BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of A&B PROPERTIES, INC. To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	DOCKET NO. A07-772 A&B PROPERTIES, INC.

LAND USE COMMISSION
STATE OF HAWAII
MAR 02 2007
RECEIVED

PETITION FOR LAND USE DISTRICT BOUNDARY AMENDMENT

VERIFICATION

EXHIBITS "1" THROUGH "7"

AND

CERTIFICATE OF SERVICE

BENJAMIN M. MATSUBARA, #993-0
CURTIS T. TABATA, #5607-0
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PETITION FOR LAND USE DISTRICT BOUNDARY AMENDMENT

TO THE HONORABLE LAND USE COMMISSION OF THE STATE OF HAWAII:

A&B PROPERTIES, INC., ("Petitioner") by and through its attorney, BENJAMIN M. MATSUBARA, respectfully petition the Land Use Commission of the State of Hawaii ("Commission") to amend the land use district boundary of approximately 94.352 acres of land at Waiakoa, Maui, Hawaii, ("Property") more particularly described below, from the State Land Use Agricultural District to the State Land Use Urban District for the planned Kihei Residential Project ("Project"). In support of this Petition, Petitioner respectfully presents the following:

1. Standing. The fee simple ownership of the Property is vested in Alexander & Baldwin, Inc., a Hawaii corporation, whose principal place of business is 822 Bishop Street, Honolulu, Hawaii 96813. Petitioner is a wholly owned subsidiary of Alexander & Baldwin, Inc. Attached as Exhibit 1 is the written authorization of Alexander & Baldwin, Inc. permitting Petitioner to file the subject Petition. Petitioner possess the requisite standing to file this Petition pursuant to Hawaii Revised Statutes ("HRS") Section 205-4(a) and Hawaii Administrative Rules ("HAR") Section 15-15-46(3).

2. Authorized Representatives. Mr. Benjamin M. Matsubara, Mr. Curtis T. Tabata and the law firm of Matsubara, Lee & Kotake have been appointed to represent the Petitioner pursuant to HAR Section 15-15-35(b). All correspondence and communications in regard to this Petition shall be addressed to, and served upon, Mr. Benjamin M. Matsubara, Matsubara, Lee & Kotake, 888 Mililani Street, 8th Floor, Honolulu, Hawaii 96813 and Mr. Daniel Yasui, A&B Properties, Inc., 822 Bishop Street, Honolulu, Hawaii 96813.

3. Relief Sought. Petitioner desires to amend the land use district boundary to reclassify approximately 94.352 acres of land at Waiakoa, Maui, Hawaii from the State Land Use Agricultural District to the State Land Use Urban District.

4. Authority for Relief Sought. Petitioner A&B Properties, Inc. files this Petition pursuant to Section 205-4, of the HRS and the Land Use Commission Rules of the State of Hawaii, Title 15, Subtitle 3, Chapter 15 of the HAR.

5. Description of the Property. The Property is situated in Waiakoa, Maui, Hawaii and consists of approximately 94.352 acres and is identified as Tax Map Key Nos. (2) 3-8-04: portion 2, portion 22 and portion of 30. A map identifying the location of the Property is attached as Exhibit 2. A survey map and metes and bounds description of the Property is attached as Exhibit 3.

6. Petitioner's Property Interest. The fee simple ownership of the Property is vested in Alexander & Baldwin, Inc., a Hawaii corporation, whose principal place of business is 822 Bishop Street, Honolulu, Hawaii 96813. Attached to this Petition as Exhibit 4 are documents evidencing Alexander & Baldwin, Inc.'s ownership of the Property. Petitioner is a wholly owned subsidiary of Alexander & Baldwin, Inc. Attached as Exhibit 1 is the written authorization of Alexander & Baldwin, Inc. permitting Petitioner to file the subject Petition.

7. Petitioner's Financial Condition. Petitioner is a wholly owned subsidiary of Alexander & Baldwin, Inc. Attached as Exhibit 5 are the financial statements of Alexander & Baldwin, Inc. Development of the Project is intended to be financed through internally generated funds.

8. <u>Reclassification Sought, Proposed Use of Property</u>. The Property is presently classified within the State Land Use Agricultural District. Petitioner seeks to reclassify the Property to the State Land Use Urban District to develop the Project. The Project is planned to consist of approximately 600 residential dwelling units. A mix of single family and multi family residential units are planned. A small commercial site is also planned to provide commercial services to the surrounding neighborhood. Parks and open space are also planned throughout the Project. The project will provide for a network of trails and bike paths which will connect to existing parks and open space areas. A conceptual master plan of the Project is attached as Exhibit 6.

9. <u>Environmental Impact</u>. Attached as Exhibit 7 is an Environmental Impact Statement Preparation Notice ("EISPN") prepared for the Project. As the proposed Project will require an amendment to the Kihei-Makena Community Plan and may involve the use of State and/or County lands, the preparation of this EISPN is being undertaken to address requirements under Chapter 343, HRS. Use of State and/or County lands could include, but not be limited to roadway, traffic, water, sewer, utility and drainage facilities affecting State and/or County roadways or other lands. While the specific nature of each improvement is not known at this time, the EISPN is intended to address all current and future instances involving the use of State and/or County lands relating to the Project. The filing of this Petition is the earliest practicable time to determine whether an Environmental Impact

Statement ("EIS") shall be required to assess the Project pursuant to Section 343-5(c), HRS. Accordingly, Petitioner requests that the Commission determine: (a) that the Commission is the appropriate accepting authority for the EIS and (b) that the EISPN is warranted.

10. Description of the Property, Surrounding Area and Use of Land.

The Property is located in Kihei, Maui on the mauka or eastern side of Piilani Highway, approximately one-fourth of a mile south of the Piilani Highway-Mokulele Highway intersection. The makai or western portion of the Property is used for seed corn cultivation and truck crops, while the mauka portion of the Property is vacant and unused. Single family residential uses border the Property to the immediate south, while agricultural lands also used for seed corn operations border the Property to the north. Vacant and undeveloped urban lands lie to the west of the Property, while unused agricultural lands occupy lands to the east. Waiakoa Gulch forms the northern boundary of the Property. The Property lies at the northern gateway to the Kihei area. Current access to the Property is provided off of Kaiwahine Street and Piilani Highway.

11. Assessment of the Impacts of the Proposed Development on the Environment. A preliminary discussion of the impacts of the proposed development on the environment is contained herein and in Petitioner's EISPN. Additional details concerning the proposed development's impacts on the environment will be provided as such information becomes available through the various studies which will be

carried out in connection with the preparation of Petitioner's Draft Environmental Impact Statement ("DEIS").

Flora and Fauna

A Botanical and Fauna Survey of the Property was conducted by Robert Hobdy, Environmental Consultant. During this survey, the lower half of the Property was plowed and was bare soil except for along the field margins and roads. The middle portion of the Property had an array of vegetable crops, with the upper portion of the property populated with near-monotypic buffelgrass savannah, with scattered kiawe trees and koa haole shrubs. Buffelgrass was the only species listed as abundant and best defined the character of the Property. Three (3) native plants, 'ilima, 'uhaloa and koali awahia were found on the Property, but all are common indigenous plants that are widespread in the tropics. The vegetation throughout the Property was dominated by non-native species. No wetlands or Federally-listed endangered or threatened plants were found on the Property. Due to the dominance of non-native plants and the absence of any rare or protected native plant species, the proposed Project is not expected to have a significant negative impact on botanical resources.

Avifauna and mammals common to the Property and surrounding areas are also typical of species found in other developed areas in Kihei. Feral mammals found within the Property included dogs, cats, and mongoose. There was evidence of axis deer on the upper portion of the Property, however, no deer were actually seen. Non-native birds were observed and very active in this area due to the insect population and its dry conditions. There were no known endangered mammal, bird or insect species identified throughout the course of the survey.

The proposed development is not anticipated to have a significant negative impact on botanical and fauna resources. No recommendations were deemed necessary regarding the flora and fauna resources at the Property. The Botanical and Fauna Survey will be included in the DEIS.

Streams, Wetlands and Reservoirs

Waiakoa Gulch is situated along the northern boundary of the Property. The natural drainage characteristics of the Waiakoa Gulch will not be altered. The land plan for the Project provides an open space buffer along the gulch to enable uninterrupted natural flows to occur. A flood study of Waiakoa Gulch has been completed to define the limits of the 100-year flood. The proposed Project will be situated outside of the 100-year floodway. The DEIS will include a preliminary drainage report to describe the proposed drainage system for the Project. Mitigation measures such as Best Management Practices ("BMPs") will be addressed by the preliminary drainage report. The nearest wetland area is the Kealia Pond National Wildlife Refuge, which is located approximately 1.5 miles to the west of the Property.

Archaeological and Historical Resources

An archaeological inventory survey of the Property was conducted by Cultural Surveys Hawaii, Inc. ("CSH"). The inventory survey found that the subject Property had been heavily impacted by past agricultural activities. Two (2) sites associated with these agricultural activities were identified. These sites were significant for their information content, which was documented by the archaeological inventory survey. As a result of the archaeological inventory survey, CSH recommended a project specific determination of "no historic properties affected". The archaeological inventory survey report was submitted to the State Historic Preservation Division ("SHPD") for their review in February 2006. By letter dated June 7, 2006, the SHPD concurred with the findings and recommendations of the CSH archaeological inventory survey report and accepted the report. The SHPD concluded that the development of the Project would have "no effect" on significant historic sites. The archaeological inventory survey report and the SHPD acceptance letter will be included in the DEIS.

Cultural Resources

A cultural impact assessment of the Property was conducted by CSH. The assessment found that there are presently no existing cultural practices occurring within the immediate vicinity of the Property or requiring transit through the Property. The assessment concluded that the residential use of the Property is anticipated to have minimal impact upon Native Hawaiian cultural resources. The cultural impact assessment report will be included in the DEIS.

