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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2007

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-565

**ALEXANDER & BALDWIN, INC.**

(Exact name of registrant as specified in its charter)

**Hawaii**

(State or other jurisdiction of  
incorporation or organization)

**99-0032630**

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

**P. O. Box 3440, Honolulu, Hawaii  
822 Bishop Street, Honolulu, Hawaii**

(Address of principal executive offices)

**96801**

**96813**  
(Zip Code)

**(808) 525-6611**

(Registrant's telephone number, including area code)

N/A

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

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

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**Number of shares of common stock outstanding as of June 30, 2007:**

**42,989,386**

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## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS**ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Income**

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:				
Operating revenue	\$ <u>427.2</u>	\$ 416.0	\$ <u>810.5</u>	\$ 775.1
Costs and Expenses:				
Costs of goods sold, services and rentals	<u>340.4</u>	346.7	<u>647.6</u>	639.6
Selling, general and administrative	<u>40.5</u>	36.3	<u>78.1</u>	72.1
Operating costs and expenses	<u>380.9</u>	383.0	<u>725.7</u>	711.7
Operating Income	<u>46.3</u>	33.0	<u>84.8</u>	63.4
Other Income and (Expense):				
Equity in income (loss) of real estate affiliates	7.2	(1.7)	11.6	12.2
Interest income	0.7	2.7	1.7	4.9
Interest expense	<u>(4.1)</u>	<u>(3.0)</u>	<u>(8.4)</u>	<u>(6.2)</u>
Income Before Taxes	<u>50.1</u>	31.0	<u>89.7</u>	74.3
Income taxes	<u>(18.8)</u>	<u>(11.3)</u>	<u>(34.3)</u>	<u>(27.7)</u>
Income From Continuing Operations	<u>31.3</u>	19.7	<u>55.4</u>	46.6
Discontinued Operations (net of income taxes)	<u>0.7</u>	10.5	<u>1.3</u>	21.0
Net Income	<u>\$ 32.0</u>	<u>\$ 30.2</u>	<u>\$ 56.7</u>	<u>\$ 67.6</u>
Basic Earnings Per Share:				
Continuing operations	\$ <u>0.73</u>	\$ 0.45	\$ <u>1.30</u>	\$ 1.06
Discontinued operations	<u>0.02</u>	0.24	<u>0.03</u>	0.48
Net income	<u>\$ 0.75</u>	<u>\$ 0.69</u>	<u>\$ 1.33</u>	<u>\$ 1.54</u>
Diluted Earnings Per Share:				
Continuing operations	\$ <u>0.73</u>	\$ 0.44	\$ <u>1.29</u>	\$ 1.05
Discontinued operations	<u>0.01</u>	0.24	<u>0.03</u>	0.48
Net income	<u>\$ 0.74</u>	<u>\$ 0.68</u>	<u>\$ 1.32</u>	<u>\$ 1.53</u>
Average Number of Basic Shares Outstanding	42.7	44.0	42.6	43.9
Average Number of Dilutive Shares Outstanding	43.1	44.3	43.0	44.3

See Notes to Condensed Consolidated Financial Statements.

**ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES**  
**Industry Segment Data, Net Income**  
(In millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:				
Transportation:				
Ocean transportation	\$ 253.1	\$ 243.6	\$ 484.7	\$ 462.9
Logistics services	112.4	116.4	215.3	224.8
Real Estate:				
Leasing	26.4	24.4	55.2	49.0
Sales	0.4	36.8	6.9	60.6
Less amounts reported in discontinued operations	(1.8)	(39.7)	(3.5)	(66.1)
Agribusiness	38.5	37.8	55.7	53.3
Reconciling Items	(1.8)	(3.3)	(3.8)	(9.4)
Total revenue	<u>\$ 427.2</u>	<u>\$ 416.0</u>	<u>\$ 810.5</u>	<u>\$ 775.1</u>
Operating Profit, Net Income:				
Transportation:				
Ocean transportation	\$ 39.1	\$ 24.4	\$ 57.9	\$ 42.7
Logistics services	5.5	5.3	11.1	10.0
Real Estate:				
Leasing	12.3	12.2	27.3	24.3
Sales	4.5	10.9	13.3	38.0
Less amounts reported in discontinued operations	(1.1)	(16.8)	(2.1)	(33.8)
Agribusiness	0.5	3.1	4.1	9.6
Total operating profit	<u>60.8</u>	<u>39.1</u>	<u>111.6</u>	<u>90.8</u>
Interest Expense	(4.1)	(3.0)	(8.4)	(6.2)
General Corporate Expenses	(6.6)	(5.1)	(13.5)	(10.3)
Income From Continuing Operations Before Income Taxes	<u>50.1</u>	<u>31.0</u>	<u>89.7</u>	<u>74.3</u>
Income Taxes	(18.8)	(11.3)	(34.3)	(27.7)
Income From Continuing Operations	<u>31.3</u>	<u>19.7</u>	<u>55.4</u>	<u>46.6</u>
Discontinued Operations (net of income taxes)	0.7	10.5	1.3	21.0
Net Income	<u>\$ 32.0</u>	<u>\$ 30.2</u>	<u>\$ 56.7</u>	<u>\$ 67.6</u>

See Notes to Condensed Consolidated Financial Statements.

**ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(In millions)

	<b>June 30,</b> <b><u>2007</u></b>	<b>December 31,</b> <b><u>2006</u></b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 52	\$ 45
Accounts and notes receivable, net	181	178
Inventories	67	19
Deferred income taxes	7	10
Prepaid expenses and other assets	<u>31</u>	<u>33</u>
Total current assets	<u>338</u>	<u>285</u>
Investments	<u>157</u>	<u>149</u>
Real Estate Developments	<u>211</u>	<u>147</u>
Property, at cost	2,495	2,485
Less accumulated depreciation and amortization	<u>1,022</u>	<u>986</u>
Property – net	<u>1,473</u>	<u>1,499</u>
Pension Assets	<u>58</u>	<u>56</u>
Other Assets	<u>103</u>	<u>115</u>
Total	<u><u>\$ 2,340</u></u>	<u><u>\$ 2,251</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$ 24	\$ 41
Accounts payable	143	136
Other	<u>86</u>	<u>80</u>
Total current liabilities	<u>253</u>	<u>257</u>
Long-term Liabilities:		
Long-term debt	459	401
Deferred income taxes	438	442
Liability for benefit plans	54	52
Other	<u>73</u>	<u>72</u>
Total long-term liabilities	<u>1,024</u>	<u>967</u>
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	35	35
Additional capital	192	179
Accumulated other comprehensive loss	(20)	(19)
Retained earnings	867	843
Cost of treasury stock	<u>(11)</u>	<u>(11)</u>
Total shareholders' equity	<u>1,063</u>	<u>1,027</u>
Total	<u><u>\$ 2,340</u></u>	<u><u>\$ 2,251</u></u>

See Notes to Condensed Consolidated Financial Statements.

**ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(In millions)

	Six Months Ended	
	June 30,	
	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities	\$ 34	\$ 40
Cash Flows from Investing Activities:		
Capital expenditures	(45)	(87)
Proceeds from disposal of property and other assets	7	31
Deposits into Capital Construction Fund	(20)	(22)
Withdrawals from Capital Construction Fund	14	4
Purchases of investments	(5)	(20)
Sales of investments	--	41
Net cash used in investing activities	<u>(49)</u>	<u>(53)</u>
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	100	70
Payments of long-term debt	(60)	(13)
Proceeds (payments) from short-term borrowings, net	--	23
Proceeds from issuances of capital stock, including excess tax benefit	5	3
Repurchase of capital stock	--	(72)
Dividends paid	(23)	(21)
Net cash provided by (used in) financing activities	<u>22</u>	<u>(10)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 7</u>	<u>\$ (23)</u>
Other Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ (6)	\$ (6)
Income taxes refunded (paid)	(22)	(32)
Other Non-cash Information:		
Depreciation expense	46	41
Tax-deferred real estate sales	--	58
Tax-deferred property purchases	(12)	(33)
Common stock dividends declared but not yet paid	12	11

See Notes to Condensed Consolidated Financial Statements.

**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

- (1) The Condensed Consolidated Financial Statements are unaudited. Because of the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year. While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Therefore, the interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's annual report filed on Form 10-K for the year ended December 31, 2006.
- (2) In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), which is effective for the Company on January 1, 2008. SFAS No. 159 provides an option for companies to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments. Under SFAS No. 159, fair value would be used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in value recognized in earnings. At this time, the Company has not completed its review and assessment of the impact upon adoption of SFAS No. 159.

In June 2007, the FASB ratified the consensus reached in Emerging Issues Task Force ("EITF") Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for nonvested equity-classified employee share-based payment awards as an increase to additional paid-in capital. EITF 06-11 is effective for fiscal years beginning after December 15, 2007. The Company does not expect that EITF 06-11 will have a material impact on its financial position, results of operations, or cash flows.

- (3) Commitments and Contingencies: Commitments and financial arrangements that are not recorded on the Company's balance sheet at June 30, 2007, other than operating lease obligations, included the following (in millions):

Guarantee of HS&TC debt	(a)	\$ 8
Standby letters of credit	(b)	\$ 23
Bonds	(c)	\$ 11
Benefit plan withdrawal obligations	(d)	\$ 66

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

- (a) The Company is contingently liable for up to \$21.5 million based on a portion of amounts outstanding under a \$30 million Hawaiian Sugar &

Transportation Cooperative (“HS&TC”) revolving credit line. This guarantee was issued before December 31, 2002, and therefore, is not subject to the scope of FASB Interpretation No. 45 (“FIN 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” As of June 30, 2007, \$8 million was borrowed under HS&TC’s facility.

- (b) Consists of letters of credit, totaling approximately \$23 million, which enable the Company to qualify as a self-insurer for state and federal workers’ compensation liabilities. This balance also includes approximately \$5 million of letters of credit related to certain of the Company’s real estate projects.
- (c) Consists of approximately \$6 million in U.S. customs bonds, approximately \$4 million related to real estate construction projects in Hawaii, and approximately \$1 million related to transportation and other matters.
- (d) Represents the withdrawal liabilities for multiemployer pension plans, in which Matson is a participant. The withdrawal liability aggregated approximately \$66 million as of the most recent valuation dates. Management has no present intention of withdrawing from, and does not anticipate termination of any of the aforementioned plans.

*Indemnity Agreements:* For certain real estate joint ventures, the Company may be obligated under bond indemnities to complete construction of the real estate development if the joint venture does not perform. These indemnities are designed to protect the surety or lender. To date, none of these indemnities has been called upon. The Company accounts for these indemnities in accordance with FIN 45. The fair values of the liabilities recorded by the Company in connection with the indemnities were not material.

*Completion Guarantees:* For certain real estate joint ventures, the Company may be required to perform work to complete construction if the joint venture fails to complete construction. These guarantees are intended to assure the joint venture’s lender that the project will be completed as represented to the lender. To date, none of these guarantees has been called upon. The Company accounts for these completion guarantees in accordance with FIN 45. The fair values of the liabilities recorded by the Company in connection with the completion guarantees were not material.

*Financing Agreement:* On April 20, 2006, the Company entered into a three-year unsecured note purchase and private shelf agreement with Prudential Investment Management, Inc. and its affiliates (collectively, “Prudential”) under which the Company may issue notes in an aggregate amount up to \$400 million less the sum of all principal amounts then outstanding on any notes issued by the Company or any of its subsidiaries to Prudential. In March 2007, the Company received \$50 million that represented the second of three scheduled draws under the facility. In June 2007, the Company received \$25 million that represented the third and final draw of three

scheduled draws under the facility. As of June 30, 2007 approximately \$100 million was available under the facility.

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

- (4) Earnings Per Share ("EPS"): The denominator used to compute basic and diluted earnings per share is as follows (in millions):

	<b>Three Months Ended June 30,</b>		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Denominator for basic EPS – weighted average shares	<u>42.7</u>	<u>44.0</u>	<u>42.6</u>	<u>43.9</u>
Effect of dilutive securities:				
Employee/director stock options and non-vested common stock	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>
Denominator for diluted EPS – weighted average shares	<u><u>43.1</u></u>	<u><u>44.3</u></u>	<u><u>43.0</u></u>	<u><u>44.3</u></u>

Basic earnings per share is computed based on the weighted-average number of common shares outstanding. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive shares of common stock include non-qualified stock options, non-vested common stock, and restricted stock units.

The computation of average dilutive shares outstanding excluded non-qualified stock options to purchase approximately 0.2 million shares of common stock for the six months ended June 30, 2007. The computation of average dilutive shares outstanding excluded non-qualified stock options to purchase approximately 0.2 million shares of common stock for both the three months and six months ended June 30, 2006. These options were excluded because the options' exercise prices were greater than the average market price of the Company's common stock for the periods presented and, therefore, the effect would be anti-dilutive to diluted EPS.

- (5) Share-Based Compensation: On April 26, 2007, the Company's shareholders approved the 2007 Incentive Compensation Plan (the "2007 Plan") which serves as a successor to the 1998 Stock Option/Stock Incentive Plan, the 1998 Non-Employee Director Stock Option Plan, the Restricted Stock Bonus Plan and the Non-Employee Director Stock Retainer Plan (the "Predecessor Plans"). Under the 2007 Plan, 2,215,000 shares of common stock were initially reserved for issuance. The approval of the 2007 Plan did not affect any options or stock issuances outstanding under the Predecessor Plans. To the extent any of those options subsequently terminate unexercised or those stock issuances are forfeited prior to vesting, the number of shares of common stock subject to those terminated options, together with the forfeited shares, will be added to the share reserve available for issuance under the 2007 Plan, up to an additional 750,000 shares. However, no further awards may be made under the Predecessor Plans subsequent to the approval of the 2007 Plan.



The 2007 Plan consists of four separate incentive compensation programs: (i) the discretionary grant program, (ii) the stock issuance program, (iii) the incentive bonus program and (iv) the automatic grant program for the non-employee members of the Company's Board of Directors. Share-based compensation is generally awarded under three of the four programs. Those programs are 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% 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. The Company estimates the grant-date fair value of its stock options using a Black-Scholes valuation model.

*Stock Issuance Program* – Under the Stock Issuance Program, shares of common stock or restricted stock units may be granted. Generally, time-based equity awards vest ratably over three years and performance-based equity awards vest after one year, provided that certain corporate goals are achieved.

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

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

The Company's Predecessor Plans are more fully described in its most recent Form 10-K and in other filings with the Securities and Exchange Commission.

On January 24, 2007, the Company granted non-qualified stock options to purchase 279,739 shares of the Company's common stock under the Predecessor Plans. The grant-date fair value of each stock option granted, using a Black-Scholes valuation model, was \$10.91 using the following weighted average assumptions: volatility of 19.5%, risk-free interest rate of 4.8%, dividend yield of 2.1%, and expected term of 5.8 years. On June 27, 2007, the Company granted non-qualified stock options to purchase 3,132 shares of the Company's common stock under the 2007 Plan. The grant-date fair value of each stock option granted, using a Black-Scholes valuation model, was \$11.75 using the following weighted average assumptions: volatility of 19.0%, risk-free interest rate of 5.0%, dividend yield of 2.2%, and expected term of 5.8 years.

