursuant to the Corporation's repurchase or reacquisition 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 otherwise issuable under the option, then the authorized reserve of Common Stock under the Plan shall be reduced by the gross number of shares of Common Stock for which that option is exercised, and not by the net number of shares of Common Stock 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 of Common Stock as to which such right is exercised, and not by the net number of shares of Common Stock 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 of Common Stock 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 Common Stock be 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 or similar corporate transaction, then equitable adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities or other property issuable under the Plan, (ii) the maximum number and/or class of securities that may be issued pursuant to Incentive Options granted under the Plan, (iii) 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, (iv) the number and/or class of securities or other property and the exercise price per share in effect under each outstanding Award under the Discretionary Grant Program, (v) the number and/or class of securities or other property subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share; (vi) number and/or class of securities or other property subject to each outstanding Award under the Automatic Grant Program, (vii) 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, (viii) the number and/or class of securities or other property subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock and (ix) the number and/or class of securities or other property subject to the Corporation's outstanding reacquisition or repurchase rights under the Plan and the reacquisition or repurchase price payable per share (if any). The adjustments shall be made in such manner as the Plan Administrator deems appropriate in order to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan and the outstanding Awards thereunder, and such adjustments shall be final, binding and conclusive. Notwithstanding the foregoing, with respect to Incentive Options, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or any successor provision. In the event of a Change in Control, however, the adjustments (if any) shall be made in accordance with the applicable provisions of the Plan governing Change in Control transactions.

G. Nothing contained in this Plan shall be construed to limit or impair the power of the Corporation (or any Parent or Subsidiary) 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 or purchase any other business or assets, or otherwise limit the authority of the Board and the officers of the Corporation, any Parent or any Subsidiary from administering the business as such person shall determine in its sole discretion. No Optionee, Participant, beneficiary or other person shall have any claim against the Corporation as a result of such action.

## 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 Award 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, check or other cash equivalents, 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 by the Optionee for such minimum period, if any, prescribed by the Plan Administrator 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,

(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 irrevocable 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; and

(v) any other means as the Plan Administrator may determine in accordance with applicable corporate law.

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 Award Date.

2. The Plan Administrator shall also have the discretionary authority, which may be 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 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 one (1) year, 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.

(iii) The requirements set forth in Section I.B.3(i) and (ii) above need not apply to grants approved by the Plan Administrator in an amount not to exceed five percent (5%) of the shares authorized for grant under the Plan.

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

1. Except to the extent otherwise provided in an Award Agreement evidencing an Award, 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 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 or the Corporation's trading compliance policies, 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 during a period determined by the Plan Administrator.

D. **Stockholder Rights.** The holder of an option shall have no stockholder rights with respect to the shares of Common Stock 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 or such other repurchase pricing formula as may be determined by the Plan Administrator. 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 limitations 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. Any shares in excess of the amount set forth in this Section II.B shall be treated as a Non-Statutory Option.

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 Award Date, and the option term shall not exceed five (5) years measured from the Award 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**"). 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 Award Date.

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 of Common Stock 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 Award 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 exercise price in effect for those shares.

3. The number of shares of Common Stock underlying each Stand-Alone Right and the exercise 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 accordance with the Plan.

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 of Common Stock 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 transaction; provided, however, that the securities subject to such Award following such assumption or continuation are actively traded on an established securities exchange or (ii) such Award is to be replaced with a substitute equivalent award of the successor corporation which (a) preserves the spread (i.e., the amount, if any, by which the Fair Market Value of the Common Stock subject to the Award exceeds the aggregate exercise price of the Award) existing at the time of the Change in Control, (b) provides for vesting and payout of such Award as substituted in accordance with the same exercise/vesting and payout schedule in effect for that Award, which may include, to the extent not in violation of any law applicable to the Award, the same consideration paid to holders of the Common Stock under the terms of the Change in Control transaction, and (c) provides for substantially the same degree of liquidity or marketability as the Award possessed immediately prior to the Change in Control once vested. 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 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 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, in each case under the same terms as set forth in Section IV.A(i) or (ii) of Article II above.

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, in each case under the same terms as set forth in Section IV.A(i) or (ii) of Article II above.

D. Each Award which is assumed or substituted 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 (or to the extent provided in Section IV.A(ii) of Article II above, other form of consideration) 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 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, reacquisition or repurchase of shares under the 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 or other property and the exercise price in effect under each outstanding Award under the Discretionary Grant Program, (vii) the number and/or class of securities or other property subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable, (viii) the number and/or class of securities or other property subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock, (ix) the number and/or class of securities or other property 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 or other property subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable. 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, substitution or continuation of the outstanding Awards under the Discretionary Grant Program, substitute, for the securities underlying those Awards, 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 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 before, upon or 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 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 as provided in Section IV.A of Article II above, 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
- (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 and/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 one (1) year, 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 under the following circumstances: (1) to Awards comprising no more than five percent (5%) of the total number of shares of Common Stock issuable under the Plan; (2) 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, or (3) in the event of the death, Permanent Disability, Retirement or Involuntary Termination of the holder of an Award.



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 and payout 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, unless otherwise provided in the applicable Stock Issuance Agreement. 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 such 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 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-equivalent 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 automatically 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 cash consideration paid for the surrendered shares.

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; provided, however, that the securities subject to such Award following the assumption or continuation are actively traded on an established securities exchange, or (ii) replaced with a substitute equivalent award of the successor corporation which (a) preserves the value of the Award equal to the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control, (b) provides for vesting and payment of such Award as substituted in accordance with the same vesting and payout schedules in effect for those shares at the time of such Change in Control, which may include, to the extent not in violation of any law applicable to the Award, the same consideration paid to holders of the Common Stock under the terms of the Change in Control transaction, and (c) provides for substantially the same degree of liquidity or marketability as the Award possessed immediately prior to the Change in Control once vested. Except as otherwise expressly provided in the Stock Issuance Agreement, 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, and if there is no explicit Service-vesting period, over the performance 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.

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 or other property 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 before, upon or 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:

1. cash bonus awards ("**Cash Awards**"),
2. performance unit awards ("**Performance Unit Awards**"), and
3. dividend equivalent rights ("**DER Awards**").

B. **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 automatically 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 waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. 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.

C. **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 (i) the contingent right to receive a unit with a dollar value range tied to achievement of pre-established performance objectives based on one or more Performance Goals or (ii) 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.

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.

D. **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. Notwithstanding the foregoing, DER Awards may not be made in tandem with Awards described in the Discretionary Grant Program under Article Two (i.e., Incentive Options, Non-Statutory Options and stock appreciation rights). 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 before, upon or following the effective date of such Change in Control. Except as otherwise expressly provided in the Incentive Bonus Award Agreement, 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 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, and if there is no explicit Service-vesting period, over the performance period in effect for that Award immediately prior to the effective date of the Change in Control.

B. The Plan Administrator's authority under Section II.A of this Article Four 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 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 after the date of the 2016 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 2017 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 Grant and Annual Grant made under this Article Five shall vest in full on the earlier of (I) the first anniversary of the non-employee Board member’s completion of continuous Board service measured from the Award Date or (II) the first annual general meeting of the Corporation’s stockholders held after 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 Initial Grant 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 to the extent not previously vested. The shares of Common Stock underlying each Initial Grant 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, if any.

## 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 Grant and Annual Grants 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 or other 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, vesting or settlement 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 based on a rate no greater than the maximum statutory rate in the applicable jurisdictions. 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, vesting or settlement 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 of Common Stock 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. For purposes of Section 422 of the Code, the Plan Effective Date shall be considered to be the date that the Plan is adopted.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further grants of Awards (which for purposes of this Section IV.B shall have the same meaning as in the Predecessor Plan) or issuances of shares of Common Stock shall be made under the Predecessor Plan. The implementation of the Plan shall not affect the Awards that were outstanding under the Predecessor Plan at the time the Plan was approved by the stockholders at the 2016 Annual Meeting, and those Awards shall continue in full force and effect in accordance with their terms. The Plan shall terminate upon the *earliest* to occur of (i) the 10 year anniversary of the 2016 Annual Meeting, (ii) the date on which all shares of Common Stock 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 the 10 year anniversary of the 2016 Annual Meeting, 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 AND AWARDS

A. The Board or the Compensation Committee shall have complete and exclusive power and authority to amend, alter, suspend, modify or terminate the Plan in any or all respects; **provided, however**, that stockholder approval shall be required for any amendment to the Plan which (i) increases the number of shares of Common Stock authorized for issuance under the Plan (other than pursuant to Section V.F of Article One); (ii) except as provided in Section V.F of Article One, permits options, stock appreciation rights or other equity-based Awards encompassing rights to purchase Common Stock to be repriced, replaced, or regranted through cancellation or exchange, or by lowering the exercise price of a previously granted option or stock appreciation right, or the purchase price of any other previously granted equity-based Award; (iii) expands the class of individuals eligible to participate in the Plan; (iv) expands the types of awards which may be made under the Plan; (v) extends the term of the Plan; or (vi) 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 materially adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or the Participant consents in writing to such amendment or modification.

B. Each Plan Administrator may, within the scope of its administrative functions under the Plan, amend any Award previously granted under the Plan by such Plan Administrator (and the Compensation Committee may amend any Award previously granted under the Plan) without the prior written consent of the Optionee or Participant to whom the Award was made if such amendment does not materially adversely affect the rights and obligations of the Optionee or Participant under the Award. Each Plan Administrator may, within the scope of its administrative functions under the Plan, amend any Award previously granted by such Plan Administrator (and the Compensation Committee may amend any Award previously granted under the Plan) with the written consent of the Optionee or Participant.

C. The Compensation Committee shall be authorized to make minor or administrative amendments to the Plan as well as amendments to the Plan that may be required by law applicable to the Corporation. 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.

D. 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.

## **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, vesting or settlement 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.

## **IX. NO TRUST OR FUND CREATED**

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund or any kind or a fiduciary relationship with the Corporation and an Optionee or Participant or any other person. Any assets set aside with respect to an Award shall be subject to the claims of the Corporation's general creditors, and no person other than the Corporation shall, by virtue of an Award, have any interest in any specific assets. In its sole discretion, the Board or the Compensation Committee may authorize the creation of trusts or other arrangements to meet the Corporation's obligations to deliver shares of Common Stock or to make payments with respect to Awards hereunder.

## **X. FRACTIONAL SHARES**

No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award, and the Plan Administrator shall determine whether cash, or other securities shall be paid or transferred in lieu of any fractional shares, or whether such fractional shares or any rights thereto shall be cancelled, terminated, or otherwise eliminated.

## **XI. CORPORATE ACTION CONSTITUTING GRANT OF AWARDS.**

Corporate action constituting a grant by the Corporation of an Award to any Participant will be deemed completed as of the date that all necessary corporate action has occurred and become effective, and all terms of the Award (including, in the case of stock options, the exercise price thereof) are fixed, unless otherwise determined by the Plan Administrator, regardless of when the documentation evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement as a result of a clerical error in the papering of the Award Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement.

## **XII. COMPLIANCE WITH CODE SECTION 409A**

Unless otherwise expressly provided for in an Award Agreement, or other agreement between the Optionee or Participant and the Corporation, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, to the extent that Section 409A of the Code is applicable to an Award, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Plan Administrator determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if an Optionee or Participant holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code and the Optionee or Participant is otherwise subject to Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six (6) months following the date of such Optionee’s or Participant’s “separation from service” or, if earlier, the date of the Optionee’s or Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six (6) month period elapses, with the balance paid thereafter on the original schedule.

## **XIII. NO TAX REPRESENTATIONS**

The Corporation makes no representations as to tax consequences of any compensation or benefits provided hereunder (including, without limitation, under Section 409A of the Code, if applicable). An Optionee or Participant is solely responsible for any and all income, excise or other taxes imposed on the Optionee or Participant with respect to any and all compensation or other benefits provided to the Optionee or Participant pursuant to an Award under the Plan. The Corporation will have no duty or obligation to any Optionee or Participant to advise such holder

as to the time or manner of exercising an Award. Furthermore, the Corporation will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Corporation has no duty or obligation to, and does not undertake to, provide tax advice or to minimize the tax consequences of an Award to the holder of such Award. The Corporation shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under the Plan.

#### **XIV. CLAWBACK**

All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Corporation is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Corporation's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Plan Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Plan Administrator determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Corporation (or a Parent or Subsidiary).

#### **XV. ELECTRONIC DELIVERY**

Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto), or posted on the Corporation's intranet (or other shared electronic medium controlled by the Corporation to which the Optionee or Participant has access).

#### **XVI. CHANGE IN TIME COMMITMENT.**

In the event a Participant's regular level of time commitment in the performance of his or her services for the Corporation (or any Parent or Subsidiary) is reduced (for example, and without limitation, if the Participant is an Employee of the Corporation and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence), or the Participant's role or primary responsibilities are changed to a level that, in the Plan Administrator's determination does not justify the Participant's unvested Awards, and such reduction or change occurs after the date of grant of any Award to the Participant, the Plan Administrator has the right in its sole discretion to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended. Any such action taken pursuant to this Section XVI shall not be subject to the restrictions set forth in Section V.B of this Article Six.

## **XVII. CHOICE OF LAW**

The laws of the State of Hawaii will govern all questions concerning the construction, validity and interpretation of this Plan and Award Agreements, without regard to that state's conflict of laws rules.



## APPENDIX

The following definitions shall be in effect under the Plan:

A. **2016 Annual Meeting** shall mean the 2016 annual general meeting of the Matson, Inc. stockholders.

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

C. **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.

D. **Award Date** shall mean the date on which an Award is granted by the Plan Administrator, which shall generally be the date on which the Plan Administrator takes action to grant the Award or a later date specified by the Plan Administrator when taking such action.

E. **Award Agreement** shall mean the written 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 of 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. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Participant or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed for purpose of the Plan to constitute grounds for termination for Cause.

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 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 or series of related transactions,

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets or business,

(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) 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 Independent Directors.

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L. **Consultant** shall mean a natural person who provides bona fide services to the Corporation, other than as an Employee or director, provided that such services are not in connection with the offer or sale of securities in a capital raising transaction and do not promote or maintain a market for the Corporation's securities.

M. **Corporation** shall mean Matson, Inc., a Hawaii corporation, 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.

N. **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.

O. **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.

P. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

Q. **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 the date in 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. In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Plan Administrator in good faith and in a manner that complies with Sections 409A and 422 of the Code.

R. **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.

S. **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 and target bonus under any corporate-performance based bonus or incentive programs) by more than ten percent (10%) 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.