Agriculture

In 1977, the State Department of Agriculture developed a classification system to identify Agricultural Lands of Importance to the State of Hawaii ("ALISH"). The classification system is based primarily, though not exclusively, upon the soil characteristics of the lands. The three (3) classes of ALISH lands are: "Prime", "Unique", and "Other", with all remaining lands termed "Unclassified". When utilized with modern farming methods, "Prime" agricultural lands have a soil quality, growing season, and moisture supply necessary to produce sustained crop yields economically. "Unique" agricultural lands possess a combination of soil quality, growing season, and moisture supply to produce sustained high yields of a specific crop. "Other" agricultural lands include those that have not been rated as "Prime" or "Unique". As reflected by the ALISH map for the Property, a portion on the northern end of the Property has been classified as "Prime" agricultural lands while the remainder of the Property is designated "Other".

The University of Hawaii, Land Study Bureau ("LSB") developed the Overall Productivity Rating, which classified soils according to five (5) levels, with "A" representing the class of highest productivity soils and "E" representing the lowest.

These letters are followed by numbers which further classify the soil types by conveying such information as texture, drainage and stoniness. The subject Property is located on lands designated E77. These lands have the lowest productivity rating by the LSB. Machine tillability is very poorly suited, thus grazing is the typical use for this type of soil. The soil is moderately fine and well-drained with complex nonstony, stony and rocky lands.

The proposed Project will involve the use of approximately 94 acres of land, which represents approximately 0.03 percent of the roughly 246,000 acres of State Agricultural district lands on the island of Maui. A more detailed assessment of the agricultural impact of the proposed Project will be included in the DEIS.

Air and Noise Quality

The air quality of the Kihei area is considered good with existing airborne pollutants attributed primarily to automobile exhaust from the region's roadways. There are no point sources of airborne emissions in the immediate vicinity of the Property. Other sources of airborne emissions may include construction activities around Kihei, smoke produced from sugarcane burning and dust from nearby agricultural areas. However, these sources are typically intermittent, with prevailing trade winds quickly dispersing any particulates which are generated. There are no significant noise generators in the vicinity of the project site. The predominant background noise source in the area is attributed to vehicle traffic along Piilani

Highway and surrounding roadways.

Anticipated air quality impacts attributed to the Project include dust generated by short-term construction-related activities. Dust control measures, such as regular watering and sprinkling, will be implemented to minimize wind-blown emissions. Graded and grubbed areas will be vegetated to mitigate dust-generated impacts. In the long term, the proposed project is not expected to adversely impact local and regional ambient air quality.

Ambient noise conditions will be temporarily impacted by construction activities. Heavy construction equipment, such as bulldozers, front-end loaders, and material-transport vehicles, will likely be the dominant source of noise during the construction period. The overall long-term impact of the proposed Project on ambient noise levels is not anticipated to be significant, given the predominantly residential character of the proposed Project.

Scenic and Open Space Resources

The subject Property is located mauka of Piilani Highway at the northern portion of the Kihei urban area. The slopes of Haleakala are visible from the project site, with the West Maui Mountains visible to the west. The subject Property is not located within a scenic view corridor, nor is it a part of a valuable open space resource area.

The proposed Project will be developed as an architecturally integrated master planned community with low-rise residential structures. Landscaping will be installed as part of the development improvements to ensure visual buffering and softening of the built landscape. No adverse impacts to scenic or open space resources resulting from the Project are anticipated.

12. Assessment of the Impacts of the Proposed Development on the Availability of Public Services and Facilities.

Roadways

The Property is situated adjacent to Piilani Highway, a primary vehicular arterial for South Maui. Piilani Highway is a four-lane, two-way State Highway that runs parallel to and mauka of Kihei Road. In addition to paved shoulders, Piilani Highway has traffic signals and turning lanes at major intersections. The Property is also served by Kaiwahine Street, which intersects Piilani Highway at its makai boundary. Kaiwahine Street is also one of the access points for the adjacent Hale Piilani subdivision. The intersection at Piilani Highway and Kaiwahine Street is signalized, with turning lanes. Currently two access points to the proposed Project are contemplated on the makai portion of the Property: one from Piilani Highway (right turn in and out only) and one from Kaiwahine Street, just mauka of the intersection with Piilani Highway. Within the mauka portion of the Property, several access points to adjacent properties are planned. The roadways within the proposed development will consist of collector roads (56-foot wide right-of-way) and minor streets (44-foot wide right-of-way).

A Traffic Impact Analysis Report ("TIAR") for the proposed project will be prepared and included in the DEIS. The TIAR will address the impacts of traffic generated from the proposed Project and identify measures required to mitigate the impacts. Coordination with the State Department of Transportation ("DOT") and County Department of Public Works and Environmental Management ("DPWEM") will be undertaken in the preparation of the TIAR.

Water System

Water service for the Kihei region is provided by the County Department of Water Supply ("DWS"). Existing water mains in the area include: 12-inch ductile iron ("DI") main along Kaiwahine Street, 8-inch DI main along Kaiolohia Street, 18-inch cast iron ("CI") main adjacent to and crossing Piilani Highway and a 36-inch concrete main (Central Maui Transmission System) crossing the Property in a north/south direction approximately midway through the site.

The Makai Heights Reservoir provides storage for the north Kihei area. The reservoir has a capacity of 2.0 million gallons, with a bottom elevation of 222.0 feet and a top elevation of 240.5 feet.

The projected average daily water demand from the proposed Project is estimated at 0.53 million gallons per day ("mgd"). The projected water storage requirements for the project are estimated at 0.9 million gallons.

A preliminary engineering report will be included in the DEIS which will analyze the existing and proposed water system for the Project based upon calculated water demands.

Wastewater System

The service area for the County's Kihei wastewater collection system extends from North Kihei to Makena. The system consists of a number of pump stations and force mains which convey wastewater through the County's transmission lines. Pump Station Nos. 2 to 5 convey flows from North Kihei to Pump Station No. 6 which is located adjacent to the Kihei Fire Station and Kalama Park. The combined flows are transported to the Kihei Wastewater Reclamation Facility ("KWRF") which is located mauka of Piilani Highway and south of the Elleair Maui Golf Club. Wastewater from the existing residential area adjacent to the Property is transported via a 12-inch line across Piilani Highway and along Uwapo Road to the County's Pump Station No. 2 located on Kihei Road.

Projected wastewater flows from the proposed Project are estimated as follows: base flow: 0.191 mgd, average dry weather flow: 0.203 mgd and peak wet weather flow: 0.934 mgd.

A preliminary engineering report will be included in the DEIS which will analyze wastewater collection and treatment requirements to accommodate the proposed Project.

Drainage

Waiakoa Gulch is situated along the northern boundary of the Property. The natural drainage characteristics of the Waiakoa Gulch will not be altered. The land plan for the Project provides an open space buffer along the gulch to enable uninterrupted natural flows to occur. A flood study of Waiakoa Gulch has been completed to define the limits of the 100-year flood. The proposed Project will be situated outside of the 100-year floodway.

The DEIS will include a preliminary drainage report covering the drainage characteristics of the Property, potential impacts resulting from the proposed Project, and proposed mitigation measures. The findings and recommendations for drainage will be based on drainage studies prepared by a licensed civil engineer.

Electrical, Telephone, and Cable Television Services

Electrical power, telephone, and CATV services to the region are provided by Maui Electric Company, Hawaiian Telcom, and Oceanic Time Warner Cable of Hawaii, respectively.

Although it is anticipated that electrical, telephone, and CATV service capacity will be available for the proposed development and will not have an adverse impact on service providers, the respective providers will be consulted regarding potential impacts as well as measures to mitigate said impacts. The results will be included in the DEIS.

Police and Fire Protection

The proposed Project is situated within the Maui Police Department's ("MPD") Kihei Patrol District IV, which covers the Kihei-Makena Community Plan region. The Maui County Department of Fire and Public Safety ("MFD") provides fire prevention, suppression, protection and emergency services to the area. The MFD's Kihei station, which services the Maalaea and Kihei areas, is situated on South Kihei Road in central Kihei. The Makena-Wailea area is covered by a separate Wailea Fire Station located on Kilohana Drive. Other Central Maui stations are located in Wailuku Town and in Kahului, on Dairy Road.

An assessment of the impacts to police and fire protection services will be undertaken during the DEIS process. The EISPN will be circulated to the MPD and MFD to solicit comments on the proposed Project.

Educational Facilities

The State Department of Education ("DOE") operates three (3) schools in the

Kihei area. Kihei Elementary School and Kamalii Elementary School covers grades K to 5, each with enrollments of approximately 800 students. Lokelani Intermediate School includes grades 6 to 8, with similar approximate enrollment. The Kihei Charter High School is also located in the region with an approximate enrollment of 150 students (DOE). The majority of public school students in grades 9 through 12 attend Maui High School located in Kahului. Maui Community College, a branch of the University of Hawaii system, is the primary higher education institution serving the County.

An assessment of the Project's impact to educational facilities in the region will be undertaken in coordination with the DOE. Preliminary discussions have been held with the DOE Facilities Branch concerning the proposed Project. The EISPN will be circulated to the DOE to solicit comments on the proposed Project.

Recreational Facilities

Diverse recreational opportunities are available in the Kihei-Makena Community Plan region. Shoreline activities, such as fishing, surfing, jogging, camping, picnicking, snorkeling, swimming, and windsurfing, are by far the predominant form of recreation in the area. Numerous public park facilities exist within a relatively short driving distance of the Project site, including Waipu`ilani, Kalama, and Kama`ole I/II/III Beach Parks. Additionally, recreational resources available in Kihei, Wailea and Makena include the Kihei Community Center and Aquatic Center, as well as resort-affiliated, world-class golf courses and tennis centers.

The proposed Project will include approximately 10 acres of park and open space. The Petitioner will coordinate with the County Department of Parks and Recreation ("DPR") to ensure that park and playground assessment requirements are appropriately addressed. The EISPN will be circulated to the DPR to solicit comments on the proposed Project.