Activity in the Company's stock option plans for the first half of 2007 was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

	Employee Plans			Directors' Plans		Total Shares	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
	1998	1989	2007	1998	1989				
	Plan	Plan	Plan	Directors' Plan	Directors' Plan				
Outstanding December 31, 2006	1,234	27	--	266	30	1,557	\$ 34.47		
Granted	280	--	3	--	--	283	\$ 48.24		
Exercised	(106)	(11)	--	(6)	(18)	(141)	\$ 29.47		
Forfeited and expired	(2)	--	--	--	--	(2)	\$ 35.19		
Outstanding June 30, 2007	<u>1,406</u>	<u>16</u>	<u>3</u>	<u>260</u>	<u>12</u>	<u>1,697</u>	\$ 37.18	6.5	\$ 27,381
Exercisable June 30, 2007	<u>951</u>	<u>16</u>	<u>--</u>	<u>199</u>	<u>12</u>	<u>1,178</u>	\$ 32.25	5.5	\$ 24,808

The following table summarizes non-vested common stock and restricted stock unit activity through June 30, 2007 (in thousands, except weighted-average, grant-date fair value amounts):

	<b>Predecessor Plans Non-Vested Common Stock Shares</b>	<b>Weighted Average Grant-Date Fair Value</b>	<b>2007 Plan Restricted Stock Units</b>	<b>Weighted Average Grant-Date Fair Value</b>
Outstanding December 31, 2006	274	\$ 47.28	--	\$ --
Granted	166	\$ 48.19	17	\$ 54.27
Vested	(150)	\$ 48.39	--	\$ --
Outstanding June 30, 2007	<u>290</u>	\$ 47.16	<u>17</u>	\$ 54.27

A portion of the above awards are time-based awards and vest ratably over three years. The remaining portion of the awards represent performance-based awards that vest after one year, provided certain performance targets are achieved.

A summary of the compensation cost and other measures related to share-based payments is as follows (in millions):

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Share-based expense (net of estimated forfeitures):				
Stock options	\$ 0.7	\$ 0.7	\$ 1.5	\$ 1.4
Non-vested common stock/Restricted stock units	<u>3.1</u>	<u>1.4</u>	<u>5.2</u>	<u>2.6</u>
Total share-based expense	<u>3.8</u>	<u>2.1</u>	<u>6.7</u>	<u>4.0</u>
Total recognized tax benefit	<u>(0.9)</u>	<u>(0.5)</u>	<u>(1.6)</u>	<u>(1.0)</u>
Share-based expense (net of tax)	<u>\$ 2.9</u>	<u>\$ 1.6</u>	<u>\$ 5.1</u>	<u>\$ 3.0</u>

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

Discontinued operations were as follows (in millions):

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Discontinued Operations (net of tax)				
Sales of Assets	\$ --	\$ 9.4	\$ --	\$ 18.7
Leasing Operations	<u>0.7</u>	<u>1.1</u>	<u>1.3</u>	<u>2.3</u>
Total	<u>\$ 0.7</u>	<u>\$ 10.5</u>	<u>\$ 1.3</u>	<u>\$ 21.0</u>

- (7) Other Comprehensive Income for the three and six months ended June 30, 2007 and 2006 was as follows (in millions):

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net Income	\$ 32.0	\$ 30.2	\$ 56.7	\$ 67.6
Company's share of investee's minimum pension liability adjustment	(1.2)	--	(1.1)	0.1
Other	<u>(0.4)</u>	<u>(0.1)</u>	<u>--</u>	<u>(0.1)</u>
Comprehensive Income	<u>\$ 30.4</u>	<u>\$ 30.1</u>	<u>\$ 55.6</u>	<u>\$ 67.6</u>

- (8) Pension and Post-retirement Plans: The Company has defined benefit pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans. The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration

existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates for 2007 are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The Components of Net Periodic Benefit Cost for the second quarters of 2007 and 2006 were as follows (in millions):

	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service Cost	\$ 1.7	\$ 1.9	\$ --	\$ 0.2
Interest Cost	4.4	4.1	0.5	0.8
Expected Return on Plan Assets	(7.7)	(6.5)	--	--
Amortization of Prior Service Cost	0.1	0.1	--	--
Amortization of Net (Gain) Loss	(0.2)	0.4	(0.1)	0.3
Net Periodic Benefit Cost	<u>\$ (1.7)</u>	<u>\$ --</u>	<u>\$ 0.4</u>	<u>\$ 1.3</u>

The Components of Net Periodic Benefit Cost (Income) for the first half of 2007 and 2006 were as follows (in millions):

	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service Cost	\$ 3.6	\$ 3.7	\$ 0.4	\$ 0.5
Interest Cost	8.7	8.2	1.5	1.6
Expected Return on Plan Assets	(14.4)	(13.0)	--	--
Amortization of Prior Service Cost	0.2	0.2	--	--
Amortization of Net (Gain) Loss	--	0.8	(0.2)	0.5
Net Periodic Benefit Cost (Income)	<u>\$ (1.9)</u>	<u>\$ (0.1)</u>	<u>\$ 1.7</u>	<u>\$ 2.6</u>

The 2007 return on plan assets is expected to exceed the sum of the service cost, interest cost and amortization components, resulting in an expected net periodic pension credit of approximately \$3.9 million for 2007. No contributions to the Company's pension plans are expected to be required during 2007.

- (9) **Income Taxes:** The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109* (FIN 48), and FASB Staff Position ("FSP") No. 48-1, *Definition of Settlement in FASB Interpretation No. 48* ("FSP 48-1"), an amendment to FIN 48, effective January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a decrease of \$2.3 million in the liability for unrecognized tax benefits, and a corresponding increase to the January 1, 2007 balance of retained earnings. As of the date of adoption, and after the impact of recognizing the decrease in liability noted above, the Company's gross unrecognized tax benefits and related gross accrued interest totaled \$10.0 million. Of this total, \$8.0 million (\$5.8 million net of the federal benefit on state issues) represents the amount of gross unrecognized tax benefits that, if recognized,

would favorably affect the effective income tax rate in future periods, and \$0.7 million represents gross accrued interest.

During the six month period ended June 30, 2007, the gross unrecognized tax benefit was increased by \$0.9 million for uncertain tax positions existing as of the date of adoption, and decreased by \$1.6 million due to the effective settlement of state tax issues, of which \$1.2 million had a favorable impact on the Company's effective tax rate for the year.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. To the extent interest and penalties are not ultimately assessed with respect to the settlement of uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. There were no amounts accrued as penalties.

The Company is no longer subject to U.S. federal income tax audits for years before 2003. Substantially all material state, local, and foreign income tax matters have been concluded for years through 2001. During the quarter ended June 30, 2007, an audit of state income tax returns for 2003 and 2004 was concluded and effectively settled. The final outcome of this review is a payment of \$0.2 million.

(10) Subsequent Events:

On July 5, 2007, the Goldman Sachs Group Inc. announced plans to purchase 49 percent of Seattle-based Carrix Inc., the ultimate parent of SSA Terminals, LLC, an equity-method investment in which Matson has a 35 percent interest.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the condensed consolidated financial statements and related notes thereto included in Item 1 of this Form 10-Q.

### **FORWARD-LOOKING STATEMENTS**

The Company, from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission ("SEC") filings, such as the Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. 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 the Company's 2006 annual report on Form 10-K. 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 financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company's financial statements. MD&A is provided as a supplement to the condensed consolidated financial statements and notes herein, and should be read in conjunction with the Company's annual report on Form 10-K and its accompanying notes as well as the Company's reports on Forms 10-Q and 8-K and other publicly available information. MD&A is presented in the following sections:

- Business Overview
- Consolidated Results of Operations
- Analysis of Operating Revenue and Profit by Segment
- Liquidity and Capital Resources
- Business Outlook
- Other Matters

## **BUSINESS OVERVIEW**

Alexander & Baldwin, Inc. (“A&B”), founded in 1870, is a multi-industry corporation headquartered in Honolulu that operates in five segments in three industries—Transportation, Real Estate, and Agribusiness (formerly Food Products).

*Transportation:* The Transportation industry is comprised of ocean transportation and logistics service segments. The Ocean Transportation segment is an asset-based business that derives its revenue primarily through the carriage of containerized freight between various U.S. Pacific Coast, Hawaii, Guam, China and other Pacific island ports. Additionally, the Ocean Transportation segment has a 35 percent interest in an entity that provides terminal and stevedoring services at U.S. Pacific Coast facilities.

The Logistics Services segment is a non-asset based business that is a provider of domestic and international rail intermodal service, long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload, and expedited/air freight services.

*Real Estate:* The Real Estate industry consists of two segments, both of which have operations in Hawaii and on the U.S. mainland. The Real Estate Sales segment, a developer headquartered in the State of Hawaii, generates its revenues through the development and sale of land and commercial and residential properties. The Real Estate Leasing segment owns, operates, and manages retail, office, and industrial properties.

*Agribusiness:* The Agribusiness industry, which contains one segment, produces bulk raw sugar, specialty food-grade sugars, and molasses; produces, markets, and distributes roasted coffee and green coffee; provides general trucking services, mobile equipment maintenance, and repair services; and generates and sells, to the extent not used in the Company’s operations, electricity.

**CONSOLIDATED RESULTS OF OPERATIONS***Consolidated – Second quarter of 2007 compared with 2006*

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Operating Revenue	\$ 427.2	\$ 416.0	3%
Operating Costs and Expenses	<u>380.9</u>	<u>383.0</u>	-1%
Operating Income	46.3	33.0	40%
Other Income and (Expenses)	<u>3.8</u>	<u>(2.0)</u>	NM
Income Before Taxes	50.1	31.0	62%
Income Taxes	(18.8)	(11.3)	66%
Discontinued Operations (net of income taxes)	<u>0.7</u>	<u>10.5</u>	-93%
Net Income	\$ 32.0	\$ 30.2	6%
Basic Earnings per Share	\$ 0.75	\$ 0.69	9%
Diluted Earnings per Share	\$ 0.74	\$ 0.68	9%

Operating revenue for the second quarter of 2007 increased \$11.2 million, or 3 percent, compared with the second quarter of 2006. This increase was due principally to \$9.5 million higher revenue for ocean transportation, \$3.2 million higher revenue from real estate leasing (after excluding leasing revenue from assets classified as discontinued operations), and \$0.7 million higher revenue for Agribusiness, partially offset by \$4.0 million lower logistics services revenue. The reasons for the revenue growth are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Operating costs and expenses for the second quarter of 2007 decreased \$2.1 million, or 1 percent, compared with the second quarter of 2006 due to \$10.5 million in lower operating costs for ocean transportation, partially offset by \$4.2 million increase in selling, general and administrative costs principally related to personnel costs and \$3.6 million increase in Agribusiness production costs. The reasons for the operating cost and expense changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Other income and (expenses) increased \$5.8 million, primarily due to \$8.9 million in higher joint venture earnings in the second quarter of 2007 resulting principally from sales at Kai Malu and a commercial property sale by the Company's Centre Point joint venture.

Income taxes for the second quarter of 2007 were higher than the second quarter of 2006 on an absolute and percentage basis due to higher income and a change in the effective income tax rate.

The effective income tax rate for the full year is expected to be higher than the rate applicable to the second quarter of 2007 because of the favorable impact in the quarter from the recognition of \$1.2 million in unrecognized tax benefits resulting from the effective settlement of a state tax issue.



*Consolidated – First half of 2007 compared with 2006*

(dollars in millions)	Six Months Ended June 30,		
	2007	2006	Change
Operating Revenue	\$ 810.5	\$ 775.1	5%
Operating Costs and Expenses	725.7	711.7	2%
Operating Income	84.8	63.4	34%
Other Income and (Expenses)	4.9	10.9	-55%
Income Before Taxes	89.7	74.3	21%
Income Taxes	(34.3)	(27.7)	24%
Discontinued Operations (net of income taxes)	1.3	21.0	-94%
Net Income	\$ 56.7	\$ 67.6	-16%
Basic Earnings per Share	\$ 1.33	\$ 1.54	-14%
Diluted Earnings per Share	\$ 1.32	\$ 1.53	-14%

Operating revenue for the first half of 2007 increased \$35.4 million, or 5 percent, compared with the first half of 2006. This increase was due principally to \$21.8 million higher revenue for ocean transportation, \$9.1 million higher revenue from real estate leasing (after excluding leasing revenue from assets classified as discontinued operations), \$6.0 million in higher revenue from real estate sales (after excluding revenue from discontinued operations), and \$2.4 million in higher revenue for Agribusiness, partially offset by \$9.5 million lower logistics services revenue. The reasons for the revenue growth are described below, by business segment, in the Analysis of Operating Revenue and Profit.

Operating costs and expenses for the first half of 2007 increased \$14.0 million, or 2 percent, compared with the first half of 2006 due to \$8.1 million in higher production costs for Agribusiness, \$6.0 million increase in selling, general and administrative costs, and \$3.5 million in higher costs for the real estate segment, partially offset by \$7.0 million in lower costs for ocean transportation. The reasons for the operating cost and expense changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Other income and (expenses) decreased \$6.0 million in the first half of 2007 compared with the first half of 2006, due primarily to \$3.2 million in lower interest income, \$2.2 million in higher interest expense and \$0.6 million in lower joint venture earnings.

Income taxes in the first half of 2007 were higher than the first half of 2006 due primarily to the same factors cited for the second quarter increase.

# ANALYSIS OF OPERATING REVENUE AND PROFIT BY SEGMENT

## TRANSPORTATION INDUSTRY

### *Ocean Transportation – Second quarter of 2007 compared with 2006*

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Revenue	\$ 253.1	\$ 243.6	4%
Operating profit	\$ 39.1	\$ 24.4	60%
Operating profit margin	15.4%	10.0%	
Volume (Units)			
Hawaii containers	42,400	44,600	-5%
Hawaii automobiles	23,200	33,800	-31%
China containers	13,800	7,500	84%
Guam containers*	3,700	3,400	9%

\* Container volumes related to the Federated States of Micronesia (FSM) have been excluded for comparative purposes due to the Company's new deployment in the Guam and Micronesia trades.

Ocean Transportation revenue for the second quarter of 2007 increased \$9.5 million, or 4 percent, compared with the second quarter of 2006. Of this increase, approximately \$10.6 million was due to improved yields and cargo mix, \$5.8 million was due to overall container volume increases for Matson's services, and \$1.8 million was due to increases in fuel surcharge revenues. These increases were partially offset by approximately \$3.9 million in lower government charter service revenue and \$3.2 million in lower purchased transportation revenue.

Total Hawaii container volume was down 5 percent from the second quarter of 2006, reflecting a moderation in the rate of growth for the Hawaii economy and reduced shipments in the lower-margin buildings segment. Matson's Hawaii automobile volume for the quarter was 31 percent lower than the second quarter of last year, due primarily to lower rental fleet turnover and slower retail auto sales. China container volume increased 84 percent in the second quarter of 2007 compared with the second quarter of 2006, primarily due to the ramp-up of the China service which began late in the first quarter of 2006. Guam container volumes increased 9 percent due to increased economic activity in the region.

Operating profit for the second quarter of 2007 increased \$14.7 million, or 60 percent, compared with the second quarter of 2006. This increase was primarily the result of revenue increases described above and from the following operating expense changes, which augmented revenue increases. Vessel costs decreased \$6.5 million, primarily due to fleet optimization initiatives, resulting in fewer vessel days in line with the lower automobile and container volumes in the Hawaii service, and lower charter costs as a result of the off-hire of the M.V. Greatland late in the first quarter of 2007. Additionally, Hawaii terminal costs decreased \$1.7 million due to lower Hawaii auto and container volumes. These cost decreases were partially offset by \$2.5 million in higher depreciation expense from the acquisition of a new vessel in July 2006 and other equipment purchases, as well as \$1.9 million primarily due to higher container repositioning costs resulting from increased China inland volumes. Additionally,

earnings from Matson's SSAT joint venture contributed \$0.8 million more in the second quarter of 2006 compared with the second quarter of 2007. Earnings from joint ventures are not included in revenue, but are included in operating profit.

Matson's operating margin of 15.4% for the quarter was higher than historical averages, principally due to fleet optimization and cost containment initiatives. Matson expects operating margins to moderate, in line with historical levels, for the balance of the year due to limited additional opportunities for fleet redeployment due to dry-dockings scheduled for the second half of 2007.