T. **Incentive Bonus Program** shall mean the incentive bonus program in effect under Article Four of the Plan.

U. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

V. **Independent Director** shall mean any director who: (i) satisfies all criteria to be a "non-employee director" within the meaning of Rule 16b-3 promulgated by the SEC; (b) satisfies all criteria for independence of a compensation committee member established by the SEC and the New York Stock Exchange; and (c) meets the definition of "outside director" under Section 162(m) of the Code.

W. **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.

X. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

Y. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

Z. **Optionee** shall mean any person to whom an option is granted under the Discretionary Grant or Automatic Grant Program.

AA. **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.

BB. **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 Automatic Grant Program or (ii) an incentive bonus award under the Incentive Bonus Program. The term “Participant” may also include an Optionee, as the context may require or as the Plan Administrator may determine.

CC. **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.

DD. **Performance Goals** shall mean any of the following performance criteria, either individually, alternatively or in any combination, and measured either annually or otherwise, including cumulatively over a period of years, on an absolute basis or relative to a pre-established target, compared to previous results or to a designated comparison group, in each case as specified by the Plan Administrator in the Award Agreement, 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; (xxxii) price per container or average price of container; (xxxiii) voyage days or vessel scheduling; (xxxiiii) lift volume per container, volume per container, number of units or size of units; (xxxv) compliance requirements and compliance relief; (xxxvi) safety goals; (xxxvii) productivity goals; (xxxviii) workforce management and succession planning goals; (xxxviiii) 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. For any Award that is not intended to qualify as performance-based compensation under Code Section 162(m), the term "Performance Goal" may also include any other performance objective or metric selected by the Plan Administrator.

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. Performance Goals for financial performance criteria may be determined on either a GAAP or non-GAAP basis. Unless specified otherwise by the Plan Administrator (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established or unless taken into consideration in the projections, business plans, operating budgets or other materials used by the Plan Administrator in establishing the Performance Goals, the Plan Administrator will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a performance period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of acquisitions, dispositions or joint ventures; (6) to assume that any business divested by the Corporation achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (7) to exclude the effect of any change in the outstanding shares of common stock of the Corporation by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (8) to exclude the effects of stock based compensation and the award of bonuses under the Corporation's bonus plans; (9) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (10) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles and (11) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item. In addition, the Plan Administrator retains the authority (i) to exercise its discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals with respect to cash-based Awards, and (ii) to establish the manner of calculating achievement of the Performance Goals selected to be used for any performance period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

For any Award which is intended to be treated as performance-based compensation under Code Section 162(m), references to the “Plan Administrator” shall mean the Compensation Committee.

EE. **Plan** shall mean the Matson, Inc. 2016 Incentive Compensation Plan, as amended from time to time.

FF. **Plan Administrator** shall mean the particular person, whether the Compensation Committee (or subcommittee thereof), the Board or otherwise, which is authorized to administer the Discretionary Grant, Automatic Grant, Stock Issuance and/or Incentive Bonus 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.

GG. **Plan Effective Date** shall mean the [April , 2016] date, which is the first day following the date on which the Plan was approved by the Matson, Inc. stockholders at the 2016 Annual Meeting.

HH. **Predecessor Plan** shall mean the Matson, Inc. 2007 Incentive Compensation Plan.

II. **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.

JJ. **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 a board of directors (including the Board), or a Consultant, 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. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Plan Administrator; **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.

KK. **Stock Exchange** shall mean the New York Stock Exchange, the Nasdaq Global Select Market or any other established stock exchange on which the Common Stock may be actively traded.

LL. **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.

MM. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Three of the Plan.

NN. **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.

OO. **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).

PP. **Withholding Taxes** shall mean the applicable federal and state income and employment or any other withholding taxes to which the holder of an Award under the Plan may become subject in connection with the issuance, exercise, vesting or settlement of that Award or the issuance of shares of Common Stock thereunder.

\* \* \* \* \*



## MATSON, INC.

**TIME-BASED RESTRICTED STOCK UNIT  
AWARD AGREEMENT****RECITALS**

A. Matson, Inc., a Hawaii corporation (along with 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, the "Corporation"). The Corporation has implemented the Plan for the purpose of 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 motivate, attract and retain the services of persons who contribute to the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A, or if not defined in that appendix, as defined in the Plan.

**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, restricted stock units under the Plan. The number of shares of Common Stock underlying the awarded restricted stock units and the applicable service vesting requirements for those units and the underlying Shares are set forth in the Award Notice. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

2. **Limited Transferability.** Prior to the actual issuance of the Shares which 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 record the ownership of any Shares which in fact vest and become issuable hereunder in the name of a revocable living trust established for the exclusive benefit of Participant or Participant and his or her spouse. Participant may make such a beneficiary designation or ownership directive at any time by filing the appropriate form with the Plan Administrator or its designee.

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3. **Cessation of Service.**

(a) Except to the extent otherwise provided in this Paragraph 3 or Paragraph 5 below, should Participant cease Service for any reason prior to vesting in one or more Shares subject to this Award, then the Award shall be automatically cancelled with respect to those unvested Shares, and the number of restricted stock units shall be reduced accordingly. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

(b) Should Participant's Service terminate by reason of his or her death or Permanent Disability prior to vesting in one or more Shares subject to this Award, then the restricted stock units shall vest in full upon Participant's termination of Service. The Shares subject to those vested units shall be issued in accordance with the applicable provisions of Paragraph 7.

(c) Should Participant's Service terminate by reason of his or her Early Retirement or Normal Retirement prior to vesting in all the Shares subject to this Award in accordance with the annual installment vesting schedule set forth in the Award Notice, then Participant shall immediately vest in that number of additional Shares (if any) in which Participant would have otherwise been vested at the time of such termination had the Shares subject to this Award vested in a series of successive equal monthly installments over the duration of the vesting schedule set forth in the Award Notice. The Shares which are deemed to vest on the basis of such monthly installment vesting schedule shall, together with any other Shares which are at the time vested but unissued, be issued in accordance with the applicable provisions of Paragraph 7. The balance of the Award shall be automatically cancelled and cease to be outstanding upon such termination of Service.

4. **Stockholder Rights and Dividend Equivalents**

(a) The holder of this Award 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 upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

(b) Notwithstanding the foregoing, should any dividend or other distribution payable other than in shares of Common Stock be declared and paid on the Corporation's outstanding Common Stock at a time when 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. The phantom dividend equivalents so credited to the Participant's book account for each calendar quarter this Award remains outstanding in whole or in part shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) on the last business day of that calendar quarter. However, each such distribution shall be subject to the Corporation's collection of the Withholding Taxes applicable to that distribution.

5. **Change in Control**

(a) This Award, to the extent outstanding at the time of a Change in Control, may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a substitute equivalent award by the successor entity. Any such assumption or continuation of this Award shall be effected in accordance with Paragraph 5(b) below. To the extent the substitute equivalent award is in the form of cash, a cash retention account shall be established in replacement of this Award shall initially be credited with the Fair Market Value (at the effective time of the Change in Control) of the Shares subject to the Award at that time, and interest shall accrue on the outstanding balance of such account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 8, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The substitute equivalent award shall vest and be paid out in accordance with the same vesting and payment schedule applicable to the Award, as set forth in Paragraphs 1 and 7, and the Participant's interest in any substitute equivalent award shall at all times be that of a general, unsecured creditor. In the event of such assumption or continuation of this Award or such replacement of the Award with a substitute equivalent award, no accelerated vesting of the restricted stock units subject to this Award or the underlying Shares shall occur at the time of the Change in Control, and the Service-vesting provisions set forth in the Award Notice shall continue in full force and effect.

(b) In the event this Award is assumed, otherwise continued in effect, or replaced in connection with such Change in Control, the restricted stock units subject to the Award 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 subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the restricted stock units subject to the Award at that time, but subject to the Plan Administrator's approval prior to the Change in Control, 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 the Change in Control transaction, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(c) Upon Participant's Separation from Service due to an Involuntary Termination occurring within twelve (12) months after a Change in Control in which this Award is assumed or continued in effect, all of the restricted stock units at the time subject to this Award shall vest, or any substitute equivalent award, and the Shares underlying those units shall be issued to Participant in accordance with the applicable provisions of Paragraph 7. Should the restricted stock units be replaced with a cash retention account in accordance with Paragraph 5(a), then the balance credited to Participant under that account at the time of his or her Separation from Service due to an Involuntary Termination shall immediately vest and shall be distributed to Participant in accordance with the applicable provisions of Paragraph 7; **provided, however**, that Participant shall

vest and be entitled to such distribution only if such Involuntary Termination occurs within twelve (12) months following the Change in Control.

(d) If the restricted stock units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with substitute equivalent award in accordance with Paragraph 5(a), then those units shall vest immediately prior to the closing of the Change in Control, and Participant shall become entitled to a vested distribution in accordance with the applicable provisions of Paragraph 7.

(e) This Agreement shall not in any 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.

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, extraordinary dividend or distribution 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 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 or similar corporate transaction, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities or other property 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 credited to Participant's book account, if applicable, under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive as provided in Section III.C of Article One of the Plan. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

7. **Issuance or Distribution of Shares or Other Vested Amounts and Applicable Withholding Taxes.**

(a) The following provisions shall govern the issuance of the Shares (or any replacement or substitute amounts under Paragraph 5) which vest in accordance with the provisions of this Agreement:

(i) On each Vesting and Issuance Date specified in the Award Notice, the Shares which vest at that time or which are otherwise deemed to have vested during the twelve (12)-month period ending with that date but have not otherwise been issued in accordance with any other applicable provision of this Paragraph 7(a) shall be issued.

(ii) Shares which vest on an accelerated basis upon the Participant's cessation of Service under Paragraph 3(b) or 3(c) or upon his or her Involuntary Termination under Paragraph 5(c) shall be issued on the date of Participant's Separation from Service due to such cessation of Service or

Involuntary Termination. Any distribution from the cash retention account to which Participant is entitled under Paragraph 5(c) upon his or her Involuntary Termination shall be paid in a lump sum on the date of his or her Separation from Service due to such Involuntary Termination. However, any issuance or distribution pursuant to the provisions of this subparagraph (ii) shall be subject to the deferred issuance provisions of Paragraph 8, to the extent applicable.

(iii) Shares which vest under Paragraph 5(d) shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control transaction, and such consideration per Share shall be distributed to Participant upon the *earliest* to occur of (i) the Vesting and Issuance Date on which the particular Shares to which such consideration relates would have been issued in the absence of such Change in Control, (ii) the date of Participant's Separation from Service or (iii) the first date following a Qualifying Change in Control on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

(iv) To the extent the consideration payable per share of Common Stock in the Change in Control is in the form of cash, a fully-vested cash retention account shall be established by the successor entity at the time of such Change in Control for any Shares subject to this Award that vest on an accelerated basis under Paragraph 5(d). Such account shall be credited with the cash consideration payable for the Shares, and interest shall accrue on the outstanding balance of that account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 8, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The cash retention account, together with all accrued interest thereon through the actual payment date, shall be distributed in accordance with the same distribution provisions in effect under Paragraph 7(a)(iii), and the Participant's interest in the account shall at all times be that of a general, unsecured creditor.

(v) Any issuance or distribution to be made pursuant to the foregoing provisions of this Paragraph 7(a) shall be made on the designated issuance or distribution date or as soon as administratively practicable thereafter. In no event, however, shall such issuance or distribution be made later than the fifteenth (15th) day of the third (3rd) calendar month following that date.

(vi) Each issuance or distribution to be made pursuant to this Paragraph 7(a) shall be subject to the Corporation's collection of all applicable Withholding Taxes, in accordance with the provisions of Paragraphs 7(b) and 7(c).

(vii) Any Shares to be issued to Participant in accordance with the foregoing provisions of this Agreement shall be in the form of a book entry evidencing ownership of those Shares. Actual certificates for any vested Shares evidenced by book entry ownership shall be promptly delivered upon the request of Participant or any other person having an interest at the time in those Shares.

(b) The Corporation shall collect the Withholding Taxes with respect to each non-Share distribution by withholding a portion of that distribution equal to the amount of the applicable Withholding Taxes, with the cash portion of the distribution to be the first portion so withheld.

(c) The following provisions shall govern the US Withholding Taxes on the Shares (or any replacement or substitute securities, property or other amounts under Paragraphs 5 or 6 above) which vest in accordance with the provisions of this Agreement:

(i) The Corporation may, in its sole discretion and subject to the following sentence, establish a procedure to permit the satisfaction of the Withholding Taxes by the Participant in the form of cash and shall inform Participant of any such procedure (the "Alternate Arrangement"). In the event an Alternate Arrangement is approved, Participant shall (i) make satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the notification period designated by the Corporation preceding each applicable issuance date of the Shares, to pay the applicable Withholding Taxes through the delivery of cash or a cash equivalent to the Corporation in the amount of such Withholding Taxes and (ii) deliver such payment to the Corporation not later than that issuance date. Otherwise the Corporation shall collect the Withholding Taxes applicable to the Share issuance through the automatic share withholding method set forth in Section 7(c)(ii).

(ii) **Automatic Share Withholding.** On each applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes as determined by the Corporation; **provided, however**, that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 7(c)(iii) below (the "Applicable Withholding Rate").

(iii) **Amount of Withholding.** The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in

Participant's applicable jurisdictions (the "Alternate Withholding Rate"). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the appropriate Corporation's Form of Alternate Withholding Rate (the "Alternate Rate Form") within the required timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation's Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Withholding Rate with respect to all of Participant's outstanding equity awards (including options exercised during the applicable period) until a new Alternate Rate Form is filed with the Corporation in accordance with the administrative procedures provided for by the Corporation. An Alternate Withholding Rate is subject to the Corporation's approval and can be approved or denied in its sole discretion. Notwithstanding Sections 7(c)(ii) and 7(c)(iii), in the event Participant is determined to be subject to Section 16 of the 1934 Act at the time of settlement, the Alternate Withholding Rate must be approved by the Corporation's Compensation Committee.

(d) Notwithstanding the foregoing provisions of this Paragraph 7, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the applicable issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Paragraph 7(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Paragraph 5 or this Paragraph 7, the settlement of all restricted stock units which vest under the 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. **Code Section 409A.** Notwithstanding any provision to the contrary in this Agreement, to the extent this Award may be deemed to create a deferred compensation arrangement under Code Section 409A, then the following limitation and provisions shall apply:

- No Shares or other amounts which become issuable or distributable under this Agreement upon Participant's Separation from Service shall actually be issued or distributed to Participant prior to the *earlier* of (i) the first (1st) day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified

employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred Shares or other distributable amount shall be issued or distributed in a lump sum on the first (1st) day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

- Participant's right to receive each installment of Shares or other installment distribution pursuant to the terms of this Agreement shall, for purposes of Code Section 409A, be treated as a right to receive a series of separate payments.