Solid Waste Disposal

Single family residential solid waste collection service is provided by the County of Maui. Residential solid waste collected by County crews is disposed of at the County's Central Maui Landfill facility, located 4.0 miles southeast of the Kahului Airport. In addition to County-collected refuse, the Central Maui Landfill also accepts commercial waste from private collection companies. A new expansion to the Central Maui solid waste landfill facility was recently opened. Privately owned facilities, such as the Maui Demolition and Construction Landfill and the Pohakulepo Concrete Recycling Facility, accept solid waste and concrete from demolition and construction activities. These facilities are located at Ma`alaea, near Honoapi`ilani Highway's junctions with North Kihei Road and the Ku`ihelani Highway. A County supported green waste recycling facility is located at the Central Maui Landfill.

The planned single family residential units within the proposed Project will be served by the County of Maui's solid waste disposal facilities. Other project components will likely be served by private waste collection companies. Further coordination will be carried out with the DPWEM during the DEIS process to identify Project implications to solid waste facilities. The findings will be incorporated into the DEIS document.

Medical Facilities

The only major medical facility on the island is Maui Memorial Medical Center, which is located in Kahului about eight (8) miles in distance from the proposed Project. The 196-bed facility provides general, acute, and emergency care services.

Medical clinics and offices throughout the Kihei and Wailea areas offer medical services on a lesser scale. Such clinics include Kihei Clinic and Wailea Medical Services, Kihei Pediatric Clinic, Kihei Physicians and the Kihei-Wailea Medical Center.

An assessment of the impacts to medical treatment and care services will be undertaken in the DEIS process. The EISPN will be circulated to the Maui Memorial Medical Center for review and comment.

13. Location of the Proposed Development to Adjacent Land Use Districts and Centers of Trading and Employment. The Property is located at the northern gateway to the Kihei-Makena region. The Property is adjacent and north of

the existing Hale Piilani single family residential subdivision, while the Kihei Villages multi family residential project lies to the southwest. The site also abuts the existing Piilani Highway, a major north/south roadway serving the Kihei region. The Kihei Gateway commercial center is located further south, beyond the single family residential areas mauka of Piilani Highway. The Kihei Research and Technology Park is also located south of the project site, adjacent to the Elleair Golf Club and the nearby KWRF. The Property is located in an area of existing, urbanized lands.

The coastal area of Kihei, southwest of the project site includes resort-oriented condominiums along Kihei Road, as well as commercial centers, such as Azeka Shopping Center Mauka, Azeka Shopping Center Makai, and Kihei Kalama Village. Approximately 2.5 miles to the southwest of the Property are the Kihei Elementary School and Lokelani Elementary School. The County's Kihei Community Center and Aquatic Center are located along Lipoa Street, across from the Kihei Elementary School. The County's Kalama Park, Kalepolepo Park and Kama`ole Parks I, II and III are among the other recreational facilities found in the Kihei area, southwest of the Property.

14. Economic Impacts of the Proposed Development. The economy of Maui is heavily dependent upon the visitor industry. The dependency on the visitor industry is especially evident in the Kihei-Makena region, which is one of the State's major resort destination areas. The foundation for the region's visitor strength

lies in the availability of vacation rentals, world-class resorts, and recreational facilities throughout Kihei, Wailea and Makena. Service support for the visitor industry is also found in Kihei, where numerous retail commercial centers are located.

The State's overall economic growth rate remains high and its unemployment rate continues to be the lowest in the nation at 2.8 percent. Maui County is exhibiting similar trends with a seasonally unadjusted unemployment rate for the same period of 2.7 percent (State Department of Labor and Industrial Relations, May 2006).

On a short-term basis, the project will support construction and construction-related employment. Accordingly, the project will have a beneficial impact on the local economy during the period of construction. An analysis to address tax, income and property valuation parameters will be undertaken during the DEIS process.

15. Housing Needs. The proposed Project would add approximately 600 residential units, including affordable units, to the supply of housing on the island of Maui. The proposed Project would assist in providing relief to the current overall shortage of housing. Moreover, the subject Property's central location in north Kihei suggests that its impact will be very beneficial to Maui's residential and commercial sectors. No significant adverse impacts on housing conditions are anticipated. The DEIS will include a more thorough assessment of the proposed project's anticipated impacts on housing.

16. <u>Need for the Reclassification</u>. The Project will meet the requirements of the Maui Residential Workforce Housing Policy ("MRWHP"). Additionally, and to the extent feasible, housing credits (through the development of affordable housing units in excess of that required by the MRWHP) will be sought through the development of the Project. These housing credits would be applied to Petitioner's other projects in the region. The proposed Project will provide needed housing in close proximity to existing urban development and infrastructure. The Project's location is central to employment centers on the island of Maui. The reclassification of the Property as proposed herein will not result in scattered, spot urban development. A detailed analysis of the need for the Project will be included in the DEIS.

17. <u>Conformance with the Hawaii State Plan</u>. Chapter 226, HRS, also known as the Hawaii State Plan, is a long-range comprehensive plan which serves as a guide for the future long-term development of the State by identifying goals, objectives, policies, and priorities, as well as implementation mechanisms. Examples of State objectives and policies relevant to the proposed Project are as follows:

1. <u>*Section 226-05. Objectives and policies for population. To achieve this objective, it shall be the State policy to:*</u>

   a. *Promote increased opportunities for Hawai`i's people to pursue their socio-economic aspirations throughout the islands.*

b. *Plan the development and availability of land and water resources in a coordinated manner so as to provide for the desired levels of growth in each geographic area.*

2. *Section 226-19, Objectives and policies for socio-cultural advancement-housing. To achieve the housing objectives, it shall be the policy of the State to:*

a. *Effectively accommodate the housing needs of Hawai`i's people.*

b. *Stimulate and promote feasible approaches that increase housing choices for low-income, moderate-income, and gap-group households.*

c. *Increase homeownership and rental opportunities and choices in terms of quality, location, cost, densities, style, and size of housing.*

The DEIS will include a full review of applicable State Plan objectives and policies, as well as priority guidelines. In addition, the DEIS will examine the proposed Project's relationship to applicable State Functional Plans.

18. Conformance with the Coastal Zone Management Program.

Hawaii's Coastal Zone Management Program ("CZM"), Chapter 205 A, HRS establishes numerous objectives, policies and standards to guide and regulate public and private uses within the designated coastal management area. Although the Property is not located within the County's Special Management Area ("SMA"), the proposed development's relationship to the following applicable CZM objectives and policies have been reviewed. A more detailed discussion of the Project's conformance to the CZM will be included in the DEIS.

Recreational Resources Section 205A-2(b)(1)(A) provides that the CZM objective is to "provide coastal recreational opportunities accessible to the public." Applicable policies to achieve this objective include:

Provide adequate, accessible and diverse recreational opportunities in the coastal zone management area by: Providing an adequate supply of shoreline parks and other recreational facilities suitable for public recreation.

The proposed Project will not adversely affect coastal zone recreational opportunities. Accessibility to the shoreline will not be impacted by this Project. Additional recreational opportunities will be provided by additional park and open space that will be part of the proposed development.

Historic Resources Section 205A-2(b)(2)(A) provides that the CZM objective is to "protect, preserve and, where desirable, restore those natural and manmade historic and prehistoric resources in the coastal zone management area that are significant in Hawaiian and American history and culture." Applicable policies to achieve this objective include:

Identify and analyze significant archaeological resources.
Support state goals for protection, restoration, interpretation and display of historic resources.

The proposed Project is not anticipated to adversely impact historic or archaeological resources. An archaeological inventory survey of the Property was undertaken and submitted to the SHPD for review. The SHPD concluded that the development of the Project would have "no effect" on significant historic sites. The archaeological inventory survey report and the SHPD acceptance letter will be included in the DEIS.

Scenic and Open Space Resources Section 205A-2(b)(3)(A) provides that the CZM objective is to "protect, preserve and, where desirable restore or improve the quality of coastal scenic and open space resources." Applicable policies to achieve this objective include:

Ensure that new developments are compatible with their visual environment by designing and locating such developments to minimize the alteration of natural landforms and existing public views to and along the shoreline.

Encourage those developments which are not coastal dependent to locate in inland areas.

The proposed Project will not adversely impact scenic or open space resources. The Project is located inland of the shoreline and will not affect public views to and along the shoreline.

Coastal Ecosystems Section 205A-2(b)(4)(A) provides that the CZM objective is to "protect valuable coastal ecosystems, including reefs, from disruption and minimize adverse impacts on all coastal ecosystems." Applicable policies to achieve this objective include:

Minimize disruption or degradation of coastal water ecosystems by effective regulation of stream diversions, channelization, and similar land and water uses, recognizing competing water needs.

Petitioner will ensure that appropriate erosion control measures are implemented during construction of the proposed development to prevent significant impacts upon coastal water ecosystems. The natural drainage characteristics of the Waiakoa Gulch will not be altered. A flood study of Waiakoa Gulch has been completed to define the limits of the 100-year flood. The proposed Project will be situated outside of the 100-year floodway. The land plan for the Project provides an open space buffer along the gulch to enable uninterrupted natural flows to occur. All drainage improvements will be designed in accordance with applicable County standards to ensure no adverse impacts to downstream properties. The DEIS will include a preliminary drainage report covering the drainage characteristics of the Property, potential impacts resulting from the proposed Project, and proposed mitigation measures.

Coastal Hazards Section 205A-2(b)(6)(A) provides that the CZM objective is to "reduce hazard to life and property from tsunami, storm waves, stream flooding, erosion, subsidence and pollution." Applicable policies to achieve this objective include:

Control development in areas subject to storm wave, tsunami, flood, erosion, hurricane, wind, subsidence, and point and nonpoint pollution hazards.
Ensure that developments comply with requirements of the Federal Flood Insurance Program.