***Ocean Transportation – First half of 2007 compared with 2006***

(dollars in millions)	Six Months Ended June 30,		
	2007	2006	Change
Revenue	\$ 484.7	\$ 462.9	5%
Operating profit	\$ 57.9	\$ 42.7	36%
Operating profit margin	11.9%	9.2%	
Volume (Units)			
Hawaii containers	83,100	86,400	-4%
Hawaii automobiles	46,100	65,600	-30%
China containers	25,500	9,500	2.7x
Guam containers*	7,100	6,800	4%

\* Container volumes related to the Federated States of Micronesia (FSM) have been excluded for comparative purposes due to the Company's new deployment in the Guam and Micronesia trades.

Ocean Transportation revenue for the first half of 2007 increased \$21.8 million, or 5 percent, compared with the first half of 2006. Of this increase, approximately \$19.7 million was due to improved yields and cargo mix, \$10.3 million was due to overall container volume increases for Matson's services, and \$6.0 million was due to an increase in fuel surcharge revenues. These increases were partially offset by \$6.4 million of lower vessel charter revenue resulting from the expiration of the APL Alliance in the first quarter of 2006, \$3.5 million in lower government charter service revenue, and \$3.3 million related to a gain recognized in 2006 on the sale of two surplus and obsolete vessels. Container and auto volume changes were due to the same factors cited for the quarter.

Operating profit for the first half of 2007 increased \$15.2 million, or 36 percent, compared with the first half of 2006. This increase was primarily the result of revenue increases described above and from the following operating expense changes, which partially offset revenue increases. Operations overhead increased \$8.1 million, primarily due to container repositioning costs arising as a result of increased China inland volumes, depreciation increased \$4.3 million due to the acquisition of a new vessel in July 2006 and other equipment purchases, and general and administrative costs increased \$1.4 million due principally to higher personnel costs. The year-over-year variance was also negatively impacted by a \$3.3 million gain in 2006 on the sale of two surplus and obsolete vessels. Lower volumes in the Hawaii service were partially offset by \$4.2 million in lower vessel expenses due to fleet optimization initiatives, as well as lower Hawaii terminal costs, which decreased \$1.8 million due to lower Hawaii auto and container volumes.

**Logistics Services – Second quarter of 2007 compared with 2006**

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Intermodal revenue	\$ 72.4	\$ 73.3	-1%
Highway revenue	40.0	43.1	-7%
Total Revenue	\$ 112.4	\$ 116.4	-3%
Operating profit	\$ 5.5	\$ 5.3	4%
Operating profit margin	4.9%	4.6%	

Logistics revenue for the second quarter of 2007 was \$4.0 million, or 3 percent, lower than the second quarter of 2006. This change was principally due to a decrease in Highway revenue, which decreased by 7 percent as a result of the loss of a truck brokerage agent in Minnesota through an acquisition by a competitor, but was partially offset by an increase in less-than-truckload freight and expedited services. Intermodal rail revenue decreased by 1 percent, primarily due to a general softening across the intermodal market, but was partially offset by higher revenue attributable to providing inland rail transportation to Matson's China service customers.

Logistics operating profit for the second quarter of 2007 was \$0.2 million, or 4 percent, higher than the second quarter of 2006. The operating profit margin percentage increased to 4.9% in 2007 from 4.6% in 2006 due to various margin and yield improvement efforts in both the Intermodal and Highway lines of business. The positive margin improvements were partially offset by higher general and administrative expenses and lower volumes.

**Logistics Services – First half of 2007 compared with 2006**

(dollars in millions)	Six Months Ended June 30,		
	2007	2006	Change
Intermodal revenue	\$ 138.1	\$ 140.9	-2%
Highway revenue	77.2	83.9	-8%
Total Revenue	\$ 215.3	\$ 224.8	-4%
Operating profit	\$ 11.1	\$ 10.0	11%
Operating profit margin	5.2%	4.4%	

Logistics revenue for the first half of 2007 was \$9.5 million, or 4 percent, lower than the first half of 2006. This change was principally due to a decrease in Highway and Intermodal revenue, which decreased by 8 percent and 2 percent, respectively, due to the same factors cited for the quarter.

Logistics operating profit for the first half of 2007 was \$1.1 million, or 11 percent, higher than the first half of 2006. The operating profit improvement was the result of the same factors cited for the second quarter increase.

## REAL ESTATE INDUSTRY

Real estate leasing and sales revenue and operating profit are analyzed before subtracting amounts related to discontinued operations. This is consistent with how the Company's management evaluates and makes decisions regarding capital allocation for the Company's real estate businesses. A discussion of discontinued operations for the real estate business is included separately.

Effect of Property Sales Mix on Operating Results: Direct year-over-year comparison of the real estate sales results may not provide a consistent, measurable barometer of future performance because results from period to period are significantly affected by joint venture income and the mix of property sales. Operating results, by virtue of each project's asset class, geography, and timing, are inherently episodic. Earnings from joint venture investments are not included in segment revenue, but are included in operating profit. The mix of real estate sales in any year or quarter can be diverse and can include developed residential real estate, commercial properties, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawaii generally provides a greater contribution to earnings than does the sale of developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land. Consequently, real estate sales revenue trends, cash flows from the sales of real estate, and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability trends for this segment. Additionally, the operating profit reported in each quarter does not necessarily follow a percentage of sales trends because the cost basis of property sold can differ significantly between transactions. The reporting of real estate sales is also affected by the classification of certain real estate sales as discontinued operations.

### *Real Estate Leasing – Second quarter of 2007 compared with 2006*

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Revenue	\$ 26.4	\$ 24.4	8%
Operating profit	\$ 12.3	\$ 12.2	1%
Operating profit margin	46.6%	50.0%	
Occupancy Rates:			
Mainland	97%	98%	-1%
Hawaii	98%	98%	--%
Leasable Space (million sq. ft.):			
Mainland	3.9	3.7	5%
Hawaii	1.5	1.5	--%

Real estate leasing revenue and operating profit for the second quarter of 2007, before subtracting amounts treated as discontinued operations, were 8 percent and 1 percent higher, respectively, than the amounts reported for the second quarter of 2006. These increases were due principally to \$2.3 million of revenue and \$0.9 million of contribution margin from four properties acquired during or subsequent to the second quarter of 2006, higher common area maintenance recoveries, and higher leasing activity at existing properties. These increases were partially offset by the

sale of three commercial properties during or subsequent to the second quarter of 2006, higher operating costs, including depreciation, increases in real property and other non-income related taxes, and utility costs, and higher interest income on tax deferred exchange proceeds in 2006.

**Real Estate Leasing – First half of 2007 compared with 2006**

(dollars in millions)	Six Months Ended June 30,		
	2007	2006	Change
Revenue	\$ 55.2	\$ 49.0	13%
Operating profit	\$ 27.3	\$ 24.3	12%
Operating profit margin	49.5%	49.6%	
Occupancy Rates:			
Mainland	97%	97%	--%
Hawaii	98%	98%	--%

Real estate leasing revenue and operating profit for the first half of 2007 were 13 percent and 12 percent higher, respectively, than the amounts reported for the first half of 2006. These increases were due to the same reasons as cited for the quarter as well as \$1.7 million of nonrecurring items recorded in the first quarter of 2007.

**Real Estate Sales – Second quarter and first half of 2007 compared with 2006**

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Improved property sales	\$ --	\$ 35.6	-100%
Development sales	--	--	--%
Unimproved/other property sales	0.4	1.2	-67%
Total revenue	\$ 0.4	\$ 36.8	-99%
Operating profit (loss) before joint ventures	\$ (2.7)	\$ 12.6	NM
Earnings from joint ventures	7.2	(1.7)	NM
Total operating profit	\$ 4.5	\$ 10.9	-59%

## Six Months Ended June 30,

(dollars in millions)	2007	2006	Change
Improved property sales	\$ --	\$ 51.3	-100%
Development sales	--	0.6	-100%
Unimproved/other property sales	<u>6.9</u>	<u>8.7</u>	-21%
Total revenue	<u>\$ 6.9</u>	<u>\$ 60.6</u>	-89%
Operating profit before joint ventures	\$ 1.7	\$ 25.8	-93%
Earnings from joint ventures	<u>11.6</u>	<u>12.2</u>	-5%
Total operating profit	<u>\$ 13.3</u>	<u>\$ 38.0</u>	-65%

2007 Second Quarter: Real estate sales revenue, before subtracting amounts treated as discontinued operations, was \$0.4 million. Operating profit for the second quarter of 2007 included \$7.2 million, representing the Company's share of joint venture earnings (which are not included in revenue for the segment), principally related to sales at the Company's Kai Malu residential joint venture development on Maui and the sale of a portion of underlying property of the Centre Pointe commercial joint venture development in Valencia, California. In the second quarter of 2007, the Company executed a contract to sell a four-acre land parcel ground leased to a retail tenant in Honolulu. The closing of this transaction, and the associated recognition of revenue and operating profit, is expected to occur in the third or fourth quarter of 2007. Separately, the Company also executed a contract in the second quarter to sell two retail centers on Maui that is expected to close in late 2007 or early 2008.

2007 First Half: Revenue for the first half of 2007 also included first quarter revenue of \$6.5 million, principally related to the final payment on an installment sale of an agricultural parcel on Kauai. Operating profit for the first half of 2007 also included \$11.6 million for the Company's earnings from its real estate joint ventures, generated principally from the Kai Malu and Centre Pointe projects cited for the second quarter.

2006 Second Quarter: Real estate sales revenue, before subtracting amounts treated as discontinued operations, was \$36.8 million and consisted principally of the sale of two retail centers in Phoenix, Arizona and one commercial parcel on Maui. Operating profit for the second quarter of 2006 included the Company's share of \$1.7 million in marketing and other operating expenses of its real estate joint ventures.

2006 First Half: Revenue for the first half of 2006 also included first quarter revenue of \$23.8 million, principally related to the sales of a Maui office building, four commercial parcels on Maui, a commercial property on Oahu and a vacant parcel on Kauai. Operating profit for the first half of 2006 also included \$12.2 million for the Company's earnings from its real estate joint ventures. The \$12.2 million in joint venture earnings principally relates to a portion of the Company's earnings from its Hokua joint venture, which completed sales of all 247 residential condominium units in the first quarter.

## Real Estate Discontinued Operations – 2007 compared with 2006

The revenue and operating profit related to discontinued operations for the second quarter and first half of 2007 and 2006 were as follows:

(dollars in millions, before tax)	Quarter Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Sales revenue	\$ --	\$ 36.7	\$ --	\$ 59.7
Leasing revenue	\$ 1.8	\$ 3.0	\$ 3.5	\$ 6.4
Sales operating profit	\$ --	\$ 15.0	\$ --	\$ 30.0
Leasing operating profit	\$ 1.1	\$ 1.8	\$ 2.1	\$ 3.8

2007: The revenue and expenses of four commercial properties on Maui and land leased to a retail tenant on Oahu have been classified as discontinued operations because of the Company's plan to sell these properties.

2006: The revenue and operating profit from the sale of two retail centers in Arizona, an office building on Maui, and various other commercial parcels in Hawaii were included in discontinued operations.

The leasing revenue and operating profit noted above includes the results for properties that were sold through June 30, 2007 and the operating results of properties still owned, but meet the definition of "discontinued operations" under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The leasing revenue and operating profit for the second quarter and first half of 2006 have been restated to reflect property that was classified as discontinued operations subsequent to June 30, 2006.

## AGRIBUSINESS INDUSTRY

### Agribusiness – Second quarter of 2007 compared with 2006

(dollars in millions)	Quarter Ended June 30,		
	2007	2006	Change
Revenue	\$ 38.5	\$ 37.8	2%
Operating profit	\$ 0.5	\$ 3.1	-84%
Tons sugar produced	63,000	61,400	3%

Agribusiness revenue for the second quarter of 2007 increased \$0.7 million, or 2 percent, compared with the second quarter of 2006. The increase was due mainly to \$1.1 million in soil sales, \$0.6 million in higher specialty sugar sales volume, and \$0.5 million in higher trucking services revenue, partially offset by \$1.4 million in lower revenue from lower raw sugar sales due to lower prices.



Operating profit for the second quarter of 2007 decreased \$2.6 million, or 84 percent, compared with the second quarter of 2006. The decrease was principally due to \$3.5 million in lower bulk raw sugar margins, as a result of lower sugar prices and higher production costs per ton, which is due principally to production volumes that are expected to be lower for the year than originally estimated. The decrease was partially offset by \$1.1 million in soil sales.

The operating results of the Agribusiness segment are highly dependent on a number of factors, including seasonality and weather conditions. Weather conditions represent one of the most important factors affecting operating results because weather conditions affects yields, volume of electricity generation, plantings, harvesting, and factory operations. Consequently, operating results from the Agribusiness segment will vary from period to period.

**Agribusiness – First half of 2007 compared with 2006**

(dollars in millions)	Six Months Ended June 30,		
	2007	2006	Change
Revenue	\$ 55.7	\$ 53.3	5%
Operating profit	\$ 4.1	\$ 9.6	-57%
Tons sugar produced	72,200	62,200	16%

Agribusiness revenue for the first half of 2007 increased \$2.4 million, or 5 percent, compared with the first half of 2006. The increase was principally due to \$1.1 million in higher bulk raw sugar sales volumes that were partially offset by lower sugar prices, \$1.1 million in soil sales, and \$1.1 million in higher trucking and related other revenues, partially offset by \$1.2 million in lower power revenue due to lower volumes.

Operating profit for the first half of 2007 decreased \$5.5 million, or 57 percent, compared with the first half of 2006. The decrease in operating profit was primarily due to \$4.5 million in lower bulk raw sugar margins, as a result of lower sugar prices and higher production costs per ton, which is due principally to production volumes that are expected to be lower for the year than originally estimated. The decrease in operating profit was also due to \$2.4 million in lower power sales margins, principally from \$1.4 million in lower volumes, and \$0.7 million of repair costs. These decreases were partially offset by \$1.8 million in higher soil sales, land rent, and quarry royalties.

Sugar production was 16 percent higher in 2007 than in 2006 because more acres were harvested, but was partially offset by lower yields. The company harvested more acres in 2007 because operations commenced two weeks earlier, as planned by the Company, and because of an increase in the average acres harvested per week.

**LIQUIDITY AND CAPITAL RESOURCES**

**Overview:** Cash flows provided by operating activities continue to be the Company's most significant source of liquidity. Additional sources of liquidity were provided by available cash and cash equivalent balances as well as borrowings on available credit facilities.

**Cash Flows:** Cash Flows from Operating Activities totaled \$34 million for the first half of 2007, compared with \$40 million for the first half of 2006. This decrease was due principally to proceeds from the return on the Company's investment in its Hokua joint venture development project that were received in the first quarter of 2006, as well as higher expenditures on real estate developments, principally for the construction of the Keola Lai condominium project, during the first half of 2007. The decrease was partially offset by better performance in ocean transportation.

Cash Flows used in Investing Activities totaled \$49 million for the first half of 2007, compared with \$53 million used in the first half of 2006. The decrease in cash used in Investing Activities in the first half of 2007 compared to the first half of 2006 was due principally to lower capital expenditures in 2007 related to ocean transportation.

Capital expenditures for the first half of 2007 totaled \$45 million compared with \$87 million for the first half of 2006. The 2007 expenditures included \$33 million for the purchase of ocean transportation-related assets, \$6 million for real estate related acquisitions, development and property improvements, and \$6 million related to agricultural operations. The \$45 million reported in Capital Expenditures on the Statement of Cash Flows for 2007 excludes \$12 million of tax-deferred purchases since the Company did not actually take control of the cash during the exchange period. Capital expenditures for 2006 included \$46 million for the purchase of ocean transportation-related assets, primarily related to the new China service, \$33 million for real estate related acquisitions, development, and property improvements, and \$6 million of routine asset replacements for agricultural operations. The 2006 amounts reported in Capital Expenditures on the Statement of Cash Flows excluded \$33 million of tax-deferred purchases.