9. **Compliance with Laws and Regulations.** 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.

10. **Change in Control Benefits Agreement.** Notwithstanding anything to the contrary in this Agreement, if Participant is, at the time of a change in control or ownership of the Corporation (whether or not that transaction constitutes a Change in Control hereunder), a party to a Change in Control Benefits Agreement with the Corporation, then the provisions of that agreement shall, to the extent applicable to this Award, govern Participant's rights and benefits with respect to the restricted stock units and underlying Shares subject to this Agreement, and in the event of any conflict between the provisions of that Change in Control Benefits Agreement and this Agreement, the provisions of the Change in Control Benefits Agreement shall be controlling; ***provided, however,*** that in the event there is any conflict between the issuance or distribution provisions of this Agreement and the issuance or distribution provisions of the Change in Control Benefits Agreement, the issuance and distribution provisions of this Agreement shall be controlling.

11. **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 the Award Notice. 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.

12. **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.



13. **Construction.**

(a) 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 and any applicable Change in Control Benefits Agreement. 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.

(b) To the extent there is 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, such 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.

(c) Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan. A copy of the Plan is available upon request made to the Human Resources Department at the Corporation's principal offices (1411 Sand Island Parkway, Honolulu, Hawaii 96819).

14. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without regard to that State's conflict-of-laws rules.

15. **Arbitration.**

(a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator who is an attorney or retired judge with expertise and experience in the field of employment law. The arbitration shall be held under the auspices of JAMS in accordance with JAMS then-current Employment Arbitration Rules and Procedures (available at <http://www.jamsadr.com/rules-employment-arbitration/>) and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. The arbitration shall take place in or near the city in which Participant is employed by the Corporation or was last employed by the Corporation. The arbitrator shall make a written award and shall prepare a written opinion containing the findings and conclusions on which the award was based. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Corporation. The arbitration shall be confidential and no details concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the non-disclosing party, unless required by law or court order, as necessary to prosecute or defend the arbitration, or in connection with enforcement of any decision in such arbitration. This agreement to arbitrate is mutually entered into between the parties. Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial. Nothing in this Agreement shall prevent Participant from filing charges or claims with the Equal Employment Opportunity Commission,

the U.S. Department of Labor, or any other federal, state or local government agency. However, Participant may seek individual monetary relief only through arbitration under this Agreement. The Corporation and Participant further agree that any claim submitted to arbitration must be brought in the party's individual capacity, and not as a plaintiff or class member in any purported class, representative or consolidated proceeding.

(b) Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.

16. **Coverage under Recoupment Policy.** If Participant is on the Award Date, or at any time thereafter becomes, either an executive officer of the Corporation subject to Section 16 of the 1934 Act, or a participant in the Corporation's Performance Improvement Incentive Plan, then Participant shall be subject to the Matson, Inc. Policy Regarding Recoupment of Certain Compensation (the "**Recoupment Policy**"), the terms of which are hereby incorporated herein by reference and receipt of a copy of which Participant hereby acknowledges. If Participant is subject to the Recoupment Policy, then any incentive compensation that is paid or granted to, or received by, Participant during the three-year period preceding the date on which the Corporation is required to prepare an accounting restatement due to material non-compliance with any applicable financial reporting requirements under the federal securities laws shall be subject to recovery and recoupment pursuant to the terms of such policy. For purposes of such Recoupment Policy, "**incentive compensation**" means all cash or equity-based award (e.g., stock award, restricted stock unit award, performance share award or stock option grant or shares of Common Stock issued thereunder) or any profit sharing payment or distribution that is based upon the achievement of financial performance metrics. An additional copy of the Recoupment Policy is available upon request made to the Corporate Secretary at the Corporation's principal offices.

17. **Data Privacy.**

(a) Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement by the Corporation for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

(b) Participant understands that the Corporation holds certain personal information about Participant regarding Participant's employment, the nature and amount of Participant's compensation and the fact and conditions of Participant's participation in the Plan, including, but not limited to, Participant's name, home address and telephone number, date of birth, tax file number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the purpose of implementing, administering and managing the Plan (the "Data"). Participant understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Participant's country. Participant authorizes the recipients to receive, possess, use, retain and transfer the Data,

in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Participant understands that the Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan.

18. **Amendment.** This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto; provided that the Corporation may alter, modify or amend this Agreement unilaterally if such change is not materially adverse to Participant or to cause this Agreement to comply with applicable law.

19. **Other Agreements Superseded.** The Award Notice, this Agreement, and the Plan constitute the entire understanding between Participant and the Corporation regarding the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

20. **Governing Plan Document.** The Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Award, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan.

## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

- 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 specified in the Award Notice.
- D. **Award Notice** shall mean the Notice of Award of Time-Based Restricted Stock Units delivered to Participant in which there is set forth the basic terms of the restricted stock units subject to this Agreement, including (without limitation) the applicable vesting schedule for those units.
- E. **Cause** shall have the meaning set forth in the Plan document; *provided, however*, that in the event Participant is, at the time the Corporation (or any Parent or Subsidiary) purports to terminate Participant's Employee status for Cause, a party to a Change in Control Benefits Agreement applicable to the Award, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Participant or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan and this Agreement, to constitute grounds for termination for Cause.
- F. **Change in Control** shall have the meaning set forth in the Plan; *provided, however*, that in the event Participant is a party to a Change in Control Benefits Agreement applicable to the Award, the term Change in Control shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.
- G. **Change in Control Benefits Agreement** shall mean any separate agreement between Participant and the Corporation which provides Participant with special vesting acceleration and/or other special benefits with respect to one or more awards of restricted stock units made to Participant for shares of Common Stock, including (to the extent applicable) the restricted stock units evidenced by this Agreement, in the event of a change in control or ownership of the Corporation (whether or not constituting a Change in Control hereunder).
- H. **Early Retirement** shall mean Participant's retirement from Service, with the prior approval of the Corporation (or the Parent or Subsidiary employing Participant), on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.
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I. **Good Reason** shall have the meaning set forth in the Plan; *provided however*, in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefits Agreement applicable to the Award evidenced by this Agreement, the term **Good Reason** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

J. **Normal Retirement** shall mean shall mean the cessation of Service by reason of retirement at or after the attainment of age sixty-five (65).

K. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

L. **Plan** shall mean the Corporation's 2016 Incentive Compensation Plan.

M. **Qualifying Change in Control** shall mean the date on which there occurs a Change in Control that also qualifies 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.

N. **Separation from Service** shall mean the Participant's cessation of Employee status by reason of his or her death, retirement or termination of employment. The Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is less than fifty percent (50%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months of employment (or such shorter period for which he or she may have rendered such services). Solely for purposes of determining when a Separation from Service occurs, Participant will be deemed to continue in "Employee" status for so long as he or she remains in the employ of one or more members of the Employer Group, 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. "Employer Group" means the Corporation and any Parent or Subsidiary and any other corporation or business controlled by, controlling or under common control with, the Corporation, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) of the Code for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.4.14(c)-2 of the Treasury Regulations. Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

O. **Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. In addition, the following provisions shall govern the determination of Participant's period of Service:

(i) Participant shall be deemed to continue in Service for so long as Participant performs services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor.

(ii) Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (a) Participant no longer performs services in any of the foregoing capacities for the Corporation (or any Parent or Subsidiary) or (b) the entity for which Participant performs such services ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity.

(iii) Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Plan Administrator (or any Parent or Subsidiary) employing Participant; provided, however, that the following special provisions shall be in effect for any such leave:

a. Should the period of such leave (other than a disability leave) exceed six (6) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial six (6)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary).

b. Should the period of a disability leave exceed twenty-nine (29) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial twenty-nine (29)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary). For such purpose, a disability leave shall be a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and causes Participant to be unable to perform the duties of his or her position of employment with the Corporation (or any Parent or Subsidiary) or any substantially similar position of employment.

c. 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 Participant is on a leave of absence.

(iv) Notwithstanding anything to the contrary in the foregoing provisions of this Service definition, the Participant shall in all events be deemed to cease Service for all purposes of this Award immediately upon Participant's incurrence of a Separation from Service.

## MATSON, INC.

**TIME-BASED RESTRICTED STOCK UNIT  
AWARD AGREEMENT****RECITALS**

A. Matson, Inc., a Hawaii corporation (along with 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, the "Corporation"). The Corporation has implemented the Plan for the purpose of 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 motivate, attract and retain the services of persons who contribute to the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A, or if not defined in that appendix, as defined in the Plan.

**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, restricted stock units under the Plan. The number of shares of Common Stock underlying the awarded restricted stock units and the applicable service vesting requirements for those units and the underlying Shares are set forth in the Award Notice. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

2. **Limited Transferability.** Prior to the actual issuance of the Shares which 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 record the ownership of any Shares which in fact vest and become issuable hereunder in the name of a revocable living trust established for the exclusive benefit of Participant or Participant and his or her spouse. Participant may make such a beneficiary designation or ownership directive at any time by filing the appropriate form with the Plan Administrator or its designee.

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3. **Cessation of Service.**

(a) Except to the extent otherwise provided in this Paragraph 3 or Paragraph 5 below, should Participant cease Service for any reason prior to vesting in one or more Shares subject to this Award, then the Award shall be automatically cancelled with respect to those unvested Shares, and the number of restricted stock units shall be reduced accordingly. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

(b) Should Participant's Service terminate by reason of his or her death or Permanent Disability prior to vesting in one or more Shares subject to this Award, then the restricted stock units shall vest in full upon Participant's termination of Service. The Shares subject to those vested units shall be issued in accordance with the applicable provisions of Paragraph 7.

(c) Should Participant's Service terminate by reason of his or her Early Retirement or Normal Retirement prior to vesting in all the Shares subject to this Award in accordance with the annual installment vesting schedule set forth in the Award Notice, then Participant shall immediately vest in that number of additional Shares (if any) in which Participant would have otherwise been vested at the time of such termination had the Shares subject to this Award vested in a series of successive equal monthly installments over the duration of the vesting schedule set forth in the Award Notice. The Shares which are deemed to vest on the basis of such monthly installment vesting schedule shall, together with any other Shares which are at the time vested but unissued, be issued in accordance with the applicable provisions of Paragraph 7. The balance of the Award shall be automatically cancelled and cease to be outstanding upon such termination of Service.

4. **Stockholder Rights and Dividend Equivalents**

(a) The holder of this Award 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 upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

(b) Notwithstanding the foregoing, should any dividend or other distribution payable other than in shares of Common Stock be declared and paid on the Corporation's outstanding Common Stock at a time when 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. The phantom dividend equivalents so credited to the Participant's book account for each calendar quarter this Award remains outstanding in whole or in part shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) on the last business day of that calendar quarter. However, each such distribution shall be subject to the Corporation's collection of the Withholding Taxes applicable to that distribution.

## 5. Change in Control

(a) This Award, to the extent outstanding at the time of a Change in Control, may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a substitute equivalent award by the successor entity. Any such assumption or continuation of this Award shall be effected in accordance with Paragraph 5(b) below. To the extent the substitute equivalent award is in the form of cash, a cash retention account shall be established in replacement of this Award shall initially be credited with the Fair Market Value (at the effective time of the Change in Control) of the Shares subject to the Award at that time, and interest shall accrue on the outstanding balance of such account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 8, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The substitute equivalent award shall vest and be paid out in accordance with the same vesting and payment schedule applicable to the Award, as set forth in Paragraphs 1 and 7, and the Participant's interest in any substitute equivalent award shall at all times be that of a general, unsecured creditor. In the event of such assumption or continuation of this Award or such replacement of the Award with a substitute equivalent award, no accelerated vesting of the restricted stock units subject to this Award or the underlying Shares shall occur at the time of the Change in Control, and the Service-vesting provisions set forth in the Award Notice shall continue in full force and effect.

(b) In the event this Award is assumed, otherwise continued in effect, or replaced in connection with such Change in Control, the restricted stock units subject to the Award 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 subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the restricted stock units subject to the Award at that time, but subject to the Plan Administrator's approval prior to the Change in Control, 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 the Change in Control transaction, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(c) Upon Participant's Separation from Service due to an Involuntary Termination occurring within twenty-four (24) months after a Change in Control in which this Award is assumed or continued in effect, all of the restricted stock units at the time subject to this Award shall vest, or any substitute equivalent award, and the Shares underlying those units shall be issued to Participant in accordance with the applicable provisions of Paragraph 7. Should the restricted stock units be replaced with a cash retention account in accordance with Paragraph 5(a), then the balance credited to Participant under that account at the time of his or her Separation from Service due to an Involuntary Termination shall immediately vest and shall be distributed to Participant in accordance with the applicable provisions of Paragraph 7; **provided, however**, that Participant shall vest and be entitled to such distribution only if such Involuntary Termination occurs within twenty-four (24) months following the Change in Control.

(d) If the restricted stock units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with substitute equivalent award in accordance with Paragraph 5(a), then those units shall vest immediately prior to the closing of the Change in Control, and Participant shall become entitled to a vested distribution in accordance with the applicable provisions of Paragraph 7.

(e) This Agreement shall not in any 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.

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, extraordinary dividend or distribution 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 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 or similar corporate transaction, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities or other property 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 credited to Participant's book account, if applicable, under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive as provided in Section III.C of Article One of the Plan. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

7. **Issuance or Distribution of Shares or Other Vested Amounts and Applicable Withholding Taxes.**

(a) The following provisions shall govern the issuance of the Shares (or any replacement or substitute amounts under Paragraph 5) which vest in accordance with the provisions of this Agreement:

(i) On each Vesting and Issuance Date specified in the Award Notice, the Shares which vest at that time or which are otherwise deemed to have vested during the twelve (12)-month period ending with that date but have not otherwise been issued in accordance with any other applicable provision of this Paragraph 7(a) shall be issued.

(ii) Shares which vest on an accelerated basis upon the Participant's cessation of Service under Paragraph 3(b) or 3(c) or upon his or her Involuntary Termination under Paragraph 5(c) shall be issued on the date of Participant's Separation from Service due to such cessation of Service or Involuntary Termination. Any distribution from the cash retention account to which Participant is entitled under Paragraph 5(c) upon his or her Involuntary Termination shall be paid in a lump sum on the date of his or her Separation from Service due to such Involuntary Termination. However, any issuance or distribution pursuant

to the provisions of this subparagraph (ii) shall be subject to the deferred issuance provisions of Paragraph 8, to the extent applicable.