As previously noted, the natural drainage characteristics of the Waiakoa Gulch will not be altered. A flood study of Waiakoa Gulch has been completed to define the limits of the 100-year flood. The proposed Project will be situated outside of the 100-year floodway. The land plan for the Project provides an open space buffer along the gulch to enable uninterrupted natural flows to occur. Development of the Project will be in compliance with Federal Flood Insurance Program standards. All drainage improvements will be designed in accordance with applicable County standards to ensure no adverse impacts to downstream properties. The DEIS will include a preliminary drainage report covering the drainage characteristics of the Property, potential impacts resulting from the proposed Project, and proposed mitigation measures.

Managing Development Section 205A-2(b)(7)(A) provides that the CZM objective is to "improve the development review process, communication, and public participation in the management of coastal resources and hazards". Applicable policies to achieve this objective include:

Facilitate timely processing of applications for development permits and resolve overlapping of conflicting *permit requirements.*

Communicate the potential short and long term impacts of proposed significant coastal developments early in their life cycle and in terms understandable to the public to facilitate public participation in the planning and review process.

The land use district boundary amendment process initiated by this Petition, as well as the associated environmental review process being undertaken pursuant to Chapter 343 HRS, will involve a comprehensive review of the proposed Project by various governmental agencies and community organizations. Public participation concerning the proposed Project will be afforded via public hearings and written comments concerning the DEIS.

Based on the foregoing, the proposed development is not anticipated to have an adverse impact on the SMA and is consistent with the objectives and policies of the CZM.

19. Conformance with the County General Plan, Community Plan, and Zoning. The Maui County General Plan (1990 Update) sets forth broad objectives and policies to help guide the long-range development of the County. As stated in the Maui County Charter, the General Plan shall:

> *"...indicate desired population and physical development patterns for each island and region within the County; shall address the unique problems and needs of each island and region; shall explain the opportunities and the social, economic, and environmental consequences related to potential developments; and shall set forth the desired sequence, patterns, and characteristics of future developments. The General Plan shall identify objectives to be achieved, and priorities, policies, and implementing actions to be pursued with respect to population density, land use maps, land use regulations, transportation*

systems, public and community facility locations, water and sewage systems, visitor destinations, urban design, and other matters related to development."

The Maui County General Plan advances five (5) major themes that focus on the overall goals of the plan. The proposed project responds to the following General Plan themes:

<u>Theme Number 2</u> Prepare a Directed and Managed Growth Plan

Amendments to the General Plan will preserve a desired quality of life where areas of urban settlement must be managed and directed within a framework that consistently and concurrently balances growth demands against human service needs and physical infrastructure supply.

<u>Theme Number 5</u> Provide for Needed Resident Housing

Amendments to the General Plan address the development of resident housing as a major social need in our community.

The proposed action is in keeping with the following General Plan objectives and policies:

<u>POPULATION</u>

<u>Objective</u>

To plan the growth of resident and visitor population through a directed and managed growth plan so as to avoid social, economic and environmental disruptions.

<u>Policy</u>

Balance population growth by achieving concurrency between the resident employee work force, the job inventory created by new industries, affordable resident/employee housing, constraints on the environment and its natural resources, public and private infrastructure, and essential social services such as schools, hospitals, etc.

LAND USE

Objectives

1. *To preserve for present and future generations existing geographic, cultural and traditional community lifestyles by limiting and managing growth through environmentally sensitive and effective use of land in accordance with the individual character of the various communities and regions of the County.*

2. *To use the land within the County for the social and economic benefit of all the County's residents.*

Policies

1. *Provide and maintain a range of land use districts sufficient to meet the social, physical, environmental and economic needs of the community.*

2. *Encourage land use methods that will provide a continuous balanced inventory of housing types in all price ranges.*

3. *Encourage programs to stabilize affordable land and housing prices.*

HOUSING

Objective

To provide a choice of attractive, sanitary and affordable homes for all our residents.

Policies

1. *Encourage the construction of housing in a variety of price ranges and geographic locations.*

2. *Ensure that each community plan region contains its fair share of affordable housing.*

URBAN DESIGN

Objective

To encourage developments which reflect the character and the culture of Maui County's people.

Policy

Encourage community design which establishes a cohesive identity.

RECREATION AND OPEN SPACE

Objective

To provide high-quality recreational facilities to meet the present and future needs of our residents of all ages and physical ability.

Policy

Develop facilities that will meet the different recreational needs of the various communities.

Within Maui County, there are nine (9) community plan regions. From a General Plan implementation standpoint, each region is governed by a community plan which sets forth desired land use patterns, as well as goals, objectives, policies, and implementing actions for a number of functional areas including infrastructure-related parameters. The proposed Project is located within the Kihei-Makena Community Plan region. The existing Community Plan land use designations for the Property are set forth in the Kihei-Makena Community Plan Land Use Map. The lands underlying the subject Property is designated "Agriculture" on the Kihei-Makena Community Plan Map. The applicant will file a community plan amendment application to change the designation from "Agriculture" to "Multi-Family", "Single-Family", and "Commercial", to correspond to the land use designations reflected on the Project's conceptual master plan.

The proposed Project is also in conformance with the following, more general, goals, objectives, and policies of the Kihei-Makena Community Plan.

<u>LAND USE</u>

<u>*Goal*</u>

A well-planned community with land use and development patterns designed to achieve the efficient and timely provision of infrastructural and community needs while preserving and enhancing the unique character of Ma`alaea, Kihei, Wailea and Makena as well as the region's natural environment, marine resources and traditional shoreline uses.

<u>*Objectives and Policies*</u>

1. *Identify priority growth areas to focus public and private efforts on the provision of infrastructure and amenities to serve existing residents and to accommodate new growth.*

2. *Provide for limited residential expansion in Kihei which complements the existing natural and built environment.*

<u>HOUSING AND URBAN DESIGN</u>

<u>*Goal*</u>

A variety of attractive, sanitary, safe and affordable homes for Kihei's residents, especially for families earning less than the median income for families within the County. Also, a built environment which provides complementary and aesthetically pleasing physical and visual linkages with the natural environment.

<u>*Objectives and Policies*</u>

1. *Provide an adequate variety of housing choices and range of prices for the needs of Kihei's residents, especially for families earning less than the median income for families within the County, through the project district approach and other related programs. Choices can be increased through public/private sector cooperation and coordinated development of necessary support facilities and services.*

2. *Require a mix of affordable and market-priced housing in all major residential projects, unless the project is to be developed exclusively as an affordable housing project.*

PHYSICAL AND SOCIAL INFRASTRUCTURE

Goal

Provision of facility systems, public services and capital improvement projects in an efficient, reliable, cost effective, and environmentally sensitive manner which accommodates the needs of the Kihei-Makena community, and fully support present and planned land uses, especially in the case of project district implementation. Allow no development for which infrastructure may not be available concurrent with the development's impacts.

Objective and Policy (Recreation)

Provide for a range of park sizes and types at neighborhood, community and regional scales. New residential developments shall provide recreational facilities on-site to meet the immediate needs of project residents.

The subject Property is currently zoned "Agricultural" by the County of Maui. A change in zoning application will be filed as part of the entitlement applications to enable implementation of the proposed Project. The zoning application will seek the following County zoning designations: Apartment Districts (A-1, A-2), Residential District (R-1) and Community Business District (B-2).

20. Development of the Property. Development of the Property will be accomplished within ten (10) years after the date of the Commission's approval.

21. Hawaiian Customary and Traditional Rights. Petitioner is aware of and sensitive to the existence and practice of native Hawaiian customary and traditional rights that are protected by Article XII, Section 7 of the Hawaii State Constitution. Based on research into the history of the area, there are no known traditional gathering

activities or cultural practices affecting the Property. A cultural impact assessment for the Property has been prepared and will be included in the Project's DEIS.

22. Written Comments From Agencies and Organizations. Assuming the Commission determines that it is the appropriate accepting authority for the EISPN, the EISPN will be circulated for public comment. Written comments to the EISPN from various agencies and organizations, including responses, will be included in the Project's DEIS.

Based on the foregoing, Petitioner respectfully requests that the Commission finds that the Petition meets the standards for determining Urban District boundaries pursuant to HAR Sections 15-15-18 and 15-15-21, and amends the land use district boundary of the Property from the State Land Use Agricultural District to the State Land Use Urban District.

DATED: Honolulu, Hawaii, March 2, 2007.

Benjamin M. Matsubara

Attorney for Petitioner
A&B PROPERTIES, INC.

<u>VERIFICATION</u>

Grant Y. M. Chun, being first duly sworn, on oath, deposes and says that he is Vice President of A&B Properties, Inc., a Hawaii corporation, and as such is authorized to make this verification on behalf of said corporation; that he has read the foregoing petition and knows the contents thereof; and that the same are true to the best of his knowledge, information and belief.

Dated: Kahului, Hawaii, 14 FEB 2007.

Grant Y M Chun
GRANT Y. M. CHUN
A&B Properties, Inc.
Its Vice President

Subscribed and sworn to me
this 14th day of February 2007

Sue Ann Leinweber
Name Sue Ann Leinweber
Notary Public, State of Hawaii
My commission expires: 5/2/08

LIST OF EXHIBITS

Exhibit No. & Description

1 Letter of authorization from Alexander & Baldwin, Inc.

2 Location map

3 Metes and bounds survey map and description

4 Deed to property and title reports

5 Financial statements

6 Conceptual master plan

7 Environmental impact statement preparation notice

ALEXANDER & BALDWIN, INC.

822 Bishop Street
Honolulu, Hawaii 96813
P.O. Box 3440
Honolulu, HI 96801-3440
www.alexanderbaldwin.com
Tel (808) 525-6611
Fax (808) 525-6652

January 9, 2007

Land Use Commission
State of Hawaii
P. O. Box 2359
Honolulu, HI 96804-2359

Re: State Land Use District Boundary Amendment
Kihei Residential Project

Ladies and Gentlemen:

Alexander & Baldwin, Inc. is the owner in fee simple of those certain properties located at Waiakoa, Maui, Hawaii, identified by Tax Map Key 3-8-04: 2, 22 and 30. A&B Properties, Inc. intends to develop approximately 94 acres of said parcels for a residential project known as the Kihei Residential Project.