Cash Flows provided by Financing Activities were \$22 million for the first half of 2007, compared with \$10 million used for the first half of 2006. The increase in cash flows from Financing Activities was principally due to scheduled borrowings totaling \$75 million under the Company's private shelf agreement with Prudential Investment Management, Inc. and \$25 million borrowed under the Company's DnB NOR Bank ASA credit facility. The increase in Financing cash flows were partially offset by \$60 million in long-term debt repayments and \$23 million in dividend payments.

The Company believes that funds generated from results of operations, available cash and cash equivalents, and available borrowings under credit facilities will be sufficient to finance the Company's business requirements for the next fiscal year, including working capital, capital expenditures, dividends, and potential acquisitions and stock repurchases. There can be no assurance, however, that the Company will continue to generate cash flows at or above current levels or that it will be able to maintain its ability to borrow under its available credit facilities.

**Sources of Liquidity:** Funds generated by operating activities continue to be the Company's most significant source of liquidity. Additional sources of liquidity for the Company, comprised of cash and cash equivalents, receivables, and sugar and coffee inventories, totaled \$250 million at June 30, 2007, an increase of \$20 million from December 31, 2006. The increase was due primarily to \$11 million of higher sugar inventories, \$7 million in higher cash balances, and \$3 million in higher receivable balances. These fluctuations are due to normal operating activities.

The Company also has various revolving credit and term facilities that provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. As of June 30, 2007, available borrowings under these facilities totaled \$422 million.

**Balance Sheet:** Working capital was \$85 million at June 30, 2007, an increase of \$57 million from the balance carried at the end of 2006. The increase in working capital was due primarily to higher real estate held for sale balances, higher sugar inventories, and higher cash balances, and accrued deposits to the CCF.

Cash and cash equivalents totaled \$52 million at the end of the second quarter compared with \$45 million at the beginning of the year. The higher cash balance is due principally to higher earnings from Matson and borrowings under the Company's credit facilities, partially offset by capital expenditures.

Long-term Debt, including current portion, totaled \$483 million at June 30, 2007 compared with a balance of \$442 million at December 31, 2006. This \$41 million increase was due mainly to borrowings used for capital expenditure financing.

**Tax-Deferred Real Estate Exchanges:** *Sales* – During the second quarter of 2007, there were no sales or significant condemnation proceeds that qualified for potential tax-deferral treatment under the Internal Revenue Code Sections 1031 and 1033. However, in the first quarter of 2007, \$5.9 million in proceeds from the receipt of the final payment under an installment sale collected in 2007 were utilized in a reverse 1031 exchange acquisition that occurred in 2006.

*Purchases* – There were no purchases during the second quarter of 2007 that utilized tax deferred funds.

The proceeds from 1031 tax-deferred sales are held in escrow pending future use to purchase new real estate assets. The proceeds from 1033 condemnations are held by the Company until the funds are redeployed. As of June 30, 2007, there were no proceeds from previously closed tax-deferred sales in escrow.

The funds related to 1031 transactions are not included in the Statement of Cash Flows but are included as non-cash activities below the Statement. For "reverse 1031" transactions, the Company purchases a property in anticipation of receiving funds from a future property sale. Funds used for reverse 1031 purchases are included as capital expenditures on the Statement of Cash Flows and the related sales of property, for which the proceeds are linked, are included as property sales in the Statement.

**Commitments, Contingencies and Off-balance Sheet Arrangements:** The Company adopted FIN 48 on January 1, 2007. The Company has not provided a detailed estimate of the timing of payments due to the uncertainty of when the related tax settlements are due. A description of other commitments, contingencies, and off-balance sheet arrangements at June 30, 2007 is described in Note 3 to the financial statements of Item 1 in this Form 10-Q.

## BUSINESS OUTLOOK

**Transportation:** Hawaii's economy continued its modest expansion in the first half of the year. Given the moderation of economic growth in Hawaii, Matson forecasts that its container volumes in Hawaii for the remainder of the year will remain flat or modestly decrease from near-record levels in the prior year. Similarly, while more difficult to predict, the lower trend in auto volumes is expected to continue into the second half.

Matson has achieved operational cost reductions through a series of tactical and strategic changes that have substantially offset the softening volumes in the Hawaii trade. Some of these operational changes are expected to continue to positively, but moderately, affect financial results in the second half of the year. The impact of other operational changes, such as optimizing Matson's fleet to more appropriately match the lower Hawaii volumes, have had a significant impact on cost reduction in the first half of the year, but the magnitude of further potential cost reductions is expected to decrease because additional fleet redeployment opportunities will be limited due to dry-dockings scheduled in the second half of the year.

In addition to operating improvements, the strength in volumes in Matson's China-Long Beach service has more than offset the moderating volumes in the Hawaii market. In the first half of 2007, China volumes exceeded expectations. For the second half of the year, Matson expects continued strong China volumes and anticipates continued yield improvements.

In addition to the aforementioned reduction in fleet flexibility, financial performance for the balance of 2007, which is expected to be flat or marginally lower when compared to the second half of 2006, will be affected by cost increases related to International Longshore and Warehouse Union ("ILWU") contractual increases, higher Hawaii labor benefits, potential higher fuel prices, and increases in container terminal throughput rates. Additionally, Matson's results could be affected by a strike by the 930-member office clerical unit of Local 63 of the ILWU that would affect the ports of Los Angeles and Long Beach. On July 26, 2007, a tentative agreement was reached, but the agreement remains subject to union membership ratification.

In the first half of 2007, industry volumes for freight transported by truck or rail experienced a modest decrease. Despite a decrease in overall industry volumes, Matson Integrated Logistics ("MIL") increased its operating profit margins through various margin and yield improvement initiatives. For the balance of the year, MIL expects further softening in volumes, but will continue to focus on growth and new business opportunities, extend its product offerings, and expand its service area coverage. In the second quarter of 2007, MIL formed a subsidiary, Matson Global Distribution Services, which allows it to provide a more complete service offering, including warehousing and freight forwarding in select markets that include China and the West Coast of the U.S. While this new business opportunity is not expected to affect 2007 profitability, MIL continues to expect moderate year-over-year growth in its core markets in the second half of the year.

**Real Estate:** The real estate leasing portfolio continues to exhibit steady performance as occupancies remain at high levels. For the balance of 2007, existing high occupancy levels are expected to be maintained, although earnings are likely to be lower in the second half of 2007, compared to 2006, due to various favorable non-recurring items that occurred in the second half of 2006.

Performance of the real estate sales segment in the second quarter of 2007 was significantly lower than the second quarter of 2006 due to the timing of property sales, which are inherently episodic. For the balance of 2007, given anticipated commercial property and residential real estate sales, the Company projects earnings for the segment that are higher than previously expected.

**Agribusiness:** Dry-weather conditions have negatively impacted production yields in the second quarter of 2007. As a result, for the balance of 2007, the Company expects lower production volumes than originally planned and second half losses that will result in nominal profitability for the full year.

## **OTHER MATTERS**

**Dividends:** On April 25, 2007, the Company's Board of Directors authorized a 16% increase in the quarterly dividend from \$0.25 per share to \$0.29 per share, effective with the second quarter of 2007. On June 28, 2007, the Company's Board of Directors announced a third-quarter 2007 dividend of \$0.29 per share, payable on September 6, 2007 to shareholders of record as of the close of business on August 2, 2007.

**Significant Accounting Policies:** The Company's significant accounting policies are described in Note 1 of the consolidated financial statements included in Item 8 of the Company's most recently filed Form 10-K.

**Critical Accounting Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those critical accounting estimates. These differences could be material. The most significant accounting estimates inherent in the preparation of A&B's financial statements were described in Item 7 of the Company's most recently filed Form 10-K.

**Economic Conditions:** Two primary sources of periodic economic forecasts for the State of Hawaii are the University of Hawaii Economic Research Organization (UHERO) and the state's Department of Business, Economic Development & Tourism (DBEDT). Forecasts from these independent organizations suggest that the economic outlook is moderating but sustainable for the next few years.

**Officer and Management Changes:** The following management changes occurred between April 1, 2007 and July 27, 2007.

Paul K. Ito was promoted to vice president and named assistant treasurer of A&B, effective April 1, 2007, and continues in the position of controller of A&B.

Kevin L. Halloran was promoted to vice president, corporate development and investor relations, effective April 26, 2007.

Meredith J. Ching was promoted to senior vice president, government and community relations, effective June 28, 2007.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information concerning market risk is incorporated herein by reference to Item 7A of the Company's Form 10-K for the fiscal year ended December 31, 2006. There has been no material change in the quantitative and qualitative disclosure about market risk since December 31, 2006.

### **ITEM 4. CONTROLS AND PROCEDURES**

- (a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.
- (b) Internal Control Over Financial Reporting. 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 fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 6. EXHIBITS

4.b.(ii) Amendment, dated April 9, 2007, to Note Purchase and Private Shelf Agreement among Alexander & Baldwin, Inc., Prudential Investment Management, Inc., The Prudential Insurance Company of America, Prudential Retirement Insurance and Annuity Company, Gibraltar Life Insurance Co., Ltd., and The Prudential Insurance Company, Ltd., dated as of April 19, 2006.

10.a.1.(xxv) Amendment, dated April 9, 2007, to (i) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993; (ii) Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996; and (iii) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001.

10.b.1.(xxxii) Amendment No. 1 to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan, dated June 28, 2007.

10.b.1.(xxxiv) Form of Notice of Grant of Stock Option pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

10.b.1.(xxxv) Form of Executive Stock Option Agreement pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

10.b.1.(xxxvi) Form of Notice of Award of Time-Based Restricted Stock Units pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

10.b.1.(xxxvii) Form of Executive Time-Based Restricted Stock Unit Award Agreement pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

10.b.1.(xxxviii) Form of Notice of Award of Performance-Based Restricted Stock Units pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

10.b.1.(xxxix) Form of Executive Performance-Based Restricted Stock Unit Award Agreement pursuant to the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan.

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

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

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



## SIGNATURES

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

ALEXANDER & BALDWIN, INC.

(Registrant)

Date: July 27, 2007

/s/ Christopher J. Benjamin

Christopher J. Benjamin  
Senior Vice President,  
Chief Financial Officer and Treasurer

Date: July 27, 2007

/s/ Paul K. Ito

Paul K. Ito  
Vice President, Controller and  
Assistant Treasurer

## EXHIBIT INDEX

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# Prudential Financial

Prudential Capital Group  
Four Embarcadero Center, Suite 2700  
San Francisco CA 94111  
Tel 415 398-7310 Fax 415 421-6233  
[www.prudentialcapitalgroup.com](http://www.prudentialcapitalgroup.com)

April 9, 2007

**ALEXANDER & BALDWIN, INC.**  
822 Bishop Street  
Honolulu, Hawaii 96813

Gentlemen:

Reference is made to (i) the Note Agreement (the "1993 Agreement") dated as of June 4, 1993, by and between Alexander & Baldwin, Inc. (the "Company") and A&B Hawaii, Inc. ("A&B Hawaii"), on the one hand, and The Prudential Insurance Company of America ("Prudential"), on the other hand, (ii) the Private Shelf Agreement (the "1996 Agreement"), dated as of August 2, 1996, by and between the Company and A&B Hawaii, on the one hand, and Prudential and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand, (iii) the Private Shelf Agreement (the "2001 Agreement") dated as of April 25, 2001, by and between the Company, on the one hand, and Prudential and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof on the other hand, (iv) the Private Shelf Agreement (the "2003 Agreement") dated as of November 25, 2003, by and between the Company, on the one hand, and Prudential Investment Management, Inc. ("PIM") and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand and (v) the Note Purchase and Private Shelf Agreement dated as of April 19, 2006, by and between the Company, on the one hand, and PIM and each Prudential Affiliate (as defined therein) that is or may become bound by certain provisions thereof, on the other hand (the "2006 Agreement" and, together with the 1993 Agreement, the 1996 Agreement, the 2001 Agreement and the 2003 Agreement, the "Agreements"). Prior to the date hereof, A&B Hawaii ceased to be a party to the 1993 Agreement and the 1996 Agreement.

A. Pursuant to paragraph 11C of each of the Agreements and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned and the Company hereby agree that:

1. Paragraph 5 of each Agreement is amended by adding thereto a new paragraph 5G as follows:

5G. **Maintenance of Debt Rating.** The Company covenants that it shall at all times have in effect a current Debt Rating with respect to its senior unsecured long term debt.

2. Paragraph 7A of each Agreement is amended and restated in its entirety as follows:

7A. **Acceleration.** If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of or interest or Yield-Maintenance Amount on, any Note, for more than five Business Days after the same shall become due, either by the terms thereof or otherwise as herein provided; or

(ii) the Company or any Subsidiary defaults in any payment of principal of, or premium or interest on, any obligation for money borrowed (or of any obligation under a conditional sale or other title retention agreement or of any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or of any obligation under notes payable or drafts accepted representing extensions of credit) other than the Notes beyond any period of grace provided with respect thereto, or the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement (or any other event thereunder or under any such agreement occurs and is continuing) and the effect of such payment default or other failure or event is to cause or (at any time at which there is a Specified Debt Rating in effect with respect to the Company) to permit the holder or holders of such obligation to cause, such obligation to become due (or to become subject to required repurchase by the Company or any Subsidiary) prior to any stated maturity; provided that the aggregate amount of all obligations as to which such a payment default shall occur or such a failure or other event causing acceleration (or required repurchase by the Company or any Subsidiary) shall occur exceeds \$25,000,000; or

(iii) any representation or warranty made by the Company herein or by the Company or any of its officers in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(iv) (a) the Company fails to perform or observe any agreement contained in paragraphs 5C or 6 hereof and, at the time of such failure, there is a Specified Debt Rating in effect with respect to the Company or (b) the Company fails to perform or observe any agreement contained in paragraphs 5C or 6 hereof and, at the time of such failure, the Company has one or more Debt Ratings in effect and no such rating is a Specified Debt Rating, and such failure continues for ten Business Days; or

(v) the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained herein and such failure shall not be remedied within 30 days after any Principal Officer obtains actual knowledge thereof; or

(vi) the Company or any Significant Subsidiary makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(vii) any decree or order for relief in respect of the Company or any Significant Subsidiary is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, liquidation or similar law, whether now or hereafter in effect (herein called the "Bankruptcy Law"), of any jurisdiction; or

(viii) the Company or any Significant Subsidiary petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Company or any such Significant Subsidiary, or of any substantial part of the assets of the Company or any such Significant Subsidiary, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Significant Subsidiary) relating to the Company or any Significant Subsidiary under the Bankruptcy Law of any other jurisdiction; or

(ix) any petition or application of the type described in clause (viii) of this paragraph 7A is filed, or any such proceedings are commenced, against the Company or any Significant Subsidiary and the Company or such Significant Subsidiary by any act indicates its approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(x) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing the dissolution of such Company or such Significant Subsidiary and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing a split-up of the Company or such Significant Subsidiary which requires the divestiture of (A) assets representing a substantial part, or the stock of, or other ownership interest in, a Significant Subsidiary whose assets represent a substantial part of Consolidated Total Assets or (B) assets or the stock of or other ownership interest in a Significant Subsidiary that has contributed a substantial part of Consolidated Cumulative Net Income for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xii) (a) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (b) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the

Company or any ERISA Affiliate that a Plan may become a subject of such proceedings, (c) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$25,000,000, (d) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (e) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (f) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (a) through (f) above, either individually or together with any other such event or events, could reasonably be expected to have a material adverse effect on the business or condition (financial or otherwise) of the Company; or

(xiii) any judgment or decree in the amount of \$25,000,000 or more shall be entered against the Company or any of its Subsidiaries that is not paid or fully covered (beyond any applicable deductibles) by insurance and such judgment or decree shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof;

(xiv) any Change of Control shall occur; or

(xv) at any time that Matson is a Subsidiary of the Company, there occurs an “Event of Default” as that term is defined in the Matson Note Agreement and either (a) the aggregate amount of obligations then outstanding under the Matson Note Agreement exceeds \$10,000,000 or (b) the aggregate amount of obligations then outstanding under the Matson Note Agreement exceeds \$5,000,000 and there is a Specified Debt Rating in effect with respect to either the Company or Matson or there is no Debt Rating in effect with respect to either Matson or the Company;

then (a) if such event is an Event of Default specified in clause (i) of this paragraph 7A, the holder of any Note (other than a Company or any of its Subsidiaries or Affiliates) may at its option, by notice in writing to the Company, declare such Note to be, and such Note shall thereupon be and become, immediately due and payable at par together with interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in clause (vii), (viii) or (ix) of this paragraph 7A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and the Yield-Maintenance Amount with respect thereto, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, and (c) with respect to any event constituting an Event of Default, the Required Holder(s) of any Series of Notes may at its or their option, by notice in writing to the Company, declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

3. Paragraph 10B of each of the Agreements is amended by adding thereto the following defined terms:

“Change of Control” shall mean an event or series of events by which: (a) any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, directly or indirectly, of more than 50% of the equity securities of the Company entitled to vote for members of the board of directors of the Company on a fully-diluted basis; or (b) during any period of 24 consecutive months, a majority of the members of the board of directors of the Company cease to be composed of individuals who were either (i) nominated by the management of the Company or by persons who were members of that board of directors as of December 31, 2006 or members elected by a majority of such members or (ii) appointed by directors so nominated.