(iii) Shares which vest under Paragraph 5(d) shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control transaction, and such consideration per Share shall be distributed to Participant upon the *earliest* to occur of (i) the Vesting and Issuance Date on which the particular Shares to which such consideration relates would have been issued in the absence of such Change in Control, (ii) the date of Participant's Separation from Service or (iii) the first date following a Qualifying Change in Control on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

(iv) To the extent the consideration payable per share of Common Stock in the Change in Control is in the form of cash, a fully-vested cash retention account shall be established by the successor entity at the time of such Change in Control for any Shares subject to this Award that vest on an accelerated basis under Paragraph 5(d). Such account shall be credited with the cash consideration payable for the Shares, and interest shall accrue on the outstanding balance of that account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 8, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The cash retention account, together with all accrued interest thereon through the actual payment date, shall be distributed in accordance with the same distribution provisions in effect under Paragraph 7(a)(iii), and the Participant's interest in the account shall at all times be that of a general, unsecured creditor.

(v) Any issuance or distribution to be made pursuant to the foregoing provisions of this Paragraph 7(a) shall be made on the designated issuance or distribution date or as soon as administratively practicable thereafter. In no event, however, shall such issuance or distribution be made later than the fifteenth (15th) day of the third (3rd) calendar month following that date.

(vi) Each issuance or distribution to be made pursuant to this Paragraph 7(a) shall be subject to the Corporation's collection of all applicable Withholding Taxes, in accordance with the provisions of Paragraphs 7(b) and 7(c).

(vii) Any Shares to be issued to Participant in accordance with the foregoing provisions of this Agreement shall be in the form of a book entry evidencing ownership of those Shares. Actual certificates for any vested Shares evidenced by book entry ownership shall be promptly delivered upon the request of Participant or any other person having an interest at the time in those Shares.

(b) The Corporation shall collect the Withholding Taxes with respect to each non-Share distribution by withholding a portion of that distribution equal to the amount of

the applicable Withholding Taxes, with the cash portion of the distribution to be the first portion so withheld.

(c) The following provisions shall govern the US Withholding Taxes on the Shares (or any replacement or substitute securities, property or other amounts under Paragraphs 5 or 6 above) which vest in accordance with the provisions of this Agreement:

(i) The Corporation may, in its sole discretion and subject to the following sentence, establish a procedure to permit the satisfaction of the Withholding Taxes by the Participant in the form of cash and shall inform Participant of any such procedure (the "Alternate Arrangement"). In the event an Alternate Arrangement is approved, Participant shall (i) make satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the notification period designated by the Corporation preceding each applicable issuance date of the Shares, to pay the applicable Withholding Taxes through the delivery of cash or a cash equivalent to the Corporation in the amount of such Withholding Taxes and (ii) deliver such payment to the Corporation not later than that issuance date. Otherwise the Corporation shall collect the Withholding Taxes applicable to the Share issuance through the automatic share withholding method set forth in Section 7(c)(ii).

(ii) **Automatic Share Withholding.** On each applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes as determined by the Corporation; ***provided, however,*** that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 7(c)(iii) below (the "Applicable Withholding Rate").

(iii) **Amount of Withholding.** The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in Participant's applicable jurisdictions (the "Alternate Withholding Rate"). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the appropriate Corporation's Form of Alternate Withholding Rate (the "Alternate Rate Form") within the required timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation's Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Withholding Rate with respect to all of Participant's outstanding equity awards (including options exercised during the applicable period) until a new Alternate Rate Form is filed with the Corporation in accordance with the administrative procedures provided for

by the Corporation. An Alternate Withholding Rate is subject to the Corporation's approval and can be approved or denied in its sole discretion. Notwithstanding Sections 7(c)(ii) and 7(c)(iii), in the event Participant is determined to be subject to Section 16 of the 1934 Act at the time of settlement, the Alternate Withholding Rate must be approved by the Corporation's Compensation Committee.

(d) Notwithstanding the foregoing provisions of this Paragraph 7, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the applicable issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Paragraph 7(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Paragraph 5 or this Paragraph 7, the settlement of all restricted stock units which vest under the 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. **Code Section 409A.** Notwithstanding any provision to the contrary in this Agreement, to the extent this Award may be deemed to create a deferred compensation arrangement under Code Section 409A, then the following limitation and provisions shall apply:

- No Shares or other amounts which become issuable or distributable under this Agreement upon Participant's Separation from Service shall actually be issued or distributed to Participant prior to the *earlier* of (i) the first (1st) day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred Shares or other distributable amount shall be issued or distributed in a lump sum on the first (1st) day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

- Participant's right to receive each installment of Shares or other installment distribution pursuant to the terms of this Agreement shall, for purposes of Code Section 409A, be treated as a right to receive a series of separate payments.

9. **Compliance with Laws and Regulations.** 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.

10. **Change in Control Benefits Agreement.** Notwithstanding anything to the contrary in this Agreement, if Participant is, at the time of a change in control or ownership of the Corporation (whether or not that transaction constitutes a Change in Control hereunder), a party to a Change in Control Benefits Agreement with the Corporation, then the provisions of that agreement shall, to the extent applicable to this Award, govern Participant's rights and benefits with respect to the restricted stock units and underlying Shares subject to this Agreement, and in the event of any conflict between the provisions of that Change in Control Benefits Agreement and this Agreement, the provisions of the Change in Control Benefits Agreement shall be controlling; ***provided, however,*** that in the event there is any conflict between the issuance or distribution provisions of this Agreement and the issuance or distribution provisions of the Change in Control Benefits Agreement, the issuance and distribution provisions of this Agreement shall be controlling.

11. **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 the Award Notice. 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.

12. **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.

13. **Construction.**

(a) 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 and any applicable Change in Control Benefits Agreement. 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.

(b) To the extent there is 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, such 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.

(c) Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan. A copy of the Plan is available upon request made to the Human Resources Department at the Corporation's principal offices (1411 Sand Island Parkway, Honolulu, Hawaii 96819).

14. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without regard to that State's conflict-of-laws rules.

15. **Arbitration.**

(a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator who is an attorney or retired judge with expertise and experience in the field of employment law. The arbitration shall be held under the auspices of JAMS in accordance with JAMS then-current Employment Arbitration Rules and Procedures (available at <http://www.jamsadr.com/rules-employment-arbitration/>) and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. The arbitration shall take place in or near the city in which Participant is employed by the Corporation or was last employed by the Corporation. The arbitrator shall make a written award and shall prepare a written opinion containing the findings and conclusions on which the award was based. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Corporation. The arbitration shall be confidential and no details concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the non-disclosing party, unless required by law or court order, as necessary to prosecute or defend the arbitration, or in connection with enforcement of any decision in such arbitration. This agreement to arbitrate is mutually entered into between the parties. Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial. Nothing in this Agreement shall prevent Participant from filing charges or claims with the Equal Employment Opportunity Commission, the U.S. Department of Labor, or any other federal, state or local government agency. However, Participant may seek individual monetary relief only through arbitration under this Agreement. The Corporation and Participant further agree that any claim submitted to arbitration must be brought in the party's individual capacity, and not as a plaintiff or class member in any purported class, representative or consolidated proceeding.

(b) Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.

16. **Coverage under Recoupment Policy.** If Participant is on the Award Date, or at any time thereafter becomes, either an executive officer of the Corporation subject to Section 16 of the 1934 Act, or a participant in the Corporation's Performance Improvement Incentive Plan,



then Participant shall be subject to the Matson, Inc. Policy Regarding Recoupment of Certain Compensation (the “**Recoupment Policy**”), the terms of which are hereby incorporated herein by reference and receipt of a copy of which Participant hereby acknowledges. If Participant is subject to the Recoupment Policy, then any incentive compensation that is paid or granted to, or received by, Participant during the three-year period preceding the date on which the Corporation is required to prepare an accounting restatement due to material non-compliance with any applicable financial reporting requirements under the federal securities laws shall be subject to recovery and recoupment pursuant to the terms of such policy. For purposes of such Recoupment Policy, “**incentive compensation**” means all cash or equity-based award (e.g., stock award, restricted stock unit award, performance share award or stock option grant or shares of Common Stock issued thereunder) or any profit sharing payment or distribution that is based upon the achievement of financial performance metrics. An additional copy of the Recoupment Policy is available upon request made to the Corporate Secretary at the Corporation’s principal offices.

17. **Data Privacy.**

(a) Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant’s personal data as described in this Agreement by the Corporation for the exclusive purpose of implementing, administering and managing Participant’s participation in the Plan.

(b) Participant understands that the Corporation holds certain personal information about Participant regarding Participant’s employment, the nature and amount of Participant’s compensation and the fact and conditions of Participant’s participation in the Plan, including, but not limited to, Participant’s name, home address and telephone number, date of birth, tax file number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant’s favor, for the purpose of implementing, administering and managing the Plan (the “Data”). Participant understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Participant’s country, or elsewhere, and that the recipient’s country may have different data privacy laws and protections than Participant’s country. Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Participant understands that the Data will be held only as long as is necessary to implement, administer and manage Participant’s participation in the Plan.

18. **Amendment.** This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto; provided that the Corporation may alter, modify or amend this Agreement unilaterally if such change is not materially adverse to Participant or to cause this Agreement to comply with applicable law.

19. **Other Agreements Superseded.** The Award Notice, this Agreement, and the Plan constitute the entire understanding between Participant and the Corporation regarding the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

20. **Governing Plan Document.** The Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Award, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan.

## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

- 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 specified in the Award Notice.
- D. **Award Notice** shall mean the Notice of Award of Time-Based Restricted Stock Units delivered to Participant in which there is set forth the basic terms of the restricted stock units subject to this Agreement, including (without limitation) the applicable vesting schedule for those units.
- E. **Cause** shall have the meaning set forth in the Plan document; *provided, however*, that in the event Participant is, at the time the Corporation (or any Parent or Subsidiary) purports to terminate Participant's Employee status for Cause, a party to a Change in Control Benefits Agreement applicable to the Award, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Participant or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan and this Agreement, to constitute grounds for termination for Cause.
- F. **Change in Control** shall have the meaning set forth in the Plan; *provided, however*, that in the event Participant is a party to a Change in Control Benefits Agreement applicable to the Award, the term Change in Control shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.
- G. **Change in Control Benefits Agreement** shall mean any separate agreement between Participant and the Corporation which provides Participant with special vesting acceleration and/or other special benefits with respect to one or more awards of restricted stock units made to Participant for shares of Common Stock, including (to the extent applicable) the restricted stock units evidenced by this Agreement, in the event of a change in control or ownership of the Corporation (whether or not constituting a Change in Control hereunder).
- H. **Early Retirement** shall mean Participant's retirement from Service, with the prior approval of the Corporation (or the Parent or Subsidiary employing Participant), on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.
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I. **Good Reason** shall have the meaning set forth in the Plan; *provided however*, in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefits Agreement applicable to the Award evidenced by this Agreement, the term **Good Reason** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

J. **Normal Retirement** shall mean shall mean the cessation of Service by reason of retirement at or after the attainment of age sixty-five (65).

K. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

L. **Plan** shall mean the Corporation's 2016 Incentive Compensation Plan.

M. **Qualifying Change in Control** shall mean the date on which there occurs a Change in Control that also qualifies 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.

N. **Separation from Service** shall mean the Participant's cessation of Employee status by reason of his or her death, retirement or termination of employment. The Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is less than fifty percent (50%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months of employment (or such shorter period for which he or she may have rendered such services). Solely for purposes of determining when a Separation from Service occurs, Participant will be deemed to continue in "Employee" status for so long as he or she remains in the employ of one or more members of the Employer Group, 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. "Employer Group" means the Corporation and any Parent or Subsidiary and any other corporation or business controlled by, controlling or under common control with, the Corporation, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) of the Code for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations. Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

O. **Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. In addition, the following provisions shall govern the determination of Participant's period of Service:

(i) Participant shall be deemed to continue in Service for so long as Participant performs services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor.

(ii) Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (a) Participant no longer performs services in any of the foregoing capacities for the Corporation (or any Parent or Subsidiary) or (b) the entity for which Participant performs such services ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity.

(iii) Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Plan Administrator (or any Parent or Subsidiary) employing Participant; provided, however, that the following special provisions shall be in effect for any such leave:

a. Should the period of such leave (other than a disability leave) exceed six (6) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial six (6)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary).

b. Should the period of a disability leave exceed twenty-nine (29) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial twenty-nine (29)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary). For such purpose, a disability leave shall be a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and causes Participant to be unable to perform the duties of his or her position of employment with the Corporation (or any Parent or Subsidiary) or any substantially similar position of employment.

c. 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 Participant is on a leave of absence.

(iv) Notwithstanding anything to the contrary in the foregoing provisions of this Service definition, the Participant shall in all events be deemed to cease Service for all purposes of this Award immediately upon Participant's incurrence of a Separation from Service.

## MATSON, INC.

**PERFORMANCE SHARE AWARD AGREEMENT****RECITALS**

A. Matson, Inc., a Hawaii corporation (along with 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, the "Corporation"). The Corporation has implemented the Plan for the purpose of 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 motivate, attract and retain the services of persons who contribute to the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A, or if not defined in that appendix, as defined in the Plan.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Performance Shares.** The Corporation hereby awards to Participant, as of the Award Date, Performance Shares under the Plan. The number of shares of Common Stock underlying the award and the applicable performance vesting requirements for those shares are set forth in the Award Notice. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

2. **Limited Transferability.** Prior to the actual issuance of the Shares which vest hereunder, Participant may not transfer any interest in the Performance Shares subject to the Award or the underlying Shares or pledge or otherwise hedge the sale of those Performance Shares 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 record the ownership of any Shares which in fact vest and become issuable hereunder in the name of a revocable living trust established for the exclusive benefit of Participant or Participant and his or her spouse. Participant may make such a beneficiary designation or ownership directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Vesting Requirements.** The actual number of Shares that may vest and become issuable pursuant to the Performance Shares shall be determined pursuant to a two-step process: (i) first there shall be calculated the maximum number of Shares in which Participant can

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vest based upon the level at which the Performance Goal specified on Schedule I to the Award Notice is actually attained and (ii) then the number of the Performance-Qualified Shares resulting from the clause (i) calculation in which Participant shall actually vest shall be determined on the basis of his or her completion of the applicable Service vesting provisions set forth below. Accordingly, the vesting of the Shares shall be calculated as follows:

(a) **Performance Vesting:** Following the completion of the Performance Period, the Plan Administrator shall determine the applicable number of Performance-Qualified Shares in accordance with the provisions of the Award Notice and Schedule I attached thereto. The Plan Administrator generally expects to complete this determination within sixty (60) days after the end of the Performance Period.