Alexander & Baldwin, Inc. hereby authorizes A&B Properties, Inc. and its agents to prepare, file, process and obtain all necessary permits and approvals relating to the development of the Kihei Residential Project, including but not limited to, a State Land Use District Boundary Amendment.

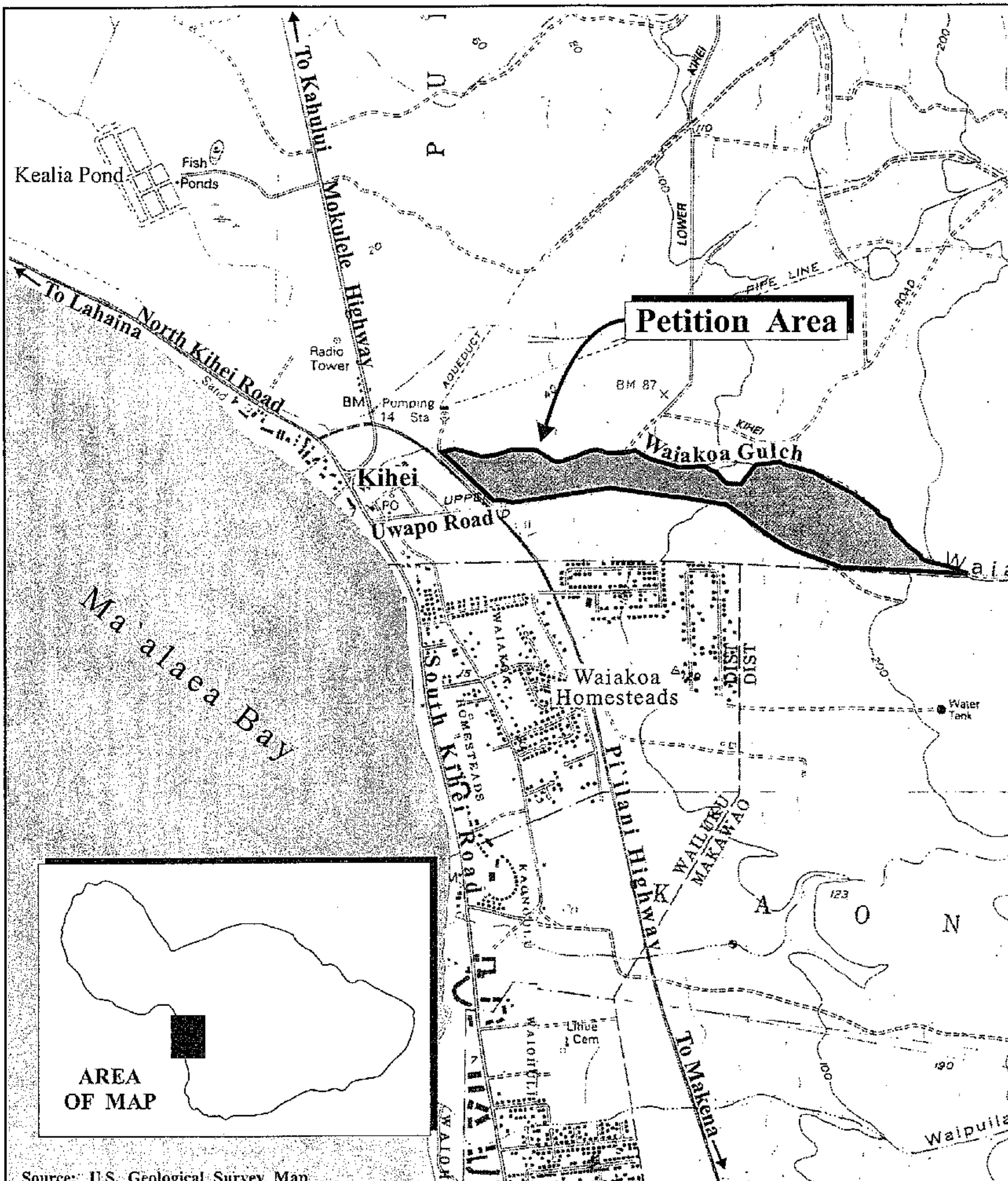
Sincerely,

ALEXANDER & BALDWIN, INC.

By: ______________________
Its SENIOR VICE PRESIDENT

By: ______________________
Its ASST. SECRETARY

Exhibit "1"



Proposed Kihei Residential Project

Petition Area Location Map

0 500 1000 2000 Feet

Exhibit "2"

Prepared for: A&B Properties, Inc.

MUNEKIYO & HIRAGA, INC.

A&B\KiheiRes\EISPN\PetLocMap

DESCRIPTION

PETITION AREA

TAX MAP KEY: (2) 3 – 8 – 04: 002 (PORTION),
022 (PORTION) AND 030 (PORTION)

All of that certain parcel of land, being portions of Lot 4 of the Kaiwahine Street Subdivision and Land Patent Grant 8140, Land Commission Award 5230 to Keaweamahi situated at Pulehu, Kula (Kihei), Wailuku, Island and County of Maui, State of Hawaii.

Beginning at a point at the southwesterly corner of this parcel of land, on the northerly side of Piilani Highway [F.A.P. F-RF-031-1(5)], the coordinates of said point of beginning referred to Government Survey Triangulation Station "LUKE" being 35,629.29 feet South and 13,341.10 feet East and running by azimuths measured clockwise from True South:

1.	131°	41'	49"	984.17 feet	along the easterly side of Piilani Highway [(F.A.P. No. NH-0900(59)] to a point;
2.	175°	45'		24.39 feet	along the remainder of L. P. 8140, L. C. Aw. 5230 to Keaweamahi to a point;
3.	218°	30'		30.00 feet	along same to a point;
4.	285°	01'		407.10 feet	along same to a point;
5.	280°	02'		242.00 feet	along same to a point;
6.	269°	26'		151.20 feet	along same to a point;
7.	239°	25'		258.75 feet	along same to a point
8.	275°	30'		228.00 feet	along same to a point;
9.	303°	25'		185.00 feet	along same to a point;
10.	278°	40'		140.00 feet	along same to a point;
11.	272°	00'		255.50 feet	along same to a point;
12.	262°	40'		275.00 feet	along same to a point;

Exhibit "3"

13.	257°	27'	429.00 feet	along same to a point;
14.	275°	32'	139.00 feet	along same to a point;
15.	261°	00'	153.65 feet	along same to a point;
16.	297°	32'	192.00 feet	along same to a point;
17.	290°	25'	420.00 feet	along same to a point;
18.	264°	15'	269.00 feet	along same to a point;
19.	275°	55'	90.00 feet	along same to a point;
20.	294°	00'	178.80 feet	along same to a point;
21.	317°	00'	222.00 feet	along same to a point;
22.	278°	32'	181.65 feet	along same to a point;
23.	216°	46'	338.00 feet	along same to a point;
24.	263°	05'	335.00 feet	along same to a point;
25.	287°	58'	511.00 feet	along same to a point;
26.	302°	15'	406.00 feet	along same to a point;
27.	306°	30'	153.50 feet	along same to a point;
28.	294°	40'	227.60 feet	along same to a point;
29.	310°	15'	210.80 feet	along same to a point;
30.	354°	58'	48.00 feet	along same to a point;
31.	307°	00'	85.00 feet	along same to a point;
32.	313°	50'	141.00 feet	along same to a point;
33.	323°	45'	100.30 feet	along same to a point;
34.	311°	32'	233.75 feet	along same to a point;
35.	323°	45'	180.00 feet	along same to a point;
36.	306°	00'	131.00 feet	along same to a point;
37.	284°	28'	256.00 feet	along same to a point;
38.	289°	30'	472.25 feet	along same to a point;

39.	92°	57'		1,804.74 feet	along Waiakoa to a point;
40.	115°	07'	30"	1,223.54 feet	along Lot 134-A of the Hale Piilani Subdivision – Phase II (F. P. 1831) to a point;
41.	131°	26'	50"	599.16 feet	along Lot 134-B of the Hale Piilani Subdivision – Phase II (F. P. 1831) and Lot 147 of the Hale Piilani Subdivision – Phase 2 (F. P. 1894) to a point;
42.	98°	29'		1,616.00 feet	along Lots 147 to 172, inclusive of the Hale Piilani Subdivision – Phase II (F. P. 1894) and Lot 122 of the Hale Piilani Subdivision – Phase I (F. P. 1831) to a point;
43.	83°	02'	30"	728.00 feet	along Lots 122-112, inclusive of the Hale Piilani Subdivision – Phase I (F. P. 1831) to a point;
44.	77°	59'		161.00 feet	along Lot 109 of the Hale Piilani Subdivision – Phase I (F. P. 1831) to a point;
45.	82°	50'		455.57 feet	along Lots 108, 101 and 100 of the Hale Piilani Subdivision – Phase I (F. P. 1831) and the northerly side of Kaiwahine Street to a point;

46. Thence along the northerly side of Kaiwahine Street on a curve to the left with a radius of 530.00 feet, the chord azimuth and distance being:
94° 23' 03" 212.25 feet to a point;

47.	172°	50'		10.00 feet	along the northerly side of Kaiwahine Street to a point;
48.	82°	50'		70.00 feet	along same to a point;

49. Thence along same on a curve to the left with a radius of 165.00 feet, the chord azimuth and distance being:
72° 28' 21" 59.35 feet along same to the point of beginning and containing an Area of 94.352 Acres.

Prepared by: A&B Properties, Inc.
Kahului, Maui, Hawaii

January 17, 2007

This work was prepared by me or under my supervision.