“Debt Rating” shall mean, as of any date of determination, a currently effective non-credit enhanced senior unsecured long term debt rating issued by Moody’s Investors Service, Inc. or any successor thereto (“Moody’s”) or by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. or any successor thereto (“S&P”).

“Matson Note Agreement” shall mean the amended and restated note agreement dated May 19, 2005, by and between Matson and the persons named on the purchase schedule thereto.

“Specified Debt Rating” shall mean a Debt Rating from Moody’s of lower than Baa2 or from S&P of lower than BBB.

B. Pursuant to paragraph 11C of the 2006 Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned which are party to the 2006 Agreement and the Company hereby agree that:

1. Clause (iii) of paragraph 6B(1) of the 2006 Agreement is amended and restated in its entirety as follows:

(iii) (A) Liens on the vessels owned or to be owned or chartered, or any shoreside facilities, equipment or containers owned, leased or to be owned or leased by Matson or Matson Subsidiaries, (B) Liens securing Debt between Subsidiaries or owing to the Company by a Subsidiary and (C) Liens encumbering the fund established and maintained by Matson in accordance with Section 607 of the Merchant Marine Act, 1936 to the extent incurred in connection with Matson’s incurring of indebtedness in connection with the acquisition, construction, or reconstruction of a qualified vessel or a barge or container which is part of the complement of a qualified vessel under regulations adopted by the Maritime Administration under the Merchant Marine Act, 1936;

2. The defined term "Consolidated Shareholders' Equity" appearing in paragraph 10B of the 2006 Agreement is amended and restated in its entirety as follows:

"Consolidated Shareholders' Equity" shall mean, at any time of determination thereof, for the Company and Subsidiaries determined in accordance with GAAP, the sum of (i) consolidated shareholders' equity, and (ii) any consolidated mezzanine equity (or other temporary or non-permanent equity) resulting from the application of Statement of Financial Accounting Standards No. 123R and related stock based compensation awards issued to management which are puttable upon a change of control; provided, that any determination of Consolidated Shareholders' Equity shall exclude all non-cash adjustments to Consolidated Shareholders' Equity resulting from the application of Statement of Financial Accounting Standards No. 158 (Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans), which non-cash adjustments shall not exceed \$50,000,000 for periods ending on or before December 31, 2006.

This letter agreement shall be governed by the law of the State of California.

If you are in agreement with the foregoing, please execute each of the enclosed counterparts of this letter agreement in the space indicated below and return them to Prudential Capital Group at: Four Embarcadero Center, Suite 2700, San Francisco, CA 94111, Attention: James F. Evert. This letter agreement shall be effective as of the date first appearing above upon its execution and delivery by each party named as a signatory hereto.

Sincerely,

**THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**

By: /s/ Mathew Douglass

Title: Vice President

**PRUCO LIFE INSURANCE COMPANY**

By: /s/ Mathew Douglass

Title: Vice President

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**

By: /s/ Mathew Douglass

Title: Vice President

**PRUDENTIAL INVESTMENT MANAGEMENT, INC.**

By: /s/ Mathew Douglass

Title: Vice President



**THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.**

By: Prudential Investment Management (Japan), Inc.,  
as Investment Manager

By: Prudential Investment Management, Inc.,  
as Sub-Adviser

By: /s/ Mathew Douglass  
Vice President

**GIBRALTAR LIFE INSURANCE CO., LTD.**

By: Prudential Investment Management (Japan), Inc.,  
as Investment Manager

By: Prudential Investment Management, Inc.,  
as Sub-Adviser

By: /s/ Mathew Douglass  
Vice President

**PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY**

By: Prudential Investment Management, Inc.,  
as investment manager

By: /s/ Mathew Douglass  
Vice President

Acknowledged and agreed:

**ALEXANDER & BALDWIN, INC.**

By: /s/ W. Allen Doane  
Title: Chief Executive Officer

By: /s/ Christopher J. Benjamin  
Title: Chief Financial Officer

**ALEXANDER & BALDWIN, INC.**  
**2007 INCENTIVE COMPENSATION PLAN**

**AMENDMENT NO. 1**

The Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan, effective as of April 26, 2007 (the "Plan"), is hereby amended, effective June 28, 2007, as follows:

1. The last sentence of Section III.A of Article One of the Plan is hereby deleted, and the following new sentences are added to the end of such section:

"All Awards to non-employee Board members (other than pursuant to the Automatic Grant Program) shall be made by the Compensation Committee (or subcommittee thereof) which shall at the time of any such Award be comprised solely of independent directors, as determined in accordance with the governance standards of the Stock Exchange on which the Common Stock is at the time primarily traded (the "Independent Directors"). In addition, any Awards for members of the Compensation Committee (other than pursuant to the Automatic Grant Program) must be authorized by a disinterested majority of the Independent Directors."

2. Section I.B.6 of Article Three of the Plan is hereby amended in its entirety to read as follows:

"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, 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, Disability or Involuntary Termination or as otherwise provided in Section II of this Article Three. For purposes of this section I.B.6, Retirement shall mean (A) the Participant's termination of Service on or after attainment of age sixty-five (65) or (B) the Participant's approved early retirement on or after attainment of age fifty-five (55) and completion of at least five (5) years of Service."

3. Except as modified by this Plan Amendment, all the terms and provisions of the Plan as in effect immediately prior to this Plan Amendment shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Amendment to be executed on its behalf by its duly-authorized officers on this 28th day of June 2007.

**ALEXANDER & BALDWIN, INC.**

By /s/ Son-Jai Paik  
Its Vice President

By /s/ Alyson J. Nakamura  
Its Secretary

**NOTICE OF GRANT OF STOCK OPTION**

Notice is hereby given of the following option grant (the "Option") to purchase shares of the Common Stock of Alexander & Baldwin, Inc. (the "Corporation"):

Optionee: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_

Exercise Price: \$ \_\_\_\_\_ per share

Number of Option Shares: \_\_\_\_\_ shares

Expiration Date: \_\_\_\_\_

Type of Option:            Non-Statutory Stock Option

Exercise Schedule:

Number of Options Shares:

Exercise Date:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The Option shall become exercisable in a series of three (3) successive annual installments, as set forth above, upon Optionee's completion of each successive year of Service over the three (3)-year period measured from the Vesting Commencement Date. Except as provided in Paragraph 5 of the form Stock Option Agreement, the Option shall not become exercisable for any additional Option Shares after Optionee's cessation of Service.

Optionee understands and agrees that the Option is granted subject to and in accordance with the terms of the Alexander & Baldwin, Inc. 2007 Incentive Compensation Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the form Stock Option Agreement attached hereto as Exhibit A. Optionee hereby acknowledges the receipt of a copy of the official prospectus for the Plan in the form attached hereto as Exhibit B. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices.

Continuing Consent. Optionee further acknowledges and agrees that, except to the extent the Plan Administrator notifies Optionee in writing to the contrary, each subsequent

option grant made to him or her under the Plan shall be subject to the same terms and conditions set forth in the form Stock Option Agreement attached to his or her initial option grant under the Plan, and Optionee hereby accepts those terms and conditions for each such subsequent option grant that may be made to him or her under the Plan and hereby agrees to be bound by those terms and conditions for any such option grants, without any further consent or acceptance required on his or her part at the time or times when those option grants may be made. However, Optionee may, at any time he or she holds an outstanding option under the Plan, request a written copy of the form Stock Option Agreement from the Corporation by contacting the Corporation's Human Resources Department at the Corporation's headquarters at 822 Bishop Street, Honolulu, HI 96813.

Employment at Will. Nothing in this Notice or in the form Stock Option Agreement or in the Plan shall confer upon Optionee 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 Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the form Stock Option Agreement.

DATED: \_\_\_\_\_

**ALEXANDER & BALDWIN, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**OPTIONEE**

Address: \_\_\_\_\_

\_\_\_\_\_

**INITIAL AWARD ATTACHMENTS**

**Stock Option Agreement**

**Plan Summary and Prospectus**

**ALEXANDER & BALDWIN, INC.**  
**EXECUTIVE STOCK OPTION AGREEMENT**

**RECITALS**

A. 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 encourage them to continue their service relationship with the Corporation.

B. Optionee 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 grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

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

1. **Grant of Option.** The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.

2. **Option Term.** The term of this option shall commence on the Grant Date and continue in effect until the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. **Limited Transferability.**

(a) Except to the limited extent provided in Paragraph 3(b), this option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

(b) This option may be assigned in whole or in part during Optionee's lifetime to a revocable living trust established for the exclusive benefit of Optionee or Optionee and his or her spouse (the "Trust"). The assigned portion shall be exercisable only by the Trust, and the terms applicable to that assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

4. **Dates of Exercise.** This option shall become exercisable for the Option Shares in one or more installments in accordance with the Exercise Schedule set forth in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.

5. **Cessation of Service.** The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (b) through (e) of this Paragraph 5, should Optionee cease to remain in Service for any reason while this option is outstanding, then Optionee (or any Trust to which this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a three (3)-month period measured from the date of such cessation of Service during which to exercise this option for any or all of the Option Shares for which this option is vested and exercisable at the time of Optionee's cessation of Service, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee's Service terminate by reason of his or her death while this option is outstanding, then this option, to the extent not otherwise at that time vested and exercisable for all the Option Shares, shall immediately vest and become exercisable for all the Option Shares. Upon Optionee's death (whether before or after termination of Service) this option may be exercised, for any or all of the Option Shares for which this option is vested and exercisable at the time of Optionee's cessation of Service (including any Option Shares which vest on an accelerated basis should such cessation of Service occur by reason of Optionee's death), by (i) the personal representative of Optionee's estate or (ii) the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or (iii) any Trust to which the option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3, as the case may be. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee's death or (ii) the Expiration Date. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(c) Should Optionee cease Service by reason of Early Retirement, Normal Retirement or Permanent Disability while this option is outstanding, then Optionee (or any Trust to which this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a thirty-six (36)-month period measured from the date of such cessation of Service during which to exercise this option for (i) any or all Option Shares for which this option is vested and exercisable at the time of such cessation of Service and (ii) any additional Option Shares for which this option becomes vested and exercisable during such thirty-six (36)-month

period. In no event, however, shall this option be exercisable at any time after the Expiration Date. To the extent this option is not otherwise exercisable for all of the Option Shares at the time of Optionee's cessation of Service by reason of Early Retirement, Normal Retirement or Permanent Disability, this option shall, during the limited period of post-Service exercisability following such cessation of Service, continue to vest and become exercisable for one or more additional Option Shares in accordance with the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6, as if Optionee continued in Service throughout that limited exercise period. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(d) The applicable period of post-Service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-Service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired under this option cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

(e) Should Optionee's Service be terminated for Cause, or should Optionee (i) engage in any post-Service activity, whether as an Employee, consultant or advisor or in any other capacity, that is competitive with the business operations of the Corporation (or any Subsidiary or Parent) or (ii) engage in any other conduct, while in Service or following cessation of Service, that is materially detrimental to the business or affairs of the Corporation (or any Subsidiary or Parent), as determined in the sole discretion of the Plan Administrator, then this option, whether or not vested and exercisable, shall terminate immediately and cease to be outstanding.

(f) Except as otherwise expressly provided in the preceding subparagraphs of this Paragraph 5, during the limited period of post-Service exercisability, this option may not be exercised in the aggregate for more than the number of Option Shares for which this option is, at the time of Optionee's cessation of Service, vested and exercisable pursuant to the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6. Except as otherwise provided in this Paragraph 5 or except to the extent (if any) specifically authorized by the Plan Administrator pursuant to an express written agreement with the Optionee, this option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the normal Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6, following the Optionee's cessation of Service. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

6. **Special Acceleration of Option.**

(a) This option, to the extent outstanding at the time of an actual Change in Control but not otherwise fully exercisable, shall automatically accelerate so that this



option shall, immediately prior to the effective date of such Change in Control, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall **not** become exercisable on such an accelerated basis, if and to the extent: (i) this option is to be assumed by the successor corporation (or parent thereof) or is otherwise to be continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) this option is to be replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on any Option Shares for which this option is not otherwise at that time exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the same (or more favorable) Exercise Schedule for those Option Shares as set forth in the Grant Notice.

(b) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to this option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price 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 this option but subject to the Plan Administrator's approval, 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, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) Immediately upon an Involuntary Termination of Optionee's Service within twenty-four (24) months following a Change in Control in which this option is assumed or otherwise continued in effect, this option, to the extent outstanding at the time but not otherwise fully exercisable, shall automatically accelerate so that this option shall become immediately exercisable for all the Option Shares at the time subject to the option and may be exercised for any or all of those Option Shares as fully vested shares. Should this option be replaced with a cash retention plan in accordance with Paragraph 6(a), then the balance credited to Optionee under that plan at the time of his or her Involuntary Termination shall immediately be paid to Optionee in a lump sum, subject to the Corporation's collection of all applicable withholding taxes; **provided, however**, that Optionee shall be entitled to such payment only if the Optionee's Involuntary Termination occurs within twenty-four (24) months following the Change in Control.

(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.

7. **Adjustment in Option 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 substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Plan Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 6(c) shall be controlling.

8. **Stockholder Rights.** The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. **Manner of Exercising Option.**

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation of the exercise of this option for one or more Option Shares.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

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

(B) shares of Common Stock (whether delivered in the form of actual stock certificates or through attestation of ownership in a manner reasonably satisfactory to the Corporation) held for the requisite period (if any) necessary to avoid any resulting charge to the

Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance 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 Withholding Taxes required to be withheld by the Corporation by reason of such exercise and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure) delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares (either in paper or electronic form), with the appropriate legends affixed thereto: **provided, however**, that in the event this option is exercised other than pursuant to the sale and remittance procedure described in Paragraph 9(a)(ii)(C), ownership of the purchased Option Shares shall only be noted as a book entry, and no certificates for the purchased shares shall actually be issued unless and until expressly requested by Optionee or any other person having an interest at the time in those shares.

(c) In no event may this option be exercised for any fractional shares.