(b) **Service Vesting:** The Performance-Qualified Shares so determined represent the maximum number of Shares in which Participant can vest hereunder. The actual number of Shares in which Participant shall vest shall be determined as follows:

(i) If Participant continues in Service through the three (3)-year anniversary of the Award Date (the "Service Vesting Date"), Participant shall vest in all of the Performance-Qualified Shares. The Shares underlying those particular Performance-Qualified Shares shall generally be issued to Participant during the period beginning with the Service Vesting Date and ending on March 15th of that year; provided that, if the Service Vesting Date is after the end of the Performance Period, then the Shares shall be issued as soon as administratively practicable after the Service Vesting Date, but in no event later than sixty (60) days after the Service Vesting Date.

(ii) If Participant ceases Service **prior to** the Service Vesting Date by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the determination by the Plan Administrator of the maximum number of Performance-Qualified Shares (as described in further detail in (x) below), vest in a portion of the Performance-Qualified Shares determined by multiplying (x) the maximum number of Performance-Qualified Shares in which Participant would have vested, based on the actual level of Performance Goal attainment for the Performance Period, had Participant completed the three (3)-year Service vesting requirement set forth in subparagraph (i) above by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares underlying the Performance-Qualified Shares in which Participant vests in accordance with this subparagraph (ii) shall generally be issued to Participant (or in the event of the death of Participant, then to Participant's heirs or beneficiaries) during the period beginning with the Service Vesting Date and ending on March 15th of that year; provided that, if the Service Vesting Date is after the end of the Performance Period, then the Shares shall be issued as soon as administratively practicable after the Service Vesting Date, but in no event later than sixty (60) days after the Service Vesting Date.



(iii) If Participant's Service ceases for any other reason prior to the Service Vesting Date, then Participant shall not vest in any of the Performance-Qualified Shares and all of Participant's right, title and interest to the Shares subject to this Award shall cease.

Schedule I attached to this Agreement sets forth examples illustrating the calculation of the number of Shares in which the Participant may vest based upon hypothetical levels of Performance Goal attainment and service vesting requirements.

4. **Stockholder Rights.** The holder of this Award 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 upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

5. **Change in Control.** Notwithstanding Paragraph 3 above, the following provisions shall apply to the extent a Change in Control is consummated prior to the completion of the applicable Performance Period and shall have no force or effect in the event the closing of the Change in Control occurs on or after the completion of the Performance Period.

(a) This Award may be assumed by the successor entity or otherwise continued in full force and effect, provided, however, that the securities subject to such Award following such assumption or continuation are actively traded on an established securities exchange, or may be replaced with a substitute equivalent award established by the successor entity. In such event, the following provisions shall be in effect:

The Performance-Vesting requirements of this Agreement shall terminate, and the assumption or continuation of this Award shall be effected in accordance with Paragraph 5(b) below on the basis of the number of Change in Control Shares. The Service-vesting and issuance provisions of Paragraph 3(b)(i) shall continue in effect with respect to the assumed or continued Award.

If Participant ceases Service prior to the Service Vesting Date by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the closing of the Change in Control or (if later) such cessation of Service, vest in that number of Shares determined by multiplying (x) the number of Change in Control Shares by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares in which Participant so vests shall be issued to Participant on the earlier of (i) the date the Shares would have otherwise been issued pursuant to the provisions of Paragraph 3(b)(ii) in the absence of such Change in Control or, should such cessation of Service occur after such Change in Control but within twenty-four (24) months after the closing of a Qualifying Change in Control, (ii) the date of Participant's Separation from Service due to such cessation of Service.

To the extent the substitute equivalent award is in the form of cash, a cash retention account shall be established and shall initially be credited with the Fair Market Value (at the effective time of the Change in Control) of the number of Change in Control Shares, and interest shall accrue on the outstanding balance of such account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 9, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The cash retention account shall vest and be paid out in accordance with the Service vesting and issuance provisions of Paragraph 3(b)(i) or (to the extent applicable) in accordance with the pro-rata Service vesting and issuance provisions of Paragraph 5(a)(ii) above. The Participant's interest in the account shall at all times be that of a general, unsecured creditor.

In the event of such assumption or continuation of this Award or such replacement of the Award with a substitute equivalent award, no accelerated vesting of the Performance Shares subject to this Award or the underlying Shares shall occur at the time of the Change in Control, and the Service-vesting provisions of Paragraph 3(b) shall continue in full force and effect.

(b) In the event this Award is assumed, otherwise continued in effect, or replaced in connection with such Change in Control, the securities subject to the Award 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 number of Change in Control Shares would have been converted in consummation of that Change in Control had that number of Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the Performance Shares subject to the Award at that time, but subject to the Plan Administrator's approval prior to the Change in Control, 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 the Change in Control transaction, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(c) Upon Participant's Separation from Service due to an Involuntary Termination occurring within twenty-four (24) months after a Change in Control in which this Award is assumed or continued in effect, Participant shall immediately vest in that number of Shares equal to the Change in Control Shares that remain unvested, and that number of Shares shall be issued to Participant on the date of Participant's Separation from Service due to such cessation of Service. Should this Award be replaced with a substitute equivalent award in accordance with Paragraph 5(a), then that award shall vest upon Participant's Separation from Service due to the Involuntary Termination, provided and only if such Involuntary Termination occurs within twenty-four (24) months following the Change in Control. Such vested portion of the award shall be issued or distributed, as applicable, on the date of Participant's Separation from Service, provided such Separation from Service occurs within twenty-four (24) months after a Qualifying Change in Control. Except for the number of Shares, or such equivalent award, distributed in accordance with the foregoing provisions of this Paragraph 5(c), Participant shall

have no further right or entitlement to any additional Shares or other cash or property hereunder upon such Separation from Service.

(d) If the Award is not (1) assumed by the successor entity, (2) otherwise continued in effect or (3) replaced with a substitute equivalent award in accordance with Paragraph 5(a), then the following provisions shall apply:

If Participant continues in Service through the effective date of the Change in Control, then Participant shall, upon the closing of such Change in Control, vest in that number of Shares equal to the Change in Control Shares. The Shares in which Participant so vests shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control. Such consideration per Share shall be distributed to Participant on the **earliest** to occur of (x) the date the Share would have otherwise been issued pursuant to the Service vesting and issuance provisions set forth in Paragraph 3(b)(i) in the absence of such Change in Control, (y) the date of Participant's Separation from Service, provided such Separation from Service occurs within twenty-four (24) months after a Qualifying Change in Control, or (z) the first date upon or following a Qualifying Change in Control transaction on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

To the extent the consideration payable per share of Common Stock in the Change in Control is in the form of cash, a fully-vested cash retention account shall be established by the successor entity at the time of such Change in Control for each Share that vests on an accelerated basis in accordance with Paragraph 5(d)(i) above. Such account shall be credited with the amount of the cash consideration payable for the Shares, and interest shall accrue on the outstanding balance of that account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 9, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in **The Wall Street Journal**. The cash retention account, together with all accrued interest thereon through the actual payment date, shall be distributed, as to each Share to which that cash retention accounts pertains, in accordance with the foregoing distribution provisions of Paragraph 5(d)(i) above. Participant's interest in the account shall at all times be that of a general, unsecured creditor.

If Participant ceases Service prior to the effective date of the Change in Control by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the closing of such Change in Control, vest in that number of Shares determined by multiplying (x) the number of Change in Control Shares by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares in which Participant so vests shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of

the Change in Control. Such consideration per Share shall be distributed to Participant on the *earlier* of (A) the date the Share would have otherwise been issued pursuant to the provisions of Paragraph 3(b)(ii) in the absence of such Change in Control or (B) the first date upon or following a Qualifying Change in Control transaction on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

Except for the amount of consideration so calculated, Participant shall have no further right or entitlement to any additional Shares or consideration under this Award.

6. **Change in Control Benefits Agreement.** Notwithstanding anything to the contrary in this Agreement, if Participant is, at the time of a change in control or ownership of the Corporation (whether or not that transaction constitutes a Change in Control hereunder), a party to a Change in Control Benefits Agreement with the Corporation, then the provisions of that agreement shall, to the extent applicable to this Award, govern Participant's rights and benefits with respect to the restricted stock units and underlying Shares subject to this Agreement, and in the event of any conflict between the provisions of that Change in Control Benefits Agreement and this Agreement, the provisions of the Change in Control Benefits Agreement shall be controlling; *provided, however*, that in the event there is any conflict between the issuance or distribution provisions of this Agreement and the issuance or distribution provisions of the Change in Control Benefits Agreement, the issuance and distribution provisions of this Agreement shall be controlling.

7. **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, extraordinary dividend or distribution 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 Common Stock be 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 or similar corporate transaction, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities or other property 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 credited to Participant's book account, if applicable, under Paragraph 5 in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive as provided in Section III.C. of Article One of the Plan. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

8. **Issuance of Vested Shares and Applicable Withholding Taxes.**

(a) Any Shares to be issued to Participant in accordance with the foregoing provisions of this Agreement shall be in the form of a book entry evidencing ownership of those Shares. Actual certificates for the vested Shares evidenced by book entry ownership shall be promptly delivered upon the request of Participant or any other person having an interest at the time in those Shares.

(b) The Corporation shall collect the Withholding Taxes with respect to each non-Share distribution by withholding a portion of that distribution equal to the amount of the applicable Withholding Taxes, with the cash portion of the distribution to be the first portion so withheld.

(c) The following provisions shall govern the US Withholding Taxes on the Shares (or any replacement or substitute securities, property or other amounts under Paragraphs 5 or 7 above) which vest in accordance with the provisions of this Agreement:

(i) The Corporation may, in its sole discretion and subject to the following sentence, establish a procedure to permit the satisfaction of the Withholding Taxes by the Participant in the form of cash and shall inform Participant of any such procedure (the "Alternate Arrangement"). In the event an Alternate Arrangement is approved, Participant shall (i) make satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the notification period designated by the Corporation preceding the applicable issuance date of the Shares, to pay the applicable Withholding Taxes through the delivery of cash or a cash equivalent to the Corporation in the amount of such Withholding Taxes and (ii) deliver such payment to the Corporation not later than that issuance date. Otherwise the Corporation shall collect the Withholding Taxes applicable to the Share issuance through the automatic share withholding method set forth in Section 8(c)(ii).

(ii) **Automatic Share Withholding.** On the applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes as determined by the Corporation; *provided, however*, that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 8(c)(iii) below (the "Applicable Withholding Rate").

(iii) **Amount of Withholding.** The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in Participant's applicable jurisdictions (the "Alternate Withholding Rate"). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the appropriate Corporation's Form of Alternate Withholding Rate (the "Alternate Rate Form") within the required timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation's Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Withholding Rate with respect to all of Participant's outstanding equity awards (including options exercised during the applicable period) until a new Alternate Rate Form is filed with the Corporation in accordance with

the administrative procedures provided for by the Corporation. An Alternate Withholding Rate is subject to the Corporation's approval and can be approved or denied in its sole discretion. Notwithstanding Sections 8(c)(ii) and 8(c)(iii), in the event Participant is determined to be subject to Section 16 of the 1934 Act at the time of settlement, the Alternate Withholding Rate must be approved by the Corporation's Compensation Committee.

(d) Notwithstanding the foregoing provisions of this Paragraph 8, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the applicable issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Paragraph 8(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Paragraph 5 or this Paragraph 8, the settlement of all restricted stock units which vest under the 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.

9. **Code Section 409A.** Notwithstanding any provision to the contrary in this Agreement, to the extent this Award may be deemed to create a deferred compensation arrangement under Code Section 409A, then the following limitation and provisions shall apply:

- No Shares or other amounts which become issuable or distributable under this Agreement upon Participant's Separation from Service shall actually be issued or distributed to Participant prior to the *earlier* of (i) the first (1st) day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred Shares or other distributable amount shall be issued or distributed in a lump sum on the first (1st) day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

- Participant's right to receive each installment of Shares or other installment distribution pursuant to the terms of this Agreement shall, for purposes of Code Section 409A, be treated as a right to receive a series of separate payments.

10. **Compliance with Laws and Regulations.** 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.

11. **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 the Award Notice. 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.

12. **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.

13. **Construction.**

(a) 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 and any applicable Change in Control Benefits Agreement. 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.

(b) To the extent there is 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, such 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.

(c) This Agreement shall not in any 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.

14. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without regard to that State's conflict-of-laws rules.

## 15. Arbitration.

(a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator who is an attorney or retired judge with expertise and experience in the field of employment law. The arbitration shall be held under the auspices of JAMS in accordance with JAMS then-current Employment Arbitration Rules and Procedures (available at <http://www.jamsadr.com/rules-employment-arbitration/>) and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. The arbitration shall take place in or near the city in which Participant is employed by the Corporation or was last employed by the Corporation. The arbitrator shall make a written award and shall prepare a written opinion containing the findings and conclusions on which the award was based. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Corporation. The arbitration shall be confidential and no details concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the non-disclosing party, unless required by law or court order, as necessary to prosecute or defend the arbitration, or in connection with enforcement of any decision in such arbitration. This agreement to arbitrate is mutually entered into between the parties. Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial. Nothing in this Agreement shall prevent Participant from filing charges or claims with the Equal Employment Opportunity Commission, the U.S. Department of Labor, or any other federal, state or local government agency. However, Participant may seek individual monetary relief only through arbitration under this Agreement. The Corporation and Participant further agree that any claim submitted to arbitration must be brought in the party's individual capacity, and not as a plaintiff or class member in any purported class, representative or consolidated proceeding.

**(b) Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.**

16. Coverage under Recoupment Policy. If Participant is on the Award Date, or at any time thereafter becomes, either an executive officer of the Corporation subject to Section 16 of the 1934 Act, or a participant in the Corporation's Performance Improvement Incentive Plan, then Participant shall be subject to the Matson, Inc. Policy Regarding Recoupment of Certain Compensation (the "Recoupment Policy"), the terms of which are hereby incorporated herein by reference and receipt of a copy of which Participant hereby acknowledges. If Participant is subject to the Recoupment Policy, then any incentive compensation that is paid or granted to, or received by, Participant during the three-year period preceding the date on which the Corporation is required to prepare an accounting restatement due to material non-compliance with any applicable financial reporting requirements under the federal securities laws shall be subject to recovery and recoupment pursuant to the terms of such policy. For purposes of such Recoupment Policy, "incentive compensation" means all cash or equity-based award (e.g., stock award, restricted stock unit award, performance share award or stock option grant or shares of Common Stock issued



thereunder) or any profit sharing payment or distribution that is based upon the achievement of financial performance metrics. An additional copy of the Recoupment Policy is available upon request made to the Corporate Secretary at the Corporation's principal offices.