KEN T. NOMURA
LICENSED PROFESSIONAL LAND SURVEYOR
HAWAII

1/31/08

Ken T. Nomura
Licensed Professional Land Surveyor
Certificate No. LS-7633
Expiration Date: 4/30/08

ME
27/30-y

99

89 43371

STATE OF HAWAII
BUREAU OF CONVEYANCES
RECEIVED FOR RECORD

1989 MAR 30 PM 1:47
23006 583
JOSE K. VIELA, REGISTRAR

RECORDATION REQUESTED BY:
Alexander & Baldwin, Inc.

AFTER RECORDATION: Addressee
Alexander & Baldwin, Inc.

When Completed: Mail ( )
Pick Up (✓) Phone: 525-6668

DEED

KNOW ALL MEN BY THESE PRESENTS:

That ALEXANDER & BALDWIN, INC., a Hawaii corporation, with its principal place of business in Honolulu, Hawaii, hereinafter called the "Grantor", in consideration of the sum of Ten Dollars ($10.00) and other valuable consideration to it paid by A&B-HAWAII, INC., a Hawaii corporation, with its principal place of business at 822 Bishop Street, Honolulu, Hawaii, and mailing address at P. O. Box 3440, Honolulu, Hawaii 96801, hereinafter called the "Grantee", the receipt of which is hereby acknowledged, does hereby grant, bargain, sell and convey unto the Grantee, its successors and assigns:

ALL of those certain parcels of land described in Exhibit A attached hereto and made a part hereof, subject, however, to the encumbrances mentioned in said Exhibit A;

AND the reversions, remainders, rents, issues and profits thereof, together with all buildings, improvements, tenements, rights, easements, privileges and appurtenances to the same belonging or appertaining or held and enjoyed therewith, and all of the estate, right, title and interest of the Grantor both at law and in equity therein and thereto;

TO HAVE AND TO HOLD the same unto the Grantee, its successors and assigns, forever, subject to the encumbrances mentioned in said Exhibit A;

AND the Grantor, for itself, its successors and assigns, hereby covenants with the Grantee, its successors and assigns: THAT the Grantor has good right to grant and convey said land and premises unto the Grantee as aforesaid and that the same are free and clear of and from all encumbrances made or suffered by the Grantor, except the encumbrances mentioned in said Exhibit A.

STATE OF HAWAII CONVEYANCE TAX.... $00.00
P.B. 10517 MAR 30 89
CERTIFICATE 65653

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed by its duly authorized officers this 30th day of March, 1989, but effective as of the 1st day of April, 1989.

ALEXANDER & BALDWIN, INC.

BY_______________
Its SENIOR VICE PRESIDENT

BY Beverly J. Green
Its ASST. SECRETARY

3163S

STATE OF HAWAII)
) SS:
CITY AND COUNTY OF HONOLULU)

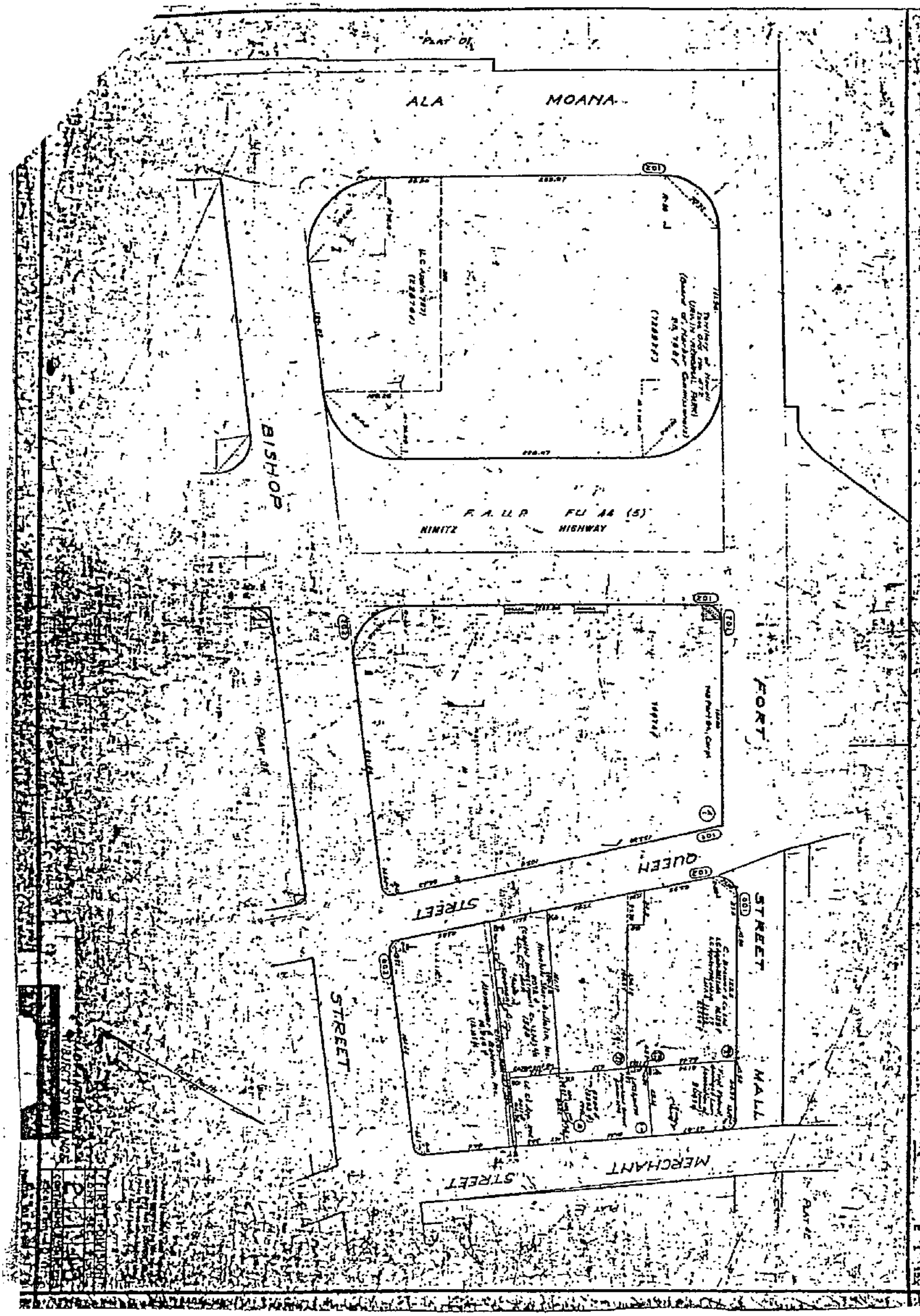
On this 30th day of March, 1989, before me appeared R. K. SASAKI and BEVERLY I. GREEN, to me personally known, who, being by me duly sworn, did say that they are SENIOR VICE PRESIDENT and ASST. SECRETARY, respectively, of ALEXANDER & BALDWIN, INC., a Hawaii corporation; that the seal affixed to the foregoing instrument is the corporate seal of such corporation and that such instrument was signed and sealed on behalf of such corporation by authority of its Board of Directors; and said R. K. SASAKI and BEVERLY I. GREEN acknowledged such instrument to be the free act and deed of such corporation.

Conchita A. Vargas
Notary Public, State of Hawaii
My commission expires: 6-7-89

EXHIBIT A

FIRST:

All that certain parcel of land situate in the City and County of Honolulu, State of Hawaii, designated as Tax Map Key 2-1-013-001, containing an area of .4349 acre, (a copy which is attached hereto and made a part hereof).



this Document when received.

SECOND:

All of those certain parcels of land situate in the County of Maui, State of Hawaii, designated upon the Tax Maps for the Second Division, State of Hawaii (copies of which are attached hereto and made a part hereof) as follows:

TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP
2-3-008-009	0.7500
2-4-001-004	50.2460
2-4-001-006	5.5000
2-4-001-010	1.9190
2-4-001-019	6.4300
2-4-002-007	129.7400
2-4-002-010	9.0000
2-4-016-003	1,068.0000
2-5-001-001	1,983.4300
2-5-001-002	264.4900
2-5-001-008	1,815.5000
2-5-001-009	138.6000
2-5-002-001	1,942.9200
2-5-002-002	2,486.7860
2-5-002-004	10.3000
2-5-002-005	142.3300
2-5-002-006	2.6700
2-5-002-010	136.0300
2-5-002-011	1.2900
2-5-003-001	316.5960
2-5-003-006	0.9200
2-5-003-007	4.8000
2-5-003-008	9.0000
2-5-003-009	538.9200
2-5-003-010	2,380.8840
2-5-003-012	0.4800
2-5-003-017	0.0670
2-5-003-020	0.1030
2-5-004-013	0.8000
2-5-004-024	5.7000
2-5-004-026	21.1580
2-5-004-035	1.0000
2-5-004-036	683.4520
2-5-004-037	118.7890
2-5-004-038	36.0000
2-5-004-039	2,524.5860
2-5-004-043	0.5000
2-5-004-045	4.6700
2-5-004-046	4.6700
2-5-004-047	0.9800
2-5-004-055	0.9200
2-5-004-068	0.4620
2-5-004-069	0.8100
2-5-004-070	1.9200
2-5-004-073	1.5800
2-5-004-074	1.3500
2-5-004-079	4.1700
2-5-005-002	2.6100
2-5-005-005	2.2900
2-5-005-006	5.5100
2-5-005-007	0.2000
2-5-005-009	1.6700
2-5-005-011	0.3100
2-5-005-012	9.3100
2-5-005-013	2.9400
2-5-005-014	1.0300
2-5-005-016	9.3600
2-5-005-017	32.1860
2-5-005-018	362.9500
2-5-005-019	816.9130
2-5-005-020	1,098.8550
2-5-005-021	764.6980
2-5-005-026	0.8600
2-5-005-027	0.9000
2-5-005-028	0.4000
2-5-005-030	1.1400
2-5-005-033	1.0200
2-5-005-038	2.6100

TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP	TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP
2-5-005-044	0.7500	2-8-004-034	7.6000
2-5-005-046	12.5300	2-8-004-057	38.2000
2-5-005-047	4.6400	2-8-004-058	25.6510
2-5-005-052	0.2700	2-8-004-059	2.000
2-5-005-053	0.8400	2-8-004-062	11.4200
2-5-005-057	23.4010	2-8-004-063	24.4090
2-5-006-019	0.6800	2-8-004-064	0.1900
2-6-001-001	3.5170	2-8-004-065	0.7500
2-6-001-004	1.0830	2-8-004-066	8.9500
2-6-003-027	0.2220	2-8-006-023	1.2000
2-6-005-014	0.1300	2-8-006-027	1.1500
2-6-009-002	12.4220	2-8-006-054	4.7500
2-6-009-018	0.5500	2-8-006-055	0.6800
2-6-009-019	0.6500	2-8-006-056	0.4500
2-6-009-023	0.4660	2-8-006-057	0.5000
2-6-010-013	0.0830	2-8-006-058	6.9900
2-6-010-016	0.1320	2-8-008-001	163.9000
2-6-012-033	0.5000	2-8-008-008	187.1000
2-7-001-028	0.4440	2-8-008-009	38.5000
2-7-001-046	0.0800	2-8-008-010	1.9000
2-7-001-058	0.8500	3-3-001-033	1.6700
2-7-002-004	225.2100	3-3-002-011	0.3600
2-7-002-058	35.2000	3-3-002-019	0.2400
2-7-003-001	159.8100	3-3-002-020	4.0700
2-7-003-005	0.4400	3-4-002-045	0.0400
2-7-003-011	3.1500	3-4-003-020	1.0800
2-7-003-013	29.6500	3-4-009-002	0.5100
2-7-003-019	4.3200	3-4-010-001	2.6410
2-7-003-030	0.1400	3-4-010-004	0.2000
2-7-003-033	19.9100	3-4-011-001	0.8500
2-7-003-052	1.8400	3-4-017-052	0.3230
2-7-003-055	24.8000	3-4-018-003	0.9400
2-7-003-056	10.2020	3-4-021-061	0.0460
2-7-003-059	1.9500	3-4-033-024	0.7060
2-7-003-081	112.3000	3-4-033-029	0.1000
2-7-003-082	6.9800	3-4-038-003	0.9960
2-7-003-083	18.2000	3-4-038-005	0.2060
2-7-003-084	33.0000	3-7-001-005	1.9800
2-7-003-085	2.2100	3-7-001-007	1.3760
2-7-004-001	153.5700	3-7-001-010	0.0970
2-7-015-032	0.4700	3-7-001-015	0.0790
2-7-015-033	16.0000	3-7-001-016	1.2830
2-7-015-034	516.4000	3-7-001-018	0.0050
2-7-033-014	92.4790	3-7-002-006	0.2900
2-8-003-005	0.6600	3-7-002-016	0.0390
2-8-003-027	0.0700	3-7-003-002	1.4230
2-8-004-014	4.6200	3-7-003-003	0.4480
2-8-004-028	6.3200	3-7-003-026	0.4020

TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP	TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP
3-7-003-027	0.0990	3-8-003-007	324.2600
3-7-003-028	0.2850	3-8-003-020	0.3140
3-7-004-001	3.5900	3-8-003-021	28.1900
3-7-005-003	2.4380	3-8-004-001	2,008.6900
3-7-005-011	1.2300	3-8-004-002	1,598.3350
3-7-005-023	0.0830	3-8-004-020	60.2370
3-7-008-006	5.4383	3-8-004-022	1,489.2000
3-7-008-008	1.4752	3-8-004-023	2.0020
3-7-008-017	2.1109	3-8-004-024	83.8270
3-7-011-001	8.4600	3-8-005-001	489.9700
3-7-011-006	3.9230	3-8-005-002	4,409.0770
3-7-011-011	0.6071	3-8-005-003	432.2870
3-7-011-013	8.6270	3-8-005-015	0.1100
3-7-011-019	4.4640	3-8-005-017	22.2100
3-7-013-001	6.2520	3-8-005-018	0.0700
3-8-001-001	1,195.3050	3-8-005-023	352.4000
3-8-001-003	65.8718	3-8-006-001	798.8440
3-8-001-004	52.3200	3-8-006-002	748.273
3-8-001-005	84.0000	3-8-006-003	1,255.2510
3-8-001-006	1,209.8000	3-8-006-007	1.2050
3-8-001-007	906.0270	3-8-006-011	0.4273
3-8-001-009	1.0000	3-8-006-012	0.0900
3-8-001-010	0.2950	3-8-006-013	0.1340
3-8-001-011	0.2300	3-8-006-015	0.5400
3-8-001-012	0.5700	3-8-006-016	0.7500
3-8-001-014	141.2460	3-8-006-017	0.3700
3-8-001-015	49.6800	3-8-006-018	0.5900
3-8-001-017	4.0240	3-8-006-020	2.0700
3-8-001-023	0.1700	3-8-006-021	0.1000
3-8-001-024	0.5200	3-8-006-022	0.1400
3-8-001-033	5.6000	3-8-006-025	0.3500
3-8-001-135	172.4000	3-8-006-029	11.5200
3-8-001-197	3.6530	3-8-006-037	0.0430
3-8-001-198	0.3520	3-8-006-041	0.6000
3-8-001-199	1.0778	3-8-006-050	0.6880
3-8-002-008	0.8410	3-8-006-051	0.2640
3-8-002-009	1.4900	3-8-006-066	0.4120
3-8-002-010	1.5000	3-8-006-069	14.0000
3-8-002-070	0.1220	3-8-007-015	0.3000
3-8-002-084	0.4160	3-8-007-016	1.9200
3-8-002-085	0.0350	3-8-007-017	8.5100
3-8-002-087	2.4200	3-8-007-030	3.2970
3-8-003-001	1,070.9300	3-8-007-038	4.0430
3-8-003-002	1,538.7400	3-8-007-071	5.0430
3-8-003-003	23.5200	3-8-007-101	80.5080
3-8-003-004	2,606.0000	3-8-007-102	31.2220
3-8-003-005	1,088.2200	3-8-007-104	4.0700
3-8-003-006	5.5100	3-8-008-005	161.4470

TAX KEY SECOND DIVISION	AREA SHOWN ON TAX MAP
3-8-008-006	101.5480
3-8-008-007	81.6080
3-8-008-019	86.0290
3-8-008-030	4.6250
3-8-046-009	0.9540
3-8-046-010	4.3090
3-8-071-082	1.5871

R-167

STATE OF HAWAII
BUREAU OF CONVEYANCES
RECORDED

JAN 11, 2000 08:01 AM

Doc No(s) 2000-003694

/s/CARL T. WATANABE
ACTING
REGISTRAR OF CONVEYANCES

LAND COURT | REGULAR SYSTEM

AFTER RECORDATION, RETURN BY [X] MAIL [ ] PICK-UP TO:

ALEXANDER & BALDWIN, INC.
822 Bishop Street 2nd Floor
Honolulu, HI 96813
Attn: Charles W. Loomis, Esq.

TGA (A&B Inc.)

NUMBER OF PAGES: 2

CERTIFICATE OF MERGER

Department of Commerce and Consumer Affairs

CERTIFICATE OF MERGER

I, KATHRYN S. MATAYOSHI, Director of Commerce and Consumer Affairs of the State of Hawaii, do hereby certify that pursuant to the Articles of Merger and Plan of Merger of ALEXANDER & BALDWIN, INC., a Hawaii corporation, filed in this Department on December 15, 1999, in accordance with the provisions of Section 415-75 of the Hawaii Revised Statutes, A&B-HAWAII, INC., a Hawaii corporation, was merged with and into ALEXANDER & BALDWIN, INC. on December 31, 1999, at 11:59 p.m.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Department of Commerce and Consumer Affairs, at Honolulu, State of Hawaii, this 3rd day of January, 2000.

Director of Commerce and Consumer Affairs

By Amy Oha

for Commissioner of Securities

STATUS REPORT

Maximum liability limited to
$3,500.00

This report (and any revisions thereto) is issued solely for the convenience of the titleholder, the titleholder's agent, counsel, purchaser or mortgagee, or the person ordering it.

SCHEDULE A

Title Guaranty of Hawaii, Incorporated, hereby reports that, subject to those matters set forth in Schedule "B" hereof, the title to the estate or interest to the land described in Schedule "C" hereof is vested in:

ALEXANDER & BALDWIN, INC.,
a Hawaii corporation,
as Fee Owner

This report is dated as of January 16, 2007 at 8:00 a. m.

Inquiries concerning this report
should be directed to
ANELYN AGUILAR.
Email aaguilar@tghawaii.com
Fax (808) 521-0210
Telephone (808) 539-7724.
Refer to Order No. 200704413.

SCHEDULE B
EXCEPTIONS

1. Real Property Taxes, if any, that may be due and owing.

   Tax Key: (2) 3-8-004-002   Area Assessed: 1,559.608 AC

   -Note:- Attention is invited to the fact that the premises covered herein may be subject to possible rollback or retroactive property taxes.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. GRANT

TO	:	COUNTY OF MAUI
DATED	:	December 11, 1979
RECORDED	:	Liber 14533 Page 229
GRANTING	:	an easement over Easement "D"

4. Restriction of abutter's rights of vehicle access acquired by the State of Hawaii, by FINAL ORDER OF CONDEMNATION recorded in Liber 16661 at Page 712.