10. **Compliance with Laws and Regulations.**

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee 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 exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. **Successors and Assigns.** Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. **Change in Control Benefit Agreement.** Notwithstanding anything to the contrary in this Agreement, if Optionee 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 Benefit Agreement with the Corporation, then the provisions of that agreement shall (to the extent applicable to this option) govern Optionee's rights and benefits with respect to the option evidenced by this Agreement, and in the event of any conflict between the provisions of that Change in Control Benefit Agreement and this Agreement, the provisions of the Change in Control Benefit Agreement shall be controlling.

13. **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 Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant 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.

14. **Construction.** This Agreement and the option 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 Benefit 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 this option.

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

16. **Excess Shares.** If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan. In no event shall the Option be exercisable with respect to any of the excess Option Shares unless and until such stockholder approval is obtained.

17. **Withholding Taxes.**

(a) The Corporation's obligation to deliver shares of Common Stock upon the exercise of this option shall be subject to the Corporation's collection of all applicable Withholding Taxes.

(b) Unless Optionee (i) otherwise makes satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the designated notification period preceding the exercise of this 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 and (ii) in fact delivers such check or wire transfer to the Corporation not later than the exercise date of the option, the Corporation shall collect the applicable Withholding Taxes through the following automatic share withholding method:

- 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 for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

## APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Stock Option Agreement.

B. **Board** shall mean the Corporation's Board of Directors.

C. **Cause** shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner; **provided, however**, that in the event Optionee is, at the time the Corporation (or any Parent or Subsidiary) purports to terminate Optionee's Employee status for Cause, a party to a Change in Control Benefit Agreement applicable to the option evidenced by this Agreement, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefit 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 Optionee 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 or this Agreement, to constitute grounds for termination for Cause.

D. **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,

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

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or

convertible into or exercisable for securities possessing) thirty-five percent (35%) or more of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination;

**provided, however**, that in the event Optionee is a party to a Change in Control Benefit Agreement applicable to the option evidenced by this Agreement, the term **Change in Control** shall have the meaning ascribed to that term in such Change in Control Benefit Agreement.

E. **Change in Control Benefits Agreement** shall mean any separate agreement between Optionee and the Corporation which provides Optionee with special vesting acceleration and/or other special benefits with respect to one or more option grants made to Optionee to purchase shares of Common Stock, including (to the extent applicable) the option 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).

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Common Stock** shall mean shares of the Corporation's common stock.

H. **Corporation** shall mean Alexander & Baldwin, Inc., a Hawaii corporation, and any successor corporation to all or substantially all of the assets or voting stock of Alexander & Baldwin, Inc. which shall by appropriate action adopt the Plan.

I. **Early Retirement** shall mean Optionee's cessation of Service on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.

J. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

L. **Exercise Price** shall mean the exercise price per Option Share as specified in the Grant Notice.

M. **Exercise Schedule** shall mean the schedule set forth in the Grant Notice pursuant to which the option is to become exercisable for the Option Shares in one or more installments over the Optionee's period of Service.

N. **Expiration Date** shall mean the date on which the option expires as specified in the Grant Notice.

O. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on date 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.

P. **Good Reason** shall mean (A) a change in Optionee's position with the Corporation (or any Parent or Subsidiary employing Optionee) which materially reduces Optionee's duties and responsibilities or the level of management to which Optionee reports, (B) a reduction in Optionee's level of compensation (including base salary, fringe benefits and target bonus under any corporate performance based bonus or incentive programs) by more than ten percent (10%) or (C) a relocation of Optionee's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation (or any Parent or Subsidiary) without Optionee's consent; **provided, however**, that in the event Optionee is at the time of his or her cessation of Employee status a party to a Change in Control Benefit Agreement applicable to the option evidenced by this Agreement, the term **Good Reason** shall have the meaning ascribed to that term in such Change in Control Benefit Agreement.

Q. **Grant Date** shall mean the date of grant of the option as specified in the Grant Notice.

R. **Grant Notice** shall mean the Notice of Grant of Stock Option informing Optionee of the basic terms of the option subject to this Agreement.

S. **Involuntary Termination** shall mean the termination of Participant's Service by reason of:

- (i) Optionee's involuntary dismissal or discharge by the Corporation for reasons other than for Cause, or
- (ii) Optionee's voluntary resignation for Good Reason.



- T. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.
- U. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.
- V. **Normal Retirement** shall mean the cessation of Service by reason of retirement at or after the attainment of age sixty-five (65).
- W. **Notice of Exercise** shall mean the notice of option exercise in the form prescribed by the Corporation.
- X. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.
- Y. **Optionee** shall mean the person to whom the option is granted as specified in the Grant Notice.

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

AA. **Permanent Disability** shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or to be of continuous duration of twelve (12) months or more.

BB. **Plan** shall mean the Corporation's 2007 Incentive Compensation Plan.

CC. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

DD. **Service** shall mean Optionee's performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. However, Optionee shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which Optionee is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee 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 Corporation. However, 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 is on a leave of absence.

EE. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

FF. **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.

GG. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the exercise of the option.

**ALEXANDER & BALDWIN, INC.**  
**NOTICE OF AWARD OF TIME-BASED RESTRICTED STOCK UNITS**

The Corporation hereby awards to Participant, as of the Award Date indicated below, an award (the "Award") of restricted stock units under the Corporation's 2007 Incentive Compensation Plan (the "Plan"). Each restricted stock unit represents the right to receive one share of Common Stock on the vesting date of that unit. The number of shares of Common Stock subject to the awarded restricted stock units and the applicable vesting schedule for those units and the underlying shares are set forth below. The remaining terms and conditions governing the Award shall be as set forth in the form Time-Based Restricted Stock Unit Award Agreement for service-vesting Awards.

**AWARD SUMMARY**

Participant \_\_\_\_\_

Award Date: \_\_\_\_\_, 200\_

Number of Shares  
Subject to Award: \_\_\_\_\_ shares of Common Stock (the "Shares")

Vesting Schedule: The Shares shall vest in a series of three (3) successive equal annual installments upon Participant's completion of each successive year of Service over the three (3)-year period measured from the Award Date. Each such installment vesting date is hereby designated a "Vesting and Issuance Date." However, one or more Shares may be subject to accelerated vesting in accordance with the provisions of Paragraph 3 or Paragraph 5 of the form Time-Based Restricted Stock Unit Award Agreement.

Participant understands and agrees that the Award is granted subject to and in accordance with the terms of the Plan and hereby agrees to be bound by the terms of the Plan and the terms of the Award as set forth in the form Time-Based Restricted Stock Unit Award Agreement attached as Exhibit A. Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan in the form attached hereto as Exhibit B. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices.

Continuing Consent. Participant further acknowledges and agrees that, except to the extent the Plan Administrator notifies Participant in writing to the contrary, each subsequent award of service-vesting restricted stock units made to him or her under the Plan shall be subject to the same terms and conditions set forth in the Time-Based Restricted Stock Unit Award Agreement attached to his or her initial service-vesting Award, and Participant hereby accepts those terms and conditions for each such subsequent service-vesting restricted stock unit award that may be made to him or her under the Plan and hereby agrees to be bound by those terms and conditions for any such restricted stock unit awards, without any further consent or acceptance required on his or her part at the time or times when those awards may be made. However, Participant may, at anytime he or she holds an outstanding service-vesting restricted stock unit

award under the Plan, request a written copy of the form Timed-Based Restricted Stock Unit Award Agreement from the Corporation by contacting the Corporation's Human Resources Department at the Corporation's headquarters at 822 Bishop Street, Honolulu, HI 96813.

Employment at Will. Nothing in this Notice or in the form Time-Based Restricted Stock Unit Award Agreement or in the Plan shall confer upon 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 Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the form Time-Based Restricted Stock Unit Award Agreement for service-vesting Awards.

DATED: \_\_\_\_\_

**ALEXANDER & BALDWIN, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**PARTICIPANT**

Address: \_\_\_\_\_

\_\_\_\_\_

**INITIAL TIME-BASED AWARD ATTACHMENTS**  
**Time-Based Restricted Stock Unit Award Agreement**  
**Plan Summary and Prospectus**

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

**RECITALS**

A. 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 encourage them to continue their service relationship with the Corporation.

B. Participant is to render valuable services to the Corporation (or a 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.

**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 vesting schedule 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.

3. **Cessation of Service.**

(a) Except as 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 immediately 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 thirty-six (36) successive equal monthly installments over the duration of the three (3)-year vesting schedule set forth in 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.

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 following their actual issuance upon 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, whether regular or extraordinary, be declared and paid on the Corporation's outstanding Common Stock in one or more calendar years during which 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 credited to the Participant's book account during a particular calendar year shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) in one or more installments completed prior to the last day of that calendar year. 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) Any restricted stock units subject to this Award 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 cash retention program of the successor entity which

preserves the Fair Market Value of the unvested Shares subject to the Award at the time of the Change in Control and provides for subsequent payout of that value in accordance with the same (or, to the extent not otherwise prohibited by Code Section 409A, more favorable) vesting and payment schedule applicable to the Award. In the event of such assumption or continuation of this Award or such replacement of the Award with a cash retention program, no accelerated vesting of the restricted stock units shall occur at the time of the Change in Control.

(b) In the event this Award is assumed or otherwise continued in effect, the restricted stock units subject to the Award shall be adjusted immediately after the consummation of the 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, 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) Immediately upon an Involuntary Termination within twenty-four (24) months following the Change in Control in which this Award is assumed or otherwise continued in effect, all of the Participant's outstanding restricted stock units shall vest, 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 plan in accordance with Paragraph 5(a), then the balance credited to Participant under that plan at the time of his or her Involuntary Termination shall immediately vest and be paid to Participant in accordance with the applicable provisions of Paragraph 7; **provided, however**, that Participant shall be entitled to such payment only if Participant's 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 a cash retention program in accordance with Paragraph 5(a), then those units shall vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units will be issued 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 outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby prevent a dilution or enlargement of benefits hereunder. In making such equitable adjustments, the Plan Administrator shall take into account any amounts credited to Participant's book account under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

7. **Issuance of Shares of Common Stock.**

(a) The following provisions shall govern the issuance of the Shares 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 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 and become issuable upon the Participant's cessation of Service pursuant to under Paragraph 3(b) or 3(c) or his or her Involuntary Termination under Paragraph 5(c) shall be issued on the date of such cessation of Service or Involuntary Termination. Any cash retention plan distribution to which Participant is entitled under Paragraph 5(c) upon such Involuntary Termination shall be paid in a lump sum at that time. However, any issuance or payment pursuant to the provisions of this subparagraph (ii) shall be subject to the deferred issuance provisions of Paragraph 8, to the extent applicable.

(iii) Notwithstanding the provisions of subparagraph (ii), if this Award is deemed to create a deferred compensation arrangement under Code Section 409A, then the following additional limitation shall be applicable:

- Should Participant render Service in one or more capacities in addition to his or her Employee service, then upon Participant's cessation of Employee status under circumstances constituting a Separation from Service, any Shares deemed vested at that time under Code Section 409A but unissued shall be immediately issued, subject to the deferred issuance provisions of Paragraph 8.

(iv) Shares which vest and become issuable under Paragraph 5(d) shall be issued on the effective date of the Change in Control or within fifteen (15) business days thereafter. Alternatively, the Participant's right to the



Shares may, pursuant to the terms of the Change in Control transaction, be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of that Change in Control transaction and distributed at the same time as such stockholder payments, but in no event shall such distribution to Participant be completed later than the latest distribution date permitted under subparagraph (iv) below. In the event this Award is deemed to create a deferred compensation arrangement under Code Section 409A and the Change in Control transaction does not constitute a transaction qualifying as a change in control for purposes of Code Section 409A, then the issuance or distribution shall not be made until the earlier of the following events subsequent to that Change in Control transaction: (A) Participant's Separation from Service, subject to the deferred issuance provisions of Paragraph 8 to the extent applicable, or (ii) the Vesting and Issuance Date at the end of the twelve (12)-month period in which such Change in Control occurs.

(v) Any issuance, payment or distribution to be made pursuant to the preceding provisions of this Paragraph 7(a) shall be made on the designated issuance, payment or distribution date or as soon as administratively practicable thereafter. In no event, however, shall such issuance, payment or distribution be made later than the **later** of (i) the end of the calendar year in which the applicable issuance, payment or distribution date occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following that date.

(vi) Each issuance, payment 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 Paragraph 7(c), on or before the issuance, payment or distribution date.

(vii) Any Shares to be issued to Participant in accordance with the foregoing provisions of this Paragraph 7(a) 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 distribution of phantom dividend equivalents 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) Unless Participant (i) otherwise makes satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the designated notification period preceding each applicable vesting date of the Shares, to pay the applicable Withholding Taxes through the delivery of a check payable to the Corporation in the amount of such Withholding Taxes and (ii) in fact delivers such check to the Corporation not

later than that vesting date, the Corporation shall collect the applicable Withholding Taxes through the following automatic share withholding method:

- On each applicable vesting 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 vesting date) equal to the applicable Withholding Taxes; **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 for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(d) 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. **Deferred Issue Date.** 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 shall apply:

- No Shares or other amount which become issuable under this Agreement by reason of Participant's cessation of Service shall actually be issued to a Participant prior to the **earlier** of (i) the expiration of the six (6)-month period measured from the date of his or her Separation from Service or (ii) the date of his or her death, if the Participant is, pursuant to procedures established by the Plan Administrator, deemed at the time of such Separation from Service to be a "key employee" within the meaning of that term under Code Section 416(i) **and** such delayed issuance is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all Shares deferred pursuant to this Paragraph 8 shall be issued in a lump sum to the Participant.

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 Benefit 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 Benefit 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 Benefit Agreement and this Agreement, the provisions of the Change in Control Benefit 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 this Agreement. 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.** 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.

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

## 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.

E. **Board** shall mean the Corporation's Board of Directors.

F. **Cause** shall mean the commission of any act of fraud, embezzlement or dishonesty by Participant, any unauthorized use or disclosure by Participant of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Participant adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner; ***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 Benefit Agreement applicable to the Award, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefit 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.

G. **Change in Control** shall mean a change of ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing 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,

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

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) thirty-five percent (35%) or more of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination;

**provided, however**, that in the event Participant is a party to a Change in Control Benefit Agreement applicable to the Award, the term **Change in Control** shall have the meaning ascribed to that term in such Change in Control Benefit Agreement.

H. **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).

I. **Code** shall mean the Internal Revenue Code of 1986, as amended.

J. **Common Stock** shall mean shares of the Corporation's common stock.

K. **Corporation** shall mean Alexander & Baldwin, Inc., a Hawaii corporation, and any successor corporation to all or substantially all of the assets or voting stock of Alexander & Baldwin, Inc. which shall by appropriate action adopt the Plan.

L. **Early Retirement** shall mean Participant's cessation of Service on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.

M. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

N. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on date 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.

O. **Good Reason** shall mean (A) a change in Participant's position with the Corporation (or any Parent or Subsidiary employing Participant) which materially reduces Participant's duties and responsibilities or the level of management to which Participant reports, (B) a reduction in Participant's level of compensation (including base salary, fringe benefits and target bonus under any corporate performance based bonus or incentive programs) by more than ten percent (10%) or (C) a relocation of Participant's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation (or any Parent or Subsidiary) without Participant's consent; **provided, however**, that in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefit 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 Benefit Agreement.

P. **Involuntary Termination** shall mean the Participant's Separation from Service by reason of:

- (i) Participant's involuntary dismissal or discharge by the Corporation for reasons other than for Cause, or
- (ii) Participant's voluntary resignation for Good Reason.

Q. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

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

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

T. **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.

U. **Permanent Disability** shall mean the inability of 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.

V. **Plan** shall mean the Corporation's 2007 Incentive Compensation Plan.

W. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

X. **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 independent consultant permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months (or such shorter period for which he or she may have rendered such Service).

Y. **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. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of the 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 Corporation; ***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.