17. **Data Privacy.**

(a) Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement by the Corporation for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

(b) Participant understands that the Corporation holds certain personal information about Participant regarding Participant's employment, the nature and amount of Participant's compensation and the fact and conditions of Participant's participation in the Plan, including, but not limited to, Participant's name, home address and telephone number, date of birth, tax file number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the purpose of implementing, administering and managing the Plan (the "Data"). Participant understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Participant's country. Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Participant understands that the Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan.

18. **Amendment.** This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto; provided that the Corporation may alter, modify or amend this Agreement unilaterally if such change is not materially adverse to Participant or to cause this Agreement to comply with applicable law.

19. **Other Agreements Superseded.** The Award Notice, this Agreement, and the Plan constitute the entire understanding between Participant and the Corporation regarding the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

20. **Governing Plan Document.** The Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Award, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan.

## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

**Agreement** shall mean this Performance Share Award Agreement.

**Award** shall mean the award of Performance Shares made to Participant pursuant to the terms of this Agreement.

**Award Date** shall mean the date the Performance Shares are awarded to Participant pursuant to the Agreement and shall be the date specified in Paragraph 1 of the Award Notice.

**Award Notice** shall mean the Notice of Award of Performance Shares delivered to Participant in which there is set forth the basic terms of the Performance Shares subject to this Agreement.

**Cause** shall have the meaning set forth in the Plan document; ***provided, however***, that in the event Participant is, at the time the Corporation (or any Parent or Subsidiary) purports to terminate Participant's Employee status for Cause, a party to a Change in Control Benefits Agreement applicable to the Award, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

**Change in Control** shall have the meaning set forth in the Plan; ***provided, however***, that in the event Participant is a party to a Change in Control Benefits Agreement applicable to the Award, the term Change in Control shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

**Change in Control Benefits Agreement** shall mean any separate agreement between Participant and the Corporation which provides Participant with special vesting acceleration and/or other special benefits with respect to one or more awards of restricted stock units made to Participant for shares of Common Stock, including (to the extent applicable) the restricted stock units evidenced by this Agreement, in the event of a change in control or ownership of the Corporation (whether or not constituting a Change in Control hereunder).

**Change in Control Shares** shall mean the number of Shares obtained by multiplying the Vested Percentage by the greater of (i) the number of Performance-Qualified Shares issuable under the Award at Target Level Attainment of the Performance Goal, or (ii) the number of Performance-Qualified Shares issuable under the Award based on actual performance of the Performance Goal through the date of the Change in Control.

**Early Retirement** shall mean Participant's retirement from Service, with the prior approval of the Corporation (or the Parent or Subsidiary employing Participant), on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.

**Extraordinary Level Attainment** shall mean the Corporation's achievement of the Performance

Goal set forth in Schedule I to the Award Notice at the level designated as Extraordinary Level attainment for that goal.

**Good Reason** shall have the meaning set forth in the Plan; *provided however*, in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefits Agreement applicable to the Award evidenced by this Agreement, the term **Good Reason** shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

**Normal Retirement** shall mean shall mean the cessation of Service by reason of retirement at or after the attainment of age sixty-five (65).

**Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

**Performance Goal** shall mean the performance goal specified on Schedule I of the Award Notice.

**Performance Period** shall mean the period specified on Schedule I of the Award Notice over which the attainment of the Performance Goal is to be measured.

**Performance-Qualified Shares** shall mean the maximum number of Shares in which Participant can vest based on the level at which the Performance Goal for the Performance Period is attained and shall be calculated in accordance with the provisions of the Award Notice. In no event shall the number of such Performance-Qualified Shares exceed two hundred percent (200%) of the designated number of Performance Shares set forth in the Performance Shares section of the Award Notice. Each Performance-Qualified Share that vests pursuant to the terms of the Award shall entitle Participant to receive one Share.

**Performance Shares** shall mean the number of phantom shares of Common Stock awarded under this Agreement that shall be applied to the calculation of the maximum number of Performance-Qualified Shares (if any) based on the level at which the Performance Goal is in fact attained over the applicable Performance Period.

**Plan** shall mean the Corporation's 2016 Incentive Compensation Plan.

**Qualifying Change in Control** shall mean the date on which there occurs a Change in Control that also qualifies 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.

**Separation from Service** shall mean the Participant's cessation of Employee status by reason of his or her death, retirement or termination of employment. The Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is less than fifty percent (50%) of the average level of services

he or she rendered as an Employee during the immediately preceding thirty-six (36) months of employment (or such shorter period for which he or she may have rendered such services). Solely for purposes of determining when a Separation from Service occurs, Participant will be deemed to continue in "Employee" status for so long as he or she remains in the employ of one or more members of the Employer Group, 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. "Employer Group" means the Corporation and any Parent or Subsidiary and any other corporation or business controlled by, controlling or under common control with, the Corporation, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) of the Code for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations. Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

**Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of a board of directors (including the Board), or a Consultant. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) 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 Participant performs such services ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity. Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Plan Administrator; **provided, however**, that the following special provisions shall be in effect for any such leave:

Should the period of such leave (other than a disability leave) exceed six (6) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial six (6)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary).

Should the period of a disability leave exceed twenty-nine (29) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial twenty-nine (29)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary). For such purpose, a disability leave shall be a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and causes Participant to be unable to perform the duties of his or her position of employment with the Corporation (or any Parent or Subsidiary) or any substantially similar position of employment.

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 Participant is on a leave of absence.

**Service Vesting Date** shall mean the three (3)-year anniversary of the Award Date.

**Shares** shall mean the shares of Common Stock which may vest and become issuable under the Award pursuant to the terms of this Agreement and the Award Notice.

**Target Level Attainment** shall mean the Corporation's achievement of the Performance Goal set forth in Schedule I to the Award Notice at the level designated as Target Level attainment for that goal.

**Vested Percentage** shall mean (i) fifty percent (50%) if the Change in Control is consummated during the first eighteen (18) months of the Performance Period and (ii) one hundred percent (100%) if the Change in Control is consummated after the first eighteen (18) months of the Performance Period, but prior to the completion of the Performance Period.

## SCHEDULE I

### ILLUSTRATION OF VESTING CALCULATIONS

The following examples are for illustration purposes only:

1. Participant receives an Award for 100 Performance Shares at Target Level and Participant continues in Service until the expiration of the requisite three (3)-year Service vesting period. If the Performance Goal is attained at the Target Level, Participant shall vest in 100 Performance Shares upon the Service Vesting Date (the three (3)-year anniversary of the Award Date). If the Performance Goal is attained at the Extraordinary Level, Participant shall vest in an additional 100 Shares for a total of 200 Shares following the completion of the Performance Period.
  2. Participant receives an Award for 100 Performance Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goal is attained at the Target Level, Participant shall vest in 50 of the Shares. On the other hand, if the Performance Goal is attained at the Extraordinary Level, Participant shall vest in an additional 50 Shares for a total of 100 Performance Shares.
  3. Participant receives an Award for 100 Shares at Target Level and Participant continues in Service until the Service Vesting Date (through the three (3)-year anniversary of the Award Date). If the Performance Goal is attained at a point halfway between the Threshold and Target Levels, Participant would vest in 62 of the Shares following the completion of the Performance Period upon the Service Vesting Date. On the other hand, if the Performance Goal is attained at a point halfway between the Target and Extraordinary Levels, Participant would vest in 150 of the Shares following the completion of the Performance Period.
  4. Participant receives an Award for 100 Performance Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goal is attained at a point halfway between the Threshold and Target Levels, Participant would vest in 31 of the Shares following the completion of the Performance Period. On the other hand, if the Performance Goal is attained at a point halfway between the Target and Extraordinary Levels, Participant would vest in 75 of the Shares following the completion of the Performance Period.
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## MATSON, INC.

**PERFORMANCE SHARE AWARD AGREEMENT****RECITALS**

A. Matson, Inc., a Hawaii corporation (along with 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, the "Corporation"). The Corporation has implemented the Plan for the purpose of 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 motivate, attract and retain the services of persons who contribute to the success of the Corporation.

B. Participant is to render valuable services to the Corporation (or any Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A, or if not defined in that appendix, as defined in the Plan.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Performance Shares.** The Corporation hereby awards to Participant, as of the Award Date, Performance Shares under the Plan. The number of shares of Common Stock underlying the award and the applicable performance vesting requirements for those shares are set forth in the Award Notice. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

2. **Limited Transferability.** Prior to the actual issuance of the Shares which vest hereunder, Participant may not transfer any interest in the Performance Shares subject to the Award or the underlying Shares or pledge or otherwise hedge the sale of those Performance Shares 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 record the ownership of any Shares which in fact vest and become issuable hereunder in the name of a revocable living trust established for the exclusive benefit of Participant or Participant and his or her spouse. Participant may make such a beneficiary designation or ownership directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Vesting Requirements.** The actual number of Shares that may vest and become issuable pursuant to the Performance Shares shall be determined pursuant to a two-step process: (i) first there shall be calculated the maximum number of Shares in which Participant can

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vest based upon the level at which the Performance Goal specified on Schedule I to the Award Notice is actually attained as modified by the TSR Modifier and (ii) then the number of the Performance-Qualified Shares resulting from the clause (i) calculation in which Participant shall actually vest shall be determined on the basis of his or her completion of the applicable Service vesting provisions set forth below. Accordingly, the vesting of the Shares shall be calculated as follows:

(a) **Performance Vesting:** Following the completion of the Performance Period, the Plan Administrator shall determine the applicable number of Performance-Qualified Shares in accordance with the provisions of the Award Notice and Schedule I attached thereto. The Plan Administrator generally expects to complete this determination within sixty (60) days after the end of the Performance Period.

(b) **Service Vesting:** The Performance-Qualified Shares so determined represent the maximum number of Shares in which Participant can vest hereunder. The actual number of Shares in which Participant shall vest shall be determined as follows:

(i) If Participant continues in Service through the three (3)-year anniversary of the Award Date (the "Service Vesting Date"), Participant shall vest in all of the Performance-Qualified Shares. The Shares underlying those particular Performance-Qualified Shares shall generally be issued to Participant during the period beginning with the Service Vesting Date and ending on March 15th of that year; provided that, if the Service Vesting Date is after the end of the Performance Period, then the Shares shall be issued as soon as administratively practicable after the Service Vesting Date, but in no event later than sixty (60) days after the Service Vesting Date.

(ii) If Participant ceases Service **prior to** the Service Vesting Date by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the determination by the Plan Administrator of the maximum number of Performance-Qualified Shares (as described in further detail in (x) below), vest in a portion of the Performance-Qualified Shares determined by multiplying (x) the maximum number of Performance-Qualified Shares in which Participant would have vested, based on the actual level of Performance Goal attainment for the Performance Period, had Participant completed the three (3)-year Service vesting requirement set forth in subparagraph (i) above by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares underlying the Performance-Qualified Shares in which Participant vests in accordance with this subparagraph (ii) shall generally be issued to Participant (or in the event of the death of Participant, then to Participant's heirs or beneficiaries) during the period beginning with the Service Vesting Date and ending on March 15th of that year; provided that, if the Service Vesting Date is after the end of the Performance Period, then the Shares shall be issued as soon as administratively practicable after the Service Vesting Date, but in no event later than sixty (60) days after the Service Vesting Date.



(iii) If Participant's Service ceases for any other reason prior to the Service Vesting Date, then Participant shall not vest in any of the Performance-Qualified Shares and all of Participant's right, title and interest to the Shares subject to this Award shall cease.

Schedule I attached to this Agreement sets forth examples illustrating the calculation of the number of Shares in which the Participant may vest based upon hypothetical levels of Performance Goal attainment and service vesting requirements.

4. **Stockholder Rights.** The holder of this Award 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 upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

5. **Change in Control.** Notwithstanding Paragraph 3 above, the following provisions shall apply to the extent a Change in Control is consummated prior to the completion of the applicable Performance Period and shall have no force or effect in the event the closing of the Change in Control occurs on or after the completion of the Performance Period.

(a) This Award may be assumed by the successor entity or otherwise continued in full force and effect, provided, however, that the securities subject to such Award following such assumption or continuation are actively traded on an established securities exchange, or may be replaced with a substitute equivalent award established by the successor entity. In such event, the following provisions shall be in effect:

(i) The Performance-Vesting requirements of this Agreement shall terminate, and the assumption or continuation of this Award shall be effected in accordance with Paragraph 5(b) below on the basis of the number of Change in Control Shares. The Service-vesting and issuance provisions of Paragraph 3(b)(i) shall continue in effect with respect to the assumed or continued Award.

(ii) If Participant ceases Service prior to the Service Vesting Date by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the closing of the Change in Control or (if later) such cessation of Service, vest in that number of Shares determined by multiplying (x) the number of Change in Control Shares by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares in which Participant so vests shall be issued to Participant on the earlier of (i) the date the Shares would have otherwise been issued pursuant to the provisions of Paragraph 3(b)(ii) in the absence of such Change in Control or, should such cessation of Service occur after such Change in Control but within twenty-four (24) months after the closing of a Qualifying Change in Control, (ii) the date of Participant's Separation from Service due to such cessation of Service.

(iii) To the extent the substitute equivalent award is in the form of cash, a cash retention account shall be established and shall initially be credited with the Fair Market Value (at the effective time of the Change in Control) of the number of Change in Control Shares, and interest shall accrue on the outstanding balance of such account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 9, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The cash retention account shall vest and be paid out in accordance with the Service vesting and issuance provisions of Paragraph 3(b)(i) or (to the extent applicable) in accordance with the pro-rata Service vesting and issuance provisions of Paragraph 5(a)(ii) above. The Participant's interest in the account shall at all times be that of a general, unsecured creditor.

(iv) In the event of such assumption or continuation of this Award or such replacement of the Award with a substitute equivalent award, no accelerated vesting of the Performance Shares subject to this Award or the underlying Shares shall occur at the time of the Change in Control, and the Service-vesting provisions of Paragraph 3(b) shall continue in full force and effect.

(b) In the event this Award is assumed, otherwise continued in effect, or replaced in connection with such Change in Control, the securities subject to the Award 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 number of Change in Control Shares would have been converted in consummation of that Change in Control had that number of Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the Performance Shares subject to the Award at that time, but subject to the Plan Administrator's approval prior to the Change in Control, 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 the Change in Control transaction, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(c) Upon Participant's Separation from Service due to an Involuntary Termination occurring within twenty-four (24) months after a Change in Control in which this Award is assumed or continued in effect, Participant shall immediately vest in that number of Shares equal to the Change in Control Shares that remain unvested, and that number of Shares shall be issued to Participant on the date of Participant's Separation from Service due to such cessation of Service. Should this Award be replaced with a substitute equivalent award in accordance with Paragraph 5(a), then that award shall vest upon Participant's Separation from Service due to the Involuntary Termination, provided and only if such Involuntary Termination occurs within twenty-four (24) months following the Change in Control. Such vested portion of the award shall be issued or distributed, as applicable, on the date of Participant's Separation from Service, provided such Separation from Service occurs within twenty-four (24) months after a

Qualifying Change in Control. Except for the number of Shares, or such equivalent award, distributed in accordance with the foregoing provisions of this Paragraph 5(c), Participant shall have no further right or entitlement to any additional Shares or other cash or property hereunder upon such Separation from Service.

(d) If the Award is not (1) assumed by the successor entity, (2) otherwise continued in effect or (3) replaced with a substitute equivalent award in accordance with Paragraph 5(a), then the following provisions shall apply:

(i) If Participant continues in Service through the effective date of the Change in Control, then Participant shall, upon the closing of such Change in Control, vest in that number of Shares equal to the Change in Control Shares. The Shares in which Participant so vests shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control. Such consideration per Share shall be distributed to Participant on the *earliest* to occur of (x) the date the Share would have otherwise been issued pursuant to the Service vesting and issuance provisions set forth in Paragraph 3(b)(i) in the absence of such Change in Control, (y) the date of Participant's Separation from Service, provided such Separation from Service occurs within twenty-four (24) months after a Qualifying Change in Control, or (z) the first date upon or following a Qualifying Change in Control transaction on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

(ii) To the extent the consideration payable per share of Common Stock in the Change in Control is in the form of cash, a fully-vested cash retention account shall be established by the successor entity at the time of such Change in Control for each Share that vests on an accelerated basis in accordance with Paragraph 5(d)(i) above. Such account shall be credited with the amount of the cash consideration payable for the Shares, and interest shall accrue on the outstanding balance of that account, for the period commencing with the closing date of the Change in Control and continuing through the date of the final payment of the account, including any deferred payment date under Paragraph 9, at a variable per annum rate, compounded semi-annually, equal to the prime rate of interest as in effect from time to time during such period, as determined on the basis of the prime rate quotations published in *The Wall Street Journal*. The cash retention account, together with all accrued interest thereon through the actual payment date, shall be distributed, as to each Share to which that cash retention accounts pertains, in accordance with the foregoing distribution provisions of Paragraph 5(d)(i) above. Participant's interest in the account shall at all times be that of a general, unsecured creditor.

(iii) If Participant ceases Service prior to the effective date of the Change in Control by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall, upon the closing of such Change in Control, vest in that number of Shares determined by multiplying (x) the

number of Change in Control Shares by (y) a fraction, the numerator of which is the number of months of actual Service completed by Participant in such Performance Period (rounded to the closest whole month), and the denominator of which is thirty-six (36) months. The Shares in which Participant so vests shall be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control. Such consideration per Share shall be distributed to Participant on the *earlier* of (A) the date the Share would have otherwise been issued pursuant to the provisions of Paragraph 3(b)(ii) in the absence of such Change in Control or (B) the first date upon or following a Qualifying Change in Control transaction on which the distribution can be made without contravention of any applicable provisions of Code Section 409A.

(iv) Except for the amount of consideration so calculated, Participant shall have no further right or entitlement to any additional Shares or consideration under this Award.

6. **Change in Control Benefits Agreement.** Notwithstanding anything to the contrary in this Agreement, if Participant is, at the time of a change in control or ownership of the Corporation (whether or not that transaction constitutes a Change in Control hereunder), a party to a Change in Control Benefits Agreement with the Corporation, then the provisions of that agreement shall, to the extent applicable to this Award, govern Participant's rights and benefits with respect to the restricted stock units and underlying Shares subject to this Agreement, and in the event of any conflict between the provisions of that Change in Control Benefits Agreement and this Agreement, the provisions of the Change in Control Benefits Agreement shall be controlling; ***provided, however,*** that in the event there is any conflict between the issuance or distribution provisions of this Agreement and the issuance or distribution provisions of the Change in Control Benefits Agreement, the issuance and distribution provisions of this Agreement shall be controlling.

7. **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, extraordinary dividend or distribution 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 Common Stock be 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 or similar corporate transaction, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities or other property 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 credited to Participant's book account, if applicable, under Paragraph 5 in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive as provided in Section III.C. of Article One of the Plan. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

8. **Issuance of Vested Shares and Applicable Withholding Taxes.**

(a) Any Shares to be issued to Participant in accordance with the foregoing provisions of this Agreement shall be in the form of a book entry evidencing ownership of those Shares. Actual certificates for the vested Shares evidenced by book entry ownership shall be promptly delivered upon the request of Participant or any other person having an interest at the time in those Shares.

(b) The Corporation shall collect the Withholding Taxes with respect to each non-Share distribution by withholding a portion of that distribution equal to the amount of the applicable Withholding Taxes, with the cash portion of the distribution to be the first portion so withheld.

(c) The following provisions shall govern the US Withholding Taxes on the Shares (or any replacement or substitute securities, property or other amounts under Paragraphs 5 or 7 above) which vest in accordance with the provisions of this Agreement:

(i) The Corporation may, in its sole discretion and subject to the following sentence, establish a procedure to permit the satisfaction of the Withholding Taxes by the Participant in the form of cash and shall inform Participant of any such procedure (the "Alternate Arrangement"). In the event an Alternate Arrangement is approved, Participant shall (i) make satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the notification period designated by the Corporation preceding the applicable issuance date of the Shares, to pay the applicable Withholding Taxes through the delivery of cash or a cash equivalent to the Corporation in the amount of such Withholding Taxes and (ii) deliver such payment to the Corporation not later than that issuance date. Otherwise the Corporation shall collect the Withholding Taxes applicable to the Share issuance through the automatic share withholding method set forth in Section 8(c)(ii).

(ii) **Automatic Share Withholding.** On the applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes as determined by the Corporation; **provided, however**, that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 8(c)(iii) below (the "Applicable Withholding Rate").

(iii) **Amount of Withholding.** The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in Participant's applicable jurisdictions (the "Alternate Withholding

Rate”). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the appropriate Corporation’s Form of Alternate Withholding Rate (the “Alternate Rate Form”) within the required timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation’s Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Withholding Rate with respect to all of Participant’s outstanding equity awards (including options exercised during the applicable period) until a new Alternate Rate Form is filed with the Corporation in accordance with the administrative procedures provided for by the Corporation. An Alternate Withholding Rate is subject to the Corporation’s approval and can be approved or denied in its sole discretion. Notwithstanding Sections 8(c)(ii) and 8(c)(iii), in the event Participant is determined to be subject to Section 16 of the 1934 Act at the time of settlement, the Alternate Withholding Rate must be approved by the Corporation’s Compensation Committee.

(d) Notwithstanding the foregoing provisions of this Paragraph 8, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the “Employment Taxes”) shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the applicable issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Paragraph 8(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Paragraph 5 or this Paragraph 8, the settlement of all restricted stock units which vest under the 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.

9. **Code Section 409A.** Notwithstanding any provision to the contrary in this Agreement, to the extent this Award may be deemed to create a deferred compensation arrangement under Code Section 409A, then the following limitation and provisions shall apply:

- No Shares or other amounts which become issuable or distributable under this Agreement upon Participant’s Separation from Service shall actually be issued or distributed to Participant prior to the *earlier* of (i) the first (1st) day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant’s death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined

by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). The deferred Shares or other distributable amount shall be issued or distributed in a lump sum on the first (1st) day of the seventh (7th) month following the date of Participant's Separation from Service or, if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

- Participant's right to receive each installment of Shares or other installment distribution pursuant to the terms of this Agreement shall, for purposes of Code Section 409A, be treated as a right to receive a series of separate payments.

10. **Compliance with Laws and Regulations.** 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.

11. **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 the Award Notice. 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.

12. **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.

13. **Construction.**

(a) 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 and any applicable Change in Control Benefits Agreement. 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.

(b) To the extent there is 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, such 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.

(c) This Agreement shall not in any 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.

14. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Hawaii without regard to that State's conflict-of-laws rules.

15. **Arbitration.**

(a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator who is an attorney or retired judge with expertise and experience in the field of employment law. The arbitration shall be held under the auspices of JAMS in accordance with JAMS then-current Employment Arbitration Rules and Procedures (available at <http://www.jamsadr.com/rules-employment-arbitration/>) and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. The arbitration shall take place in or near the city in which Participant is employed by the Corporation or was last employed by the Corporation. The arbitrator shall make a written award and shall prepare a written opinion containing the findings and conclusions on which the award was based. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Corporation. The arbitration shall be confidential and no details concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the non-disclosing party, unless required by law or court order, as necessary to prosecute or defend the arbitration, or in connection with enforcement of any decision in such arbitration. This agreement to arbitrate is mutually entered into between the parties. Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial. Nothing in this Agreement shall prevent Participant from filing charges or claims with the Equal Employment Opportunity Commission, the U.S. Department of Labor, or any other federal, state or local government agency. However, Participant may seek individual monetary relief only through arbitration under this Agreement. The Corporation and Participant further agree that any claim submitted to arbitration must be brought in the party's individual capacity, and not as a plaintiff or class member in any purported class, representative or consolidated proceeding.

(b) **Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.**

16. **Coverage under Recoupment Policy.** If Participant is on the Award Date, or at any time thereafter becomes, either an executive officer of the Corporation subject to Section 16 of the 1934 Act, or a participant in the Corporation's Performance Improvement Incentive Plan, then Participant shall be subject to the Matson, Inc. Policy Regarding Recoupment of Certain



Compensation (the “Recoupment Policy”), the terms of which are hereby incorporated herein by reference and receipt of a copy of which Participant hereby acknowledges. If Participant is subject to the Recoupment Policy, then any incentive compensation that is paid or granted to, or received by, Participant during the three-year period preceding the date on which the Corporation is required to prepare an accounting restatement due to material non-compliance with any applicable financial reporting requirements under the federal securities laws shall be subject to recovery and recoupment pursuant to the terms of such policy. For purposes of such Recoupment Policy, “incentive compensation” means all cash or equity-based award (e.g., stock award, restricted stock unit award, performance share award or stock option grant or shares of Common Stock issued thereunder) or any profit sharing payment or distribution that is based upon the achievement of financial performance metrics. An additional copy of the Recoupment Policy is available upon request made to the Corporate Secretary at the Corporation’s principal offices.

17. **Data Privacy.**

(a) Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant’s personal data as described in this Agreement by the Corporation for the exclusive purpose of implementing, administering and managing Participant’s participation in the Plan.

(b) Participant understands that the Corporation holds certain personal information about Participant regarding Participant’s employment, the nature and amount of Participant’s compensation and the fact and conditions of Participant’s participation in the Plan, including, but not limited to, Participant’s name, home address and telephone number, date of birth, tax file number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant’s favor, for the purpose of implementing, administering and managing the Plan (the “Data”). Participant understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Participant’s country, or elsewhere, and that the recipient’s country may have different data privacy laws and protections than Participant’s country. Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Participant understands that the Data will be held only as long as is necessary to implement, administer and manage Participant’s participation in the Plan.

18. **Amendment.** This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto; provided that the Corporation may alter, modify or amend this Agreement unilaterally if such change is not materially adverse to Participant or to cause this Agreement to comply with applicable law.

19. **Other Agreements Superseded.** The Award Notice, this Agreement, and the Plan constitute the entire understanding between Participant and the Corporation regarding the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

20. **Governing Plan Document.** The Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Award, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan.

## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

- A. **Agreement** shall mean this Performance Share Award Agreement.
- B. **Award** shall mean the award of Performance Shares made to Participant pursuant to the terms of this Agreement.
- C. **Award Date** shall mean the date the Performance Shares are awarded to Participant pursuant to the Agreement and shall be the date specified in Paragraph 1 of the Award Notice.
- D. **Award Notice** shall mean the Notice of Award of Performance Shares delivered to Participant in which there is set forth the basic terms of the Performance Shares subject to this Agreement.
- E. **Cause** shall have the meaning set forth in the Plan document; provided, however, that in the event Participant is, at the time the Corporation (or any Parent or Subsidiary) purports to terminate Participant's Employee status for Cause, a party to a Change in Control Benefits Agreement applicable to the Award, the term Cause shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.
- F. **Change in Control** shall have the meaning set forth in the Plan; provided, however, that in the event Participant is a party to a Change in Control Benefits Agreement applicable to the Award, the term Change in Control shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.
- G. **Change in Control Benefits Agreement** shall mean any separate agreement between Participant and the Corporation which provides Participant with special vesting acceleration and/or other special benefits with respect to one or more awards of restricted stock units made to Participant for shares of Common Stock, including (to the extent applicable) the restricted stock units evidenced by this Agreement, in the event of a change in control or ownership of the Corporation (whether or not constituting a Change in Control hereunder).
- H. **Change in Control Shares** shall mean the number of Shares obtained by multiplying the Vested Percentage by the greater of (i) the number of Performance-Qualified Shares issuable under the Award at Target Level Attainment of the Performance Goal (without any adjustment for the TSR Modifier), or (ii) the number of Performance-Qualified Shares issuable under the Award based on actual performance of the Performance Goal through the date of the Change in Control (without any adjustment for the TSR Modifier).

I. **Early Retirement** shall mean Participant's retirement from Service, with the prior approval of the Corporation (or the Parent or Subsidiary employing Participant), on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.

J. **Extraordinary Level Attainment** shall mean the Corporation's achievement of the Performance Goal set forth in Schedule I to the Award Notice at the level designated as Extraordinary Level attainment for that goal.

K. **Good Reason** shall have the meaning set forth in the Plan; provided however, in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefits Agreement applicable to the Award evidenced by this Agreement, the term Good Reason shall have the meaning ascribed to that term in such Change in Control Benefits Agreement.

L. **Normal Retirement** shall mean shall mean the cessation of Service by reason of retirement at or after the attainment of age sixty-five (65).

M. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

N. **Performance Goal** shall mean the performance goal specified on Schedule I of the Award Notice.

O. **Performance Period** shall mean the period specified on Schedule I of the Award Notice over which the attainment of the Performance Goal is to be measured.