Z. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

AA. **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.

BB. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting and issuance of the shares of Common Stock which vest under the Award and any phantom dividend equivalents distributed with respect to those shares.



**ALEXANDER & BALDWIN, INC.**  
**NOTICE OF AWARD OF PERFORMANCE-BASED RESTRICTED STOCK UNITS**

The Corporation hereby awards to Participant, as of the Award Date indicated below, an award (the "Award") of restricted stock units under the Corporation's 2007 Incentive Compensation Plan (the "Plan"). Each restricted stock unit represents the right to receive one share of Common Stock on the vesting date of that unit. The number of shares of Common Stock subject to the awarded restricted stock units and the applicable performance vesting requirements for those units and the underlying shares are set forth below. The remaining terms and conditions governing the Award, including the applicable service vesting requirements, shall be as set forth in the form Performance-Based Restricted Stock Unit Award Agreement for Awards with combined performance and service vesting requirements.

**AWARD SUMMARY**

Participant \_\_\_\_\_

Award Date: \_\_\_\_\_, 200\_

Number of Shares Subject to Award: The number of shares of Common Stock issuable pursuant to the Award shall be determined in accordance with the Vesting Schedule below. For purposes of the percentage calculations set forth in the Performance Vesting section of such schedule, the designated number of shares of Common Stock to be utilized is \_\_\_\_\_ shares.

Vesting Schedule: The number of shares of Common Stock which may actually vest and become issuable pursuant to the Award shall be determined pursuant to a two-step process: (i) first there shall be calculated the maximum number of shares of Common Stock in which Participant can vest under the Performance Vesting section below based upon the actual level at which the Performance Goals specified on attached Schedule I are attained and (ii) then the number of shares calculated under clause (i) in which Participant may actually vest shall be determined on the basis of his or her completion of the applicable Service vesting provisions set forth in the form Performance-Based Restricted Stock Unit Award Agreement.

**Performance Vesting:** Attached Schedule I specifies the Performance Goals at three designated levels: Threshold, Target and Extraordinary. As soon as administratively practicable following the completion of the Performance Period, the Plan Administrator shall determine the actual level of attainment for each Performance Goal and shall then measure that level of attainment against the Threshold, Target and Extraordinary Levels set forth in attached Schedule I. The maximum number of shares of Common Stock in which Participant can vest based upon the actual level of attainment for the Performance Goals shall be determined by applying the following percentages to the number of shares specified in the Number of Shares Subject to Award section above:

Attainment below the Threshold Level:	0% of the shares
Attainment at the Threshold Level:	50% of the shares
Attainment at the Target Level:	100% of the shares
Attainment at Extraordinary Level:	200% of the shares

To the extent the actual level of attainment is at a point between the Threshold and Target Levels, the maximum number of shares of Common Stock in which Participant can vest shall be pro-rated between the two points on a straight line basis.

To the extent the actual level of attainment is at a point between the Target and Extraordinary Levels, the maximum number of shares of Common Stock in which Participant can vest shall be pro-rated between the two points on a straight line basis.

The maximum number of shares of Common Stock in which Participant can vest on the basis of the foregoing performance measure shall be hereinafter designated the "Performance Shares" and shall in no event exceed 200% of the number of shares specified in the Number of Shares Subject to Award section above.

**Service Vesting.** The number of Performance Shares in which Participant actually vests shall be determined on the basis of his or her satisfaction of the Service-vesting requirements set forth in Paragraph 3 of the form Performance-Based Restricted Stock Unit Award Agreement.

Participant understands and agrees that the Award is granted subject to and in accordance with the terms of the Plan and hereby agrees to be bound by the terms of the Plan and the terms of the Award as set forth in the form Performance-Based Restricted Stock Unit Award Agreement attached hereto as Exhibit A. Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan in the form attached hereto as Exhibit B. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices.

Continuing Consent. Participant further acknowledges and agrees that, except to the extent the Plan Administrator notifies Participant in writing to the contrary, each subsequent award of combined performance and service-vesting restricted stock units made to him or her under the Plan shall be subject to the same terms and conditions set forth in the form Performance-Based Restricted Stock Unit Award Agreement attached to his or her initial performance and service-vesting Award, and Participant hereby accepts those terms and conditions for each such subsequent performance and service-vesting

restricted stock unit award that may be made to him or her under the Plan and hereby agrees to be bound by those terms and conditions for any such restricted stock unit awards, without any further consent or acceptance required on his or her part at the time or times when those awards may be made. However, Participant may, at any time he or she holds an outstanding performance and service-vesting restricted stock unit award under the Plan, request a written copy of the form Performance-Based Restricted Stock Unit Award Agreement from the Corporation by contacting the Corporation's Human Resources Department at the Corporation's headquarters at 822 Bishop Street, Honolulu, HI 96813.

Employment at Will. Nothing in this Notice or in the form Performance-Based Restricted Stock Unit Award Agreement or in the Plan shall confer upon 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 Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the form Performance-Based Restricted Stock Unit Award Agreement for performance and service-vesting Awards.

DATED: \_\_\_\_\_

**ALEXANDER & BALDWIN, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**PARTICIPANT**

Address: \_\_\_\_\_

\_\_\_\_\_

**ATTACHMENT**

**Schedule I – Performance Goals**

**INITIAL PERFORMANCE-BASED AWARD ATTACHMENTS**

**Performance-Based Restricted Stock Unit Award Agreement**

**Plan Summary and Prospectus**

**SCHEDULE I**

**PERFORMANCE PERIOD, PERFORMANCE GOALS AND LEVELS OF ATTAINMENT**

The Performance Period shall be coincident with the Corporation's \_\_\_\_\_ fiscal year and shall accordingly commence on January 1, 200\_\_\_\_ and end on December 31, 200\_\_\_\_.

The Performance Goal which shall determine the number of shares of Common Stock which are to vest as Performance Shares under the Award shall be tied to the Corporation's pre-tax income for the Performance Period.

The required levels of attainment of pre-tax income for the Performance Period at the Threshold, Target and Extraordinary Levels are as follows:

Threshold Level: \_\_\_\_\_

Target Level: \_\_\_\_\_

Extraordinary Level \_\_\_\_\_

Pre-tax income shall be calculated on a consolidated basis with the Corporation's consolidated subsidiaries for financial reporting purposes and shall be determined on the basis of the Corporation's audited financial statements for the Performance Period, subject to any adjustments as determined by the Plan Administrator that are needed to accurately reflect the performance of the Corporation (e.g., because of changes in accounting rules, extraordinary gains from the sale of the Corporation's assets, unforeseen extraordinary events affecting the Corporation or any of its business operations, or other similar or dissimilar circumstances occurring during the Performance Period that may or may not have been beyond the control of the Corporation).

**CERTIFICATION**

I, W. Allen Doane, certify that:

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

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

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

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

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

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

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

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

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

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

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

By /s/ W. Allen Doane  
W. Allen Doane, Chairman, President and  
Chief Executive Officer

Date: July 27, 2007

**CERTIFICATION**

I, Christopher J. Benjamin, certify that:

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

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

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

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

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

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

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

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

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

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

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

By /s/ Christopher J. Benjamin  
Christopher J. Benjamin, Senior Vice President,  
Chief Financial Officer and Treasurer

Date: July 27, 2007

**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 Quarterly Report on Form 10-Q of Alexander & Baldwin, Inc. (the "Company") for the quarterly period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), W. Allen Doane, as Chairman, President and Chief Executive Officer of the Company, and Christopher J. Benjamin, as Senior Vice President, Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Allen Doane

Name: W. Allen Doane  
Title: Chairman, President and Chief Executive Officer  
Date: July 27, 2007

/s/ Christopher J. Benjamin

Name: Christopher J. Benjamin  
Title: Senior Vice President, Chief Financial Officer and Treasurer  
Date: July 27, 2007

**EXECUTIVE PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

**RECITALS**

- A. 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 encourage them to continue their service relationship with 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.

**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 performance 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.
3. **Vesting Requirements.** The Shares subject to the Award shall initially be unvested and shall vest only in accordance with the vesting provisions of this Paragraph 3 or the special vesting acceleration provisions of Paragraph 5. The actual number of Shares in which Participant shall vest under this Paragraph 3 shall be determined pursuant to a two-step process: (i) first there shall be calculated the maximum number of Shares in which Participant can vest

based upon the level at which the Performance Goals specified on Schedule I to the Award Notice are actually attained and (ii) then the number of the Performance 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:** As soon as administratively practicable following the completion of the Performance Period, the Plan Administrator shall determine the applicable number of Performance Shares in accordance with the provisions of the Award Notice and Schedule I attached thereto.

(b) **Service Vesting:** The Performance 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:

- If Participant continues in Service through the completion of the Performance Period, Participant shall vest in one hundred percent (100%) of the Performance Shares.

- If Participant ceases Service prior to the completion of the Performance Period by reason of Early Retirement, Normal Retirement, death or Permanent Disability, then Participant shall vest in a portion of the Performance Shares determined by multiplying the maximum number of Performance Shares in which Participant could vest, based on the actual level of Performance Goal attainment for the Performance Period, by 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 the number of months (rounded to the closest whole number) constituting the entire Performance Period.

- If Participant's Service ceases for any other reason prior to the completion of the Performance Period, then Participant shall not vest in any of the Shares.

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 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 following their actual issuance upon 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, whether regular or extraordinary, be declared and paid on the Corporation's outstanding Common Stock in one or more calendar years during which 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 the number of Shares issuable under this Award at Target Level Attainment had that number of Shares been issued and outstanding and entitled to that dividend or distribution. The phantom dividend equivalents credited to the Participant's book account during a particular calendar year shall be distributed to Participant (in cash or such other form as the Plan Administrator may deem appropriate in its sole discretion) in one or more installments completed prior to the last day of that calendar year. However, each such distribution shall be subject to the Corporation's collection of the Withholding Taxes applicable to that distribution.

5. **Change in Control.** The following provisions shall apply only 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 after the completion of such Performance Period.

(a) Any restricted stock units subject to this Award at the time of such Change in Control may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a cash retention program of the successor entity which preserves the Fair Market Value of the maximum number of Shares issuable under this Award at Extraordinary Level Attainment and provides for subsequent payout of that value in accordance with the same performance and Service vesting requirements applicable to the Award. In the event of such assumption or continuation of this Award or such replacement of the Award with a cash retention program, no accelerated vesting of the restricted stock units shall occur at the time of the Change in Control.

(b) In the event this Award is assumed or otherwise continued in effect, the restricted stock units subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the maximum number of Shares issuable under this Award at Extraordinary Level Attainment 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, 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) Immediately upon an Involuntary Termination (i) within twenty-four (24) months following the Change in Control in which this Award is assumed or otherwise



continued in effect and (ii) prior to the completion of the Performance Period, Participant shall vest in that number of Shares equal to the Performance Shares which would have resulted upon the Corporation's achievement of each applicable Performance Goal at Target Level Attainment, and that number of Shares shall be immediately issued to Participant, subject to the Corporation's collection of the applicable Withholding Taxes. In addition, any balance credited at the time of such Involuntary Termination to the phantom dividend equivalent book account maintained for the Participant under Paragraph 4(b) shall be immediately distributed to Participant, subject to the Corporation's collection of the applicable Withholding Taxes. Should the restricted stock units be replaced with a cash retention plan in accordance with Paragraph 5(a), then the portion of that balance which would have been earned had the Corporation achieved each of the applicable Performance Goals at Target Level Attainment and had Participant continued in Service through the completion of the Performance Period shall immediately be paid to Participant in a lump sum upon such Involuntary Termination, subject to the Corporation's collection of the applicable Withholding Taxes; **provided, however**, that Participant shall be entitled to such payment only if Participant's Involuntary Termination occurs within twenty-four (24) months following the Change in Control and prior to the completion of the Performance Period. In no event, however, shall any share issuance or payment required under this Paragraph 5(c) be effected later than the **later** of (i) the end of the calendar year in which such Involuntary Termination occurs or (ii) the fifteenth (15th) of the third (3rd) calendar month following the date of such Involuntary Termination. Except for the number of Shares and portion of the cash retention balance calculated 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 portion of the cash retention balance upon such Involuntary Termination. Should such Involuntary Termination occur after the completion of the Performance Period, Participant's rights and entitlement hereunder shall be governed solely by the provisions of Paragraph 3.

(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 a cash retention program in accordance with Paragraph 5(a), then Participant shall, immediately prior to the closing of such Change in Control, vest in that number of Shares equal to the Performance Shares which would have resulted upon the Corporation's achievement of each applicable Performance Goal at Target Level Attainment. The vested Shares will be issued immediately on the effective date of such Change in Control or as soon as administratively practicable thereafter, but in no event more than fifteen (15) business days after such effective date, or will otherwise 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 and distributed at the same time as such stockholder payments, but in no event shall such distribution to Participant be completed later than the **later** of (i) the end of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of that Change in Control. Each issuance or distribution made under this Paragraph 5(c) shall be subject to the Corporation's collection of the applicable Withholding Taxes. Except for the number of Shares so calculated, Participant shall have no further right or entitlement to any additional Shares.

(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. **Change in Control Benefit 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 Benefit 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 Benefit Agreement and this Agreement, the provisions of the Change in Control Benefit 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 substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby prevent a dilution or enlargement of benefits hereunder. In making such equitable adjustments, the Plan Administrator shall take into account any amounts credited to Participant's book account under Paragraph 4(b) in connection with the transaction, and the determination of the Plan Administrator shall be final, binding and conclusive. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 5(b) shall be controlling.

(8) **Issuance of Shares of Common Stock.**

(a) The Shares in which Participant vests in accordance with the provisions of Paragraph 3 shall be issued in accordance with the following provisions:

(i) If the applicable Performance Period is coincidental with one or more successive complete calendar years, the Shares shall be issued during the period beginning with the first business day of the calendar year immediately succeeding the end of the Performance Period and ending on March 15 of that year.

(ii) If the applicable Performance Period ends on a date other than the last day of the calendar year, then the Shares shall be issued as soon as administratively practicable following the completion of that Performance Period, but no later than the **later** of (A) the last day of the calendar year in which such

Performance Period ends or (B) the fifteenth (15th) day of the third (3rd) calendar month following the last of day of such Performance Period.

(iii) Except as otherwise provided in Paragraph 5(c) or 5(d), no Shares shall be issued prior to the completion of the Performance Period.

(b) Any Shares to be issued to Participant in accordance with the foregoing provisions of Paragraph 8(a) 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.

(c) The Corporation shall collect the Withholding Taxes with respect to each distribution of phantom dividend equivalents 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.

(d) Unless Participant (i) otherwise makes satisfactory arrangements with the Corporation's Human Resources Department, on or before the expiration of the designated notification period preceding the applicable vesting date of the Shares, to pay the applicable Withholding Taxes through the delivery of a check payable to the Corporation in the amount of such Withholding Taxes and (ii) in fact delivers such check to the Corporation not later than that vesting date, the Corporation shall collect the applicable Withholding Taxes through the following automatic share withholding method:

- 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; **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 for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(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. **Deferred Issue Date.** 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 shall apply:

- No Shares or other amount which become issuable under this Agreement by reason of Participant's cessation of Service shall actually be issued to a Participant prior to the **earlier** of (i) the expiration of the six (6)-month period measured from the date of his or her Separation from Service or (ii) the date of his or her death, if the Participant is, pursuant to procedures established by the Plan Administrator, deemed at the time of such Separation from Service to be a "key employee" within the meaning of that term under Code Section 416(i) **and** such delayed issuance is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all Shares deferred pursuant to this Paragraph 9 shall be issued in a lump sum to the Participant.

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 this Agreement. 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.** 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 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.

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

## 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 Performance-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.