P. **Performance-Qualified Shares** shall mean the maximum number of Shares in which Participant can vest based on the level at which the Performance Goal for the Performance Period is attained and shall be calculated in accordance with the provisions of the Award Notice. In no event shall the number of such Performance-Qualified Shares exceed two hundred fifty percent (250%) of the designated number of Performance Shares set forth in the Performance Shares section of the Award Notice. Each Performance-Qualified Share that vests pursuant to the terms of the Award shall entitle Participant to receive one Share.

Q. **Performance Shares** shall mean the number of phantom shares of Common Stock awarded under this Agreement that shall be applied to the calculation of the maximum number of Performance-Qualified Shares (if any) based on the level at which the Performance Goal is in fact attained over the applicable Performance Period.

R. **Plan** shall mean the Corporation's 2016 Incentive Compensation Plan.

S. **Qualifying Change in Control** shall mean the date on which there occurs a Change in Control that also qualifies 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.

T. **Separation from Service** shall mean the Participant's cessation of Employee status by reason of his or her death, retirement or termination of employment. The Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or as a consultant or independent contractor) permanently decreases to a level that is less than fifty percent (50%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months of employment (or such shorter period for which he or she may have rendered such services). Solely for purposes of determining when a Separation from Service occurs, Participant will be deemed to continue in "Employee" status for so long as he or she remains in the employ of one or more members of the Employer Group, 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. "Employer Group" means the Corporation and any Parent or Subsidiary and any other corporation or business controlled by, controlling or under common control with, the Corporation, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) of the Code for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations. Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the Code.

U. **Service** shall mean Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of a board of directors (including the Board), or a Consultant. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) 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 Participant performs such services ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity. Service as an Employee shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Plan Administrator; **provided, however**, that the following special provisions shall be in effect for any such leave:

(i) Should the period of such leave (other than a disability leave) exceed six (6) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial six (6)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary).

(ii) Should the period of a disability leave exceed twenty-nine (29) months, then Participant shall be deemed to cease Service and to incur a Separation from Service upon the expiration of the initial twenty-nine (29)-month period of that leave, unless Participant retains a right to re-employment under applicable law or by contract with the Corporation (or any Parent or Subsidiary). For such purpose, a disability leave shall be a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and causes Participant to be unable to perform the duties of his or her position of employment with the Corporation (or any Parent or Subsidiary) or any substantially similar position of employment.

(iii) 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 Participant is on a leave of absence.

V. **Service Vesting Date** shall mean the three (3)-year anniversary of the Award Date.

W. **Shares** shall mean the shares of Common Stock which may vest and become issuable under the Award pursuant to the terms of this Agreement and the Award Notice.

X. **Target Level Attainment** shall mean the Corporation's achievement of the Performance Goal set forth in Schedule I to the Award Notice at the level designated as Target Level attainment for that goal.

Y. **TSR Modifier** shall mean the adjustment on the basis of the relative total shareholder return that is applied to the number of Shares that may vest based on attainment of the Performance Goal as set forth in Schedule I of the Award Notice.

Z. **Vested Percentage** shall mean (i) fifty percent (50%) if the Change in Control is consummated during the first eighteen (18) months of the Performance Period and (ii) one hundred percent (100%) if the Change in Control is consummated after the first eighteen (18) months of the Performance Period, but prior to the completion of the Performance Period.

## SCHEDULE I

### ILLUSTRATION OF VESTING CALCULATIONS

The following examples are for illustration purposes only:

1. Participant receives an Award for 100 Shares at Target Level and Participant continues in Service until the expiration of the requisite three (3)-year Service vesting period. If the Performance Goal is attained at the Target Level, Participant shall vest in 100 Shares upon the Service Vesting Date (the three (3)-year anniversary of the Award Date). The actual number of shares issuable to the Participant will range from 75 to 125 based on the TSR Modifier. If the Performance Goal is attained at the Extraordinary Level, Participant shall vest in an additional 100 Shares for a total of 200 Shares following the completion of the Performance Period. The actual number of shares issuable to the Participant will range from 150 to 250 based on the TSR Modifier.
  2. Participant receives an Award for 100 Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goal is attained at the Target Level, Participant shall vest in 50 of the Shares. The actual number of shares issuable to the Participant will range from 37 to 62 based on the TSR Modifier. On the other hand, if the Performance Goal is attained at the Extraordinary Level, Participant shall vest in an additional 50 Shares for a total of 100 Shares. The actual number of shares issuable to the Participant will range from 75 to 125 based on the TSR Modifier.
  3. Participant receives an Award for 100 Shares at Target Level and Participant continues in Service until the Service Vesting Date (through the three (3)-year anniversary of the Award Date). If the Performance Goal is attained at a point halfway between the Threshold and Target Levels, Participant would vest in 62 of the Shares following the completion of the Performance Period upon the Service Vesting Date. The actual number of shares issuable to the Participant will range from 46 to 77 based on the TSR Modifier. On the other hand, if the Performance Goal is attained at a point halfway between the Target and Extraordinary Levels, Participant would vest in 150 of the Shares following the completion of the Performance Period. The actual number of shares issuable to the Participant will range from 112 to 187 based on the TSR Modifier.
  4. Participant receives an Award for 100 Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goal is attained at a point halfway between the Threshold and Target Levels, Participant would vest in 31 of the Shares following the completion of the Performance Period. The actual number of shares issuable to the Participant will range from 23 to 38 based on the TSR Modifier. On the other hand, if the Performance Goal is attained at a point halfway between the Target and Extraordinary Levels, Participant would vest in 75 of the Shares following the completion of the Performance Period. The actual number of shares issuable to the Participant will range from 56 to 93 based on the TSR Modifier.
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## MATSON, INC.

**ADDENDUM TO  
AWARD AGREEMENTS FOR OUTSTANDING EQUITY AWARDS****RECITALS**

A. Matson, Inc., a Hawaii corporation (the “Corporation”) sponsors the Matson, Inc. 2007 Incentive Compensation Plan, as amended (the “2007 Plan”) and the Matson, Inc. 2016 Incentive Compensation Plan (the “2016 Plan” and, together with the 2007 Plan, the “Matson Plans”).

B. In light of recent changes to the financial accounting standards applicable to the Corporation, the Corporation has determined that it is in the best interests of the shareholders of the Corporation to adopt this addendum (the “Addendum”), which shall only apply to equity awards granted under the Matson Plans that are outstanding as of the Addendum Effective Date.

C. Notwithstanding the provisions regarding automatic withholding procedures included in the award agreements memorializing the equity awards granted under the Matson Plans that are outstanding as of the Addendum Effective Date, this Addendum shall govern the withholding of applicable federal and state income and employment or any other withholding taxes to which the holder of an award under the Matson Plans may become subject in connection with the issuance, exercise, vesting or settlement of such award or the issuance of Shares thereunder.

D. All capitalized terms in this Addendum not otherwise defined shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby resolved that:

1. **Restricted Stock Units and Performance Share Awards**. The following provisions shall govern the automatic withholding procedures for equity awards (other than stock option awards) granted to Participants under the Matson Plans that are unvested as of the Addendum Effective Date.

(i) On each applicable issuance date, the Corporation shall withhold, from the vested Shares otherwise issuable to Participant at that time, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the applicable Withholding Taxes as determined by the Corporation; ***provided, however***, that the number of Shares which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation’s required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 1(ii) below (the “Applicable Award Withholding Rate”).

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(ii) The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Award Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in Participant's applicable jurisdictions (the "Alternate Withholding Rate"). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the Corporation's Form of Alternate Withholding Rate (the "Alternate Rate Form") within the timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation's Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Award Withholding Rate with respect to all of Participant's outstanding equity awards (including options exercised during the applicable period) until a new Alternate Withholding Rate Form is filed with the Corporation in accordance with the administrative procedures provided for by the Corporation. An Alternate Withholding Rate is subject to the Corporation's approval and can be approved or denied in its sole discretion. Notwithstanding the foregoing, in the event Participant is determined to be subject to Section 16 of the 1934 Act (a "Section 16 Participant") at the time of settlement, the Alternate Withholding Rate must be approved by the Corporation's Compensation Committee.

(iii) Notwithstanding the foregoing provisions of this Paragraph 1, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest under the applicable award agreement. Accordingly, to the extent the applicable issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Paragraph 1(iii) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Section 3121(v) of the Internal Revenue Code.

For the avoidance of doubt, the terms of this Paragraph 1 are not meant to and do not limit the Corporation's right to, in its sole discretion and subject to the following sentence, establish a procedure to permit the satisfaction of the Withholding Taxes in the form of cash.

2. **Stock Option Awards.** The following provisions shall govern the automatic withholding procedures for stock option awards granted to Participants under the Matson Plans that are unvested or outstanding and exercisable as of the Addendum Effective Date:

(i) The Corporation shall withhold, at the time of the option exercise, a portion of the purchased Option Shares with an aggregate Fair Market Value (measured on the exercise date) equal to the applicable Withholding Taxes; *provided, however*, that the number of the Option Shares so withheld shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates, except as provided in Section 2(ii) below (the "Applicable Withholding Rate").

(ii) The amount which the Corporation shall be required to so withhold shall not exceed in Fair Market Value the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. However, Participant may elect an alternate Applicable Withholding Rate equal to the maximum statutory tax rate for the applicable withholding tax in Participant's applicable jurisdictions (the "Alternate Withholding Rate"). To request an Alternate Withholding Rate, the Participant must complete and return to the Corporation the appropriate Corporation's Form of Alternate Withholding Rate (the "Alternate Rate Form") within the required timeframe provided for by the Corporation. The Alternate Rate Form can be obtained from the Corporation's Human Resources Department. Any election of an Alternate Withholding Rate under an Alternate Rate Form will become the default Applicable Withholding Rate with respect to all of Participant's outstanding equity awards (including options exercised during the applicable period) until a new Alternate Rate Form is filed with the Corporation in accordance with the administrative procedures provided for by the Corporation. An Alternate Withholding Rate is subject to the Corporation's approval and can be approved or denied in its sole discretion. Notwithstanding the foregoing, in the event Participant is determined to be subject to Section 16 of the 1934 Act at the time of settlement, the Applicable Withholding Rate the Alternate Withholding Rate must be approved by the Corporation's Compensation Committee.

For the avoidance of doubt, the terms of this Paragraph 2 are not meant to and do not limit the Corporation's right to allow for a Participant to otherwise make satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the designated notification period preceding the exercise of the option, to pay the applicable Withholding Taxes through the delivery of a check or wire transfer payable to the Corporation in the amount of such Withholding Taxes.

3. **Miscellaneous.** Other than the rules governing the automatic withholding procedures for equity awards as set forth in this Addendum, the remaining terms and provisions

of each award granted under the Matson Plans that is outstanding as of Addendum Effective Date are the same as the terms and provisions that were in effect under each of the corresponding award agreements at the Addendum Effective Date.

## **APPENDIX A**

### **DEFINITIONS**

The following definitions shall be in effect under the Agreement:

A. **Addendum Effective Date** shall mean the date on which the Compensation Committee of the Board of Directors of the Corporation adopted the Addendum.

B. **Fair Market Value** shall mean (i) with respect to equity awards granted under the 2007 Plan, the definition of “Fair Market Value” included in the 2007 Plan and applicable equity award agreement and (ii) with respect to equity awards granted under the 2016 Plan, the definition of “Fair Market Value” included in the 2016 Plan and the applicable equity award agreement.

C. **Option Shares** shall mean the number of Shares subject to the stock option as specified in the applicable grant notice under the 2007 Plan.

D. **Participant** shall mean the person to whom an award of equity-based compensation has been made pursuant to the Matson Plans and applicable award agreements thereunder.

E. **Shares** shall mean shares of the Corporation’s common stock.

F. **Withholding Tax** shall mean the applicable federal, state and local income and employment withholding taxes and any other withholding taxes to which the holder of an award under the Matson Plans may become subject in connection with the issuance, exercise or vesting of such award or the issuance of Shares thereunder.

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MATSON, INC.

## Subsidiaries as of February 1, 2018

ABHI-Crockett, Inc.	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Alaska, Inc.	Delaware
Subsidiaries:	
Horizon Lines Holding Corp.	Delaware
Subsidiaries:	
Horizon Lines of Puerto Rico, LLC	Delaware
HLPR Holding Corp.	Delaware
Horizon Logistics, LLC	Delaware
Subsidiaries:	
Horizon Services Group, LLC	Delaware
Aero Logistics, LLC	Delaware
Horizon Lines, LLC	Delaware
Subsidiaries:	
Horizon Lines of Guam, LLC	Delaware
Horizon Lines Vessels, LLC	Delaware
HL Distribution Service, LLC	Delaware
Matson Navigation Company of Alaska, LLC	Delaware
Subsidiaries:	
Matson Navigation Company of Alaska Payroll Agent, LLC	Delaware
Horizon Lines Merchant Vessels, LLC	Delaware
Subsidiaries:	
Horizon Lines Alaska Vessels, LLC	Delaware
Horizon Lines Alaska Terminals, LLC	Delaware
Matson Logistics, Inc.	Hawaii
Subsidiaries:	
Matson Logistics Services, LLC	Hawaii
Matson Logistics Warehousing, Inc.	Hawaii
Span Intermediate LLC	Delaware
Subsidiaries	
Span Acquisition Company, LLC	Delaware
Subsidiaries	
Alaska Freight Express, LLC	Washington
Midnight Sun Transportation Services, LLC	Alaska
Span-Alaska Transportation, LLC	Washington
Matson Logistics, Limited	Hong Kong
Subsidiary	
Matson Logistics Holding Company, LLC	Delaware
Matson Logistics (India) Private Limited	India
Matson Navigation Vessels, LLC	Delaware
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 Ship Management Limited	New Zealand
Matson (Antigua) Limited	Antigua and Barbuda
Reef Nauru Limited	New Zealand
Subsidiary:	
Reef Nauru II Shipping Limited	Antigua and Barbuda

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-212194; 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 23, 2018, appearing in the Annual Report on Form 10-K of Matson, Inc. for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

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Honolulu, Hawaii  
February 23, 2018

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## 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, Chairman and  
Chief Executive Officer

Date: February 23, 2018

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## 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 23, 2018

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**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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew J. Cox, as Chairman 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: Chairman and Chief Executive Officer

Date: February 23, 2018

/s/ Joel M. Wine

Name: Joel M. Wine

Title: Senior Vice President and Chief Financial Officer

Date: February 23, 2018

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