E. **Board** shall mean the Corporation's Board of Directors.

F. **Cause** shall mean the commission of any act of fraud, embezzlement or dishonesty by Participant, any unauthorized use or disclosure by Participant of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Participant adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner; ***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 Benefit Agreement applicable to the Award, the term **Cause** shall have the meaning ascribed to that term in such Change in Control Benefit 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.

G. **Change in Control** shall mean a change of ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, **unless** securities representing 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,

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

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) thirty-five percent (35%) or more of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination;

**provided, however**, that in the event Participant is a party to a Change in Control Benefit Agreement applicable to the Award, the term **Change in Control** shall have the meaning ascribed to that term in such Change in Control Benefit Agreement.

H. **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).

I. **Code** shall mean the Internal Revenue Code of 1986, as amended.

J. **Common Stock** shall mean shares of the Corporation's common stock.

K. **Corporation** shall mean Alexander & Baldwin, Inc., a Hawaii corporation, and any successor corporation to all or substantially all of the assets or voting stock of Alexander & Baldwin, Inc. which shall by appropriate action adopt the Plan.

L. **Early Retirement** shall mean Participant's cessation of Service on or after the attainment of age fifty-five (55) and the completion of at least five (5) years of Service.

M. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

N. **Extraordinary Level Attainment** shall mean the Corporation's achievement of each Performance Goal set forth in Schedule I to the Award Notice at the level designated as Extraordinary Level attainment for that goal.

O. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on date 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.

P. **Good Reason** shall mean (A) a change in Participant's position with the Corporation (or any Parent or Subsidiary employing Participant) which materially reduces Participant's duties and responsibilities or the level of management to which Participant reports, (B) a reduction in Participant's level of compensation (including base salary, fringe benefits and target bonus under any corporate performance based bonus or incentive programs) by more than ten percent (10%) or (C) a relocation of Participant's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation (or any Parent or Subsidiary) without Participant's consent; **provided, however**, that in the event Participant is at the time of his or her cessation of Employee status a party to a Change in Control Benefit 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 Benefit Agreement.

Q. **Involuntary Termination** shall mean the Participant's Separation from Service by reason of:

- (i) Participant's involuntary dismissal or discharge by the Corporation for reasons other than for Cause, or
- (ii) Participant's voluntary resignation for Good Reason.

R. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

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

(65).

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

U. **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.

V. **Performance Goals** shall mean the performance goals specified on Schedule I of the Award Notice.

W. **Performance Period** shall mean the period specified on Schedule I of the Award Notice over which the attainment of the Performance Goals is to be measured.

X. **Performance Shares** shall mean the maximum number of Shares in which Participant can vest based on the level at which the Performance Goals for the Performance Period are attained and shall be calculated in accordance with the provisions of the Award Notice. In no event shall the number of such Performance Shares exceed two hundred percent (200%) of the number of Shares specified in the Number of Shares Subject to Award section of the Award Notice.

Y. **Permanent Disability** shall mean the inability of 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.

Z. **Plan** shall mean the Corporation's 2007 Incentive Compensation Plan.

AA. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

BB. **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 independent consultant permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months (or such shorter period for which he or she may have rendered such Service).



CC. **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. 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 Corporation; **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.

DD. **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.

EE. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

FF. **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.

GG. **Target Level Attainment** shall mean the Corporation's achievement of each Performance Goal set forth in Schedule I to the Award Notice at the level designated as Target Level attainment for that goal.

HH. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting and issuance of the shares of Common Stock which vest under the Award and any phantom dividend equivalents distributed with respect to those shares.

**SCHEDULE I**

**ILLUSTRATION OF VESTING CALCULATIONS**

The following examples are for illustration purposes only:

1. Participant receives an Award for 1,000 Shares at Target Level and Participant continues in Service until the expiration of the Performance Period. If the Performance Goals are satisfied at the Target Level, Participant shall vest in all 1,000 Shares. If the Performance Goals are satisfied at the Extraordinary Level, Participant shall vest in an additional 1,000 Shares for a total of 2,000 Shares.
2. Participant receives an Award for 1,000 Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goals are satisfied at the Target Level, Participant shall vest in 500 of the Shares. On the other hand, if the Performance Goals are satisfied at the Extraordinary Level, Participant shall vest in an additional 500 Shares for a total of 1,000 Shares.
3. Participant receives an Award for 1,000 Shares at Target Level and Participant continues in Service through the expiration of the Performance Period. If the Performance Goals are attained at a point halfway between the Threshold and Target Levels, Participant shall vest in 750 of the Shares. On the other hand, if the Performance Goals are attained at a point halfway between the Target and Extraordinary Levels, Participant shall vest in an additional 500 Shares for a total of 1,500 Shares.
4. Participant receives an Award for 1,000 Shares at Target Level and Participant ceases Service due to Permanent Disability halfway through the Performance Period. If the Performance Goals are attained at a point halfway between the Threshold and Target Levels, Participant shall vest in 375 of the Shares. On the other hand, if the Performance Goals are attained at a point halfway between the Target and Extraordinary Levels, Participant shall vest in an additional 375 Shares for a total of 750 Shares.

# Prudential Financial

Prudential Capital Group  
Four Embarcadero Center, Suite 2700  
San Francisco CA 94111  
Tel 415 398-7310 Fax 415 421-6233  
[www.prudentialcapitalgroup.com](http://www.prudentialcapitalgroup.com)

April 9, 2007

**ALEXANDER & BALDWIN, INC.**  
822 Bishop Street  
Honolulu, Hawaii 96813

Gentlemen:

Reference is made to (i) the Note Agreement (the "1993 Agreement") dated as of June 4, 1993, by and between Alexander & Baldwin, Inc. (the "Company") and A&B Hawaii, Inc. ("A&B Hawaii"), on the one hand, and The Prudential Insurance Company of America ("Prudential"), on the other hand, (ii) the Private Shelf Agreement (the "1996 Agreement"), dated as of August 2, 1996, by and between the Company and A&B Hawaii, on the one hand, and Prudential and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand, (iii) the Private Shelf Agreement (the "2001 Agreement") dated as of April 25, 2001, by and between the Company, on the one hand, and Prudential and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof on the other hand, (iv) the Private Shelf Agreement (the "2003 Agreement") dated as of November 25, 2003, by and between the Company, on the one hand, and Prudential Investment Management, Inc. ("PIM") and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand and (v) the Note Purchase and Private Shelf Agreement dated as of April 19, 2006, by and between the Company, on the one hand, and PIM and each Prudential Affiliate (as defined therein) that is or may become bound by certain provisions thereof, on the other hand (the "2006 Agreement" and, together with the 1993 Agreement, the 1996 Agreement, the 2001 Agreement and the 2003 Agreement, the "Agreements"). Prior to the date hereof, A&B Hawaii ceased to be a party to the 1993 Agreement and the 1996 Agreement.

A. Pursuant to paragraph 11C of each of the Agreements and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned and the Company hereby agree that:

1. Paragraph 5 of each Agreement is amended by adding thereto a new paragraph 5G as follows:

5G. **Maintenance of Debt Rating.** The Company covenants that it shall at all times have in effect a current Debt Rating with respect to its senior unsecured long term debt.

2. Paragraph 7A of each Agreement is amended and restated in its entirety as follows:

7A. **Acceleration.** If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of or interest or Yield-Maintenance Amount on, any Note, for more than five Business Days after the same shall become due, either by the terms thereof or otherwise as herein provided; or

(ii) the Company or any Subsidiary defaults in any payment of principal of, or premium or interest on, any obligation for money borrowed (or of any obligation under a conditional sale or other title retention agreement or of any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or of any obligation under notes payable or drafts accepted representing extensions of credit) other than the Notes beyond any period of grace provided with respect thereto, or the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement (or any other event thereunder or under any such agreement occurs and is continuing) and the effect of such payment default or other failure or event is to cause or (at any time at which there is a Specified Debt Rating in effect with respect to the Company) to permit the holder or holders of such obligation to cause, such obligation to become due (or to become subject to required repurchase by the Company or any Subsidiary) prior to any stated maturity; provided that the aggregate amount of all obligations as to which such a payment default shall occur or such a failure or other event causing acceleration (or required repurchase by the Company or any Subsidiary) shall occur exceeds \$25,000,000; or

(iii) any representation or warranty made by the Company herein or by the Company or any of its officers in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(iv) (a) the Company fails to perform or observe any agreement contained in paragraphs 5C or 6 hereof and, at the time of such failure, there is a Specified Debt Rating in effect with respect to the Company or (b) the Company fails to perform or observe any agreement contained in paragraphs 5C or 6 hereof and, at the time of such failure, the Company has one or more Debt Ratings in effect and no such rating is a Specified Debt Rating, and such failure continues for ten Business Days; or

(v) the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained herein and such failure shall not be remedied within 30 days after any Principal Officer obtains actual knowledge thereof; or

(vi) the Company or any Significant Subsidiary makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(vii) any decree or order for relief in respect of the Company or any Significant Subsidiary is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, liquidation or similar law, whether now or hereafter in effect (herein called the "Bankruptcy Law"), of any jurisdiction; or

(viii) the Company or any Significant Subsidiary petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Company or any such Significant Subsidiary, or of any substantial part of the assets of the Company or any such Significant Subsidiary, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Significant Subsidiary) relating to the Company or any Significant Subsidiary under the Bankruptcy Law of any other jurisdiction; or

(ix) any petition or application of the type described in clause (viii) of this paragraph 7A is filed, or any such proceedings are commenced, against the Company or any Significant Subsidiary and the Company or such Significant Subsidiary by any act indicates its approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(x) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing the dissolution of such Company or such Significant Subsidiary and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing a split-up of the Company or such Significant Subsidiary which requires the divestiture of (A) assets representing a substantial part, or the stock of, or other ownership interest in, a Significant Subsidiary whose assets represent a substantial part of Consolidated Total Assets or (B) assets or the stock of or other ownership interest in a Significant Subsidiary that has contributed a substantial part of Consolidated Cumulative Net Income for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xii) (a) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (b) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the

Company or any ERISA Affiliate that a Plan may become a subject of such proceedings, (c) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$25,000,000, (d) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (e) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (f) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (a) through (f) above, either individually or together with any other such event or events, could reasonably be expected to have a material adverse effect on the business or condition (financial or otherwise) of the Company; or

(xiii) any judgment or decree in the amount of \$25,000,000 or more shall be entered against the Company or any of its Subsidiaries that is not paid or fully covered (beyond any applicable deductibles) by insurance and such judgment or decree shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof;

(xiv) any Change of Control shall occur; or

(xv) at any time that Matson is a Subsidiary of the Company, there occurs an “Event of Default” as that term is defined in the Matson Note Agreement and either (a) the aggregate amount of obligations then outstanding under the Matson Note Agreement exceeds \$10,000,000 or (b) the aggregate amount of obligations then outstanding under the Matson Note Agreement exceeds \$5,000,000 and there is a Specified Debt Rating in effect with respect to either the Company or Matson or there is no Debt Rating in effect with respect to either Matson or the Company;

then (a) if such event is an Event of Default specified in clause (i) of this paragraph 7A, the holder of any Note (other than a Company or any of its Subsidiaries or Affiliates) may at its option, by notice in writing to the Company, declare such Note to be, and such Note shall thereupon be and become, immediately due and payable at par together with interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in clause (vii), (viii) or (ix) of this paragraph 7A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and the Yield-Maintenance Amount with respect thereto, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, and (c) with respect to any event constituting an Event of Default, the Required Holder(s) of any Series of Notes may at its or their option, by notice in writing to the Company, declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

3. Paragraph 10B of each of the Agreements is amended by adding thereto the following defined terms:

“Change of Control” shall mean an event or series of events by which: (a) any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, directly or indirectly, of more than 50% of the equity securities of the Company entitled to vote for members of the board of directors of the Company on a fully-diluted basis; or (b) during any period of 24 consecutive months, a majority of the members of the board of directors of the Company cease to be composed of individuals who were either (i) nominated by the management of the Company or by persons who were members of that board of directors as of December 31, 2006 or members elected by a majority of such members or (ii) appointed by directors so nominated.

“Debt Rating” shall mean, as of any date of determination, a currently effective non-credit enhanced senior unsecured long term debt rating issued by Moody’s Investors Service, Inc. or any successor thereto (“Moody’s”) or by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. or any successor thereto (“S&P”).

“Matson Note Agreement” shall mean the amended and restated note agreement dated May 19, 2005, by and between Matson and the persons named on the purchase schedule thereto.

“Specified Debt Rating” shall mean a Debt Rating from Moody’s of lower than Baa2 or from S&P of lower than BBB.

B. Pursuant to paragraph 11C of the 2006 Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned which are party to the 2006 Agreement and the Company hereby agree that:

1. Clause (iii) of paragraph 6B(1) of the 2006 Agreement is amended and restated in its entirety as follows:

(iii) (A) Liens on the vessels owned or to be owned or chartered, or any shoreside facilities, equipment or containers owned, leased or to be owned or leased by Matson or Matson Subsidiaries, (B) Liens securing Debt between Subsidiaries or owing to the Company by a Subsidiary and (C) Liens encumbering the fund established and maintained by Matson in accordance with Section 607 of the Merchant Marine Act, 1936 to the extent incurred in connection with Matson’s incurring of indebtedness in connection with the acquisition, construction, or reconstruction of a qualified vessel or a barge or container which is part of the complement of a qualified vessel under regulations adopted by the Maritime Administration under the Merchant Marine Act, 1936;



2. The defined term "Consolidated Shareholders' Equity" appearing in paragraph 10B of the 2006 Agreement is amended and restated in its entirety as follows:

"Consolidated Shareholders' Equity" shall mean, at any time of determination thereof, for the Company and Subsidiaries determined in accordance with GAAP, the sum of (i) consolidated shareholders' equity, and (ii) any consolidated mezzanine equity (or other temporary or non-permanent equity) resulting from the application of Statement of Financial Accounting Standards No. 123R and related stock based compensation awards issued to management which are puttable upon a change of control; provided, that any determination of Consolidated Shareholders' Equity shall exclude all non-cash adjustments to Consolidated Shareholders' Equity resulting from the application of Statement of Financial Accounting Standards No. 158 (Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans), which non-cash adjustments shall not exceed \$50,000,000 for periods ending on or before December 31, 2006.

This letter agreement shall be governed by the law of the State of California.

If you are in agreement with the foregoing, please execute each of the enclosed counterparts of this letter agreement in the space indicated below and return them to Prudential Capital Group at: Four Embarcadero Center, Suite 2700, San Francisco, CA 94111, Attention: James F. Evert. This letter agreement shall be effective as of the date first appearing above upon its execution and delivery by each party named as a signatory hereto.

Sincerely,

**THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**

By: /s/ Mathew Douglass  
Title: Vice President

**PRUCO LIFE INSURANCE COMPANY**

By: /s/ Mathew Douglass  
Title: Vice President

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**

By: /s/ Mathew Douglass  
Title: Vice President

**PRUDENTIAL INVESTMENT MANAGEMENT, INC.**

By: /s/ Mathew Douglass  
Title: Vice President

**THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.**

By: Prudential Investment Management (Japan), Inc.,  
as Investment Manager

By: Prudential Investment Management, Inc.,  
as Sub-Adviser

By: /s/ Mathew Douglass  
Vice President

**GIBRALTAR LIFE INSURANCE CO., LTD.**

By: Prudential Investment Management (Japan), Inc.,  
as Investment Manager

By: Prudential Investment Management, Inc.,  
as Sub-Adviser

By: /s/ Mathew Douglass  
Vice President

**PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY**

By: Prudential Investment Management, Inc.,  
as investment manager

By: /s/ Mathew Douglass  
Vice President

Acknowledged and agreed:

**ALEXANDER & BALDWIN, INC.**

By: /s/ W. Allen Doane  
Title: Chief Executive Officer

By: /s/ Christopher J. Benjamin  
Title: Chief Financial Officer