5. Lowrie Ditch as shown on Tax Map.

6. Reservoirs as shown on Tax Map.

7. The terms and provisions contained in the following:

INSTRUMENT	:	AGREEMENT FOR WATER SERVICE NOT IN COMPLIANCE WITH STANDARDS
DATED	:	November 14, 1995
RECORDED	:	Document No. 96-072299
PARTIES	:	DEKALB GENETICS CORPORATION, A&B-HAWAII, INC., and the DEPARTMENT OF WATER SUPPLY of the County of Maui

8. NOTICE OF PENDENCY OF ACTION

PLAINTIFF	:	STATE OF HAWAII
DEFENDANT	:	ALEXANDER & BALDWIN, INC., a Hawaii corporation; MAUI ELECTRIC COMPANY, LIMITED, a Hawaii corporation; BANK OF HAWAII, INC., a Hawaii corporation, fka Hawaiian Trust Company, Limited, a Hawaii corporation, as Trustee for VERIZON HAWAII, INC., fka GTE Hawaiian Telephone Company; and VERIZON HAWAII, INC., a Hawaii corporation
DATED	:	August 25, 2003
FILED	:	Circuit Court of the Second Circuit, State of Hawaii, Case No. Civil No. 03-1-0348 (3), on August 28, 2003
RECORDED	:	Document No. 2003-191705 on September 9, 2003
RE	:	to condemn and acquire that certain real property described as Parcel 14, portion of (2) 3-8-04-002, with an area of 18,988 square feet, and being more particularly described therein

9. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

-Note:- A current survey, with metes and bounds description, should be made of said premises.

SCHEDULE B CONTINUED

10. Claims arising out of customary and traditional rights and practices, including without limitation those exercised for subsistence, cultural, religious, access or gathering purposes, as provided for in the Hawaii Constitution or the Hawaii Revised Statutes.

11. Any unrecorded leases and matters arising from or affecting the same.

END OF SCHEDULE B

SCHEDULE C

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Royal Patent Number 8140, Land Commission Award Number 5230 to Keaweamahi, Royal Patent Grant Number 3343 to Claus Spreckels, and Land Patent Number 8167, Land Commission Award Number 7124 to Kamaikaaloa) situate, lying and being at Pulehunui, District of Wailuku, Island and County of Maui, State of Hawaii,being LOT 3, bearing Tax Key designation 3-8-004-002 (2), and containing an area of 1,559.608 acres, more or less.

BEING THE PREMISES ACQUIRED BY DEED

GRANTOR	:	ALEXANDER & BALDWIN, INC., a Hawaii corporation
GRANTEE	:	A&B-HAWAII, INC., a Hawaii corporation
DATED	:	March 30, 1989, but effective as of April 1, 1989
RECORDED	:	Liber 23006 Page 583

END OF SCHEDULE C

GENERAL NOTES

1. There is hereby omitted from any covenants, conditions and reservations contained herein any covenant or restriction based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law. Lawful restrictions under state or federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

2. Filed with the Department of Commerce and Consumer Affairs of the State of Hawaii (Business Registration), is the merger of A&B-HAWAII, INC., a Hawaii corporation, with and into ALEXANDER & BALDWIN, INC. on December 31, 1999, recorded as Document No. 2000-003694.

GUIDELINES FOR THE ISSUANCE OF INSURANCE

A. Taxes shown in Schedule B are as of the date such information is available from the taxing authority. Evidence of payment of all taxes and assessments subsequent to such date must be provided prior to recordation.

B. Evidence of authority regarding the execution of all documents pertaining to the transaction is required prior to recordation. This includes corporate resolutions, copies of partnership agreements, powers of attorney and trust instruments.

C. If an entity (corporation, partnership, limited liability company, etc.) is not registered in Hawaii, evidence of its formation and existence under the laws where such entity is formed must be presented prior to recordation.

D. If the transaction involves a construction loan, the following is required:

(1) a letter confirming that there is no construction prior to recordation; or

(2) if there is such construction, appropriate indemnity agreements, financial statements and other relevant information from the owner, developer, general contractor and major sub-contractors must be submitted to the Title Company for approval at least one week prior to the anticipated date of recordation.

Forms are available upon request from Title Guaranty of Hawaii.

E. Chapter 669, Hawaii Revised Statutes, sets forth acceptable tolerances for discrepancies in structures or improvements relative to private property boundaries for various classes of real property. If your survey map shows a position discrepancy that falls within the tolerances of Chapter 669, call your title officer as affirmative coverage may be available to insured lenders.

F. The right is reserved to make additional exceptions and/or requirements upon examination of all documents submitted in connection with this transaction.

G. If a policy of title insurance is issued, it will exclude from coverage all matters set forth in Schedule B of this report and in the printed Exclusions from Coverage contained in an ALTA policy or in the Hawaii Standard Owner's Policy, as applicable. Different forms may have different exclusions and should be reviewed. Copies of the policy forms are available upon request from Title Guaranty of Hawaii or on our website at www.tghawaii.com.

DATE PRINTED: 1/30/2007

STATEMENT OF ASSESSED VALUES AND REAL PROPERTY TAXES DUE

NAME OF OWNER: A & B - HAWAII INC
LEASED TO :

TAX MAP KEY

DIVISION	ZONE	SECTION	PLAT	PARCEL	HPR NO.
(2)	3	8	004	002	0000

CLASS: 5 AREA ASSESSED: 1559.608 AC

ASSESSED VALUES FOR CURRENT YEAR TAXES: 2006

This certifies that the records of this division show the assessed values and taxes on the property designated by Tax Key shown above are as follows:

BUILDING	$	68,700	
EXEMPTION	$	0	
NET VALUE	$	68,700	
LAND	$	797,800	AGRICULTURAL USE VALUE
EXEMPTION	$	0	
NET VALUE	$	797,800	
TOTAL NET VALUE	$	866,500	

Installment (1 - due 8/20; 2 - due 2/20)

Tax Year	Installment	Tax Amount	Penalty Amount	Interest Amount	Other Amount	Total Amount	
2006	2	1,949.62				1,949.62	PENDING
2006	1	1,949.63				1,949.63	PAID
2005	2	2,125.81				2,125.81	PAID
2005	1	2,125.82				2,125.82	PAID

Total Amount Due: 1,949.62

Penalty and Interest Computed to: 1/25/2007

STATUS REPORT

Maximum liability limited to
$3,500.00

This report (and any revisions thereto) is issued solely for the convenience of the titleholder, the titleholder's agent, counsel, purchaser or mortgagee, or the person ordering it.

SCHEDULE A

Title Guaranty of Hawaii, Incorporated, hereby reports that, subject to those matters set forth in Schedule "B" hereof, the title to the estate or interest to the land described in Schedule "C" hereof is vested in:

ALEXANDER & BALDWIN, INC.,
a Hawaii corporation,
as Fee Owner

This report is dated as of January 16, 2007 at 8:00 a.m.

Inquiries concerning this report
should be directed to
ANELYN AGUILAR.
Email aaguilar@tghawaii.com
Fax (808) 521-0210
Telephone (808) 539-7724.
Refer to Order No. 200704415.

SCHEDULE B
EXCEPTIONS

1. Real Property Taxes, if any, that may be due and owing.

   Tax Key: (2) 3-8-004-022   Area Assessed: 1,489.200 acres

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. Haiku Ditch and Lowrie Ditch as shown on tax map.

4. Roadways as shown on tax map.

5. Any and all existing roadways, trails, easements, rights of way, flumes and irrigation ditches.

6. Any unrecorded leases and matters arising from or affecting the same.

7. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

   -Note:- A current survey, with metes and bounds description, should be made of said premises.

8. Claims arising out of the failure to convey the land described herein together with an easement or right of access.

   -Note:- This will be deleted from the policy if such conveyance occurs prior to the policy date.

9. Claims arising out of customary and traditional rights and practices, including without limitation those exercised for subsistence, cultural, religious, access or gathering purposes, as provided for in the Hawaii Constitution or the Hawaii Revised Statutes.

END OF SCHEDULE B

SCHEDULE C

All of that certain parcel of land (being portion of the land(s) described in and covered by Royal Patent Number 8140, Land Commission Award Number 5230 to Keaweamahi) situate, lying and being at Pulehunui, District of Wailuku, Island and County of Maui, State of Hawaii, bearing Tax Key designation (2) 3-8-004-022, and containing an area of 1,489.200 acres, more or less.

BEING THE PREMISES ACQUIRED BY DEED

GRANTOR	:	ALEXANDER & BALDWIN, INC., a Hawaii corporation
GRANTEE	:	A&B-HAWAII, INC., a Hawaii corporation
DATED	:	March 30, 1989 (effective April 1, 1989)
RECORDED	:	Liber 23006 Page 583

END OF SCHEDULE C

GENERAL NOTES

1. Filed with the Department of Commerce and Consumer Affairs of the State of Hawaii (Business Registration), is the merger of A&B-HAWAII, INC. with and into ALEXANDER & BALDWIN, INC. as set forth in instrument dated January 3, 2000, recorded as Document No. 2000-003694.

GUIDELINES FOR THE ISSUANCE OF INSURANCE

A. Taxes shown in Schedule B are as of the date such information is available from the taxing authority. Evidence of payment of all taxes and assessments subsequent to such date must be provided prior to recordation.

B. Evidence of authority regarding the execution of all documents pertaining to the transaction is required prior to recordation. This includes corporate resolutions, copies of partnership agreements, powers of attorney and trust instruments.

C. If an entity (corporation, partnership, limited liability company, etc.) is not registered in Hawaii, evidence of its formation and existence under the laws where such entity is formed must be presented prior to recordation.

D. If the transaction involves a construction loan, the following is required:

   (1) a letter confirming that there is no construction prior to recordation; or

   (2) if there is such construction, appropriate indemnity agreements, financial statements and other relevant information from the owner, developer, general contractor and major sub-contractors must be submitted to the Title Company for approval at least one week prior to the anticipated date of recordation.

   Forms are available upon request from Title Guaranty of Hawaii.

E. Chapter 669, Hawaii Revised Statutes, sets forth acceptable tolerances for discrepancies in structures or improvements relative to private property boundaries for various classes of real property. If your survey map shows a position discrepancy that falls within the tolerances of Chapter 669, call your title officer as affirmative coverage may be available to insured lenders.

F. The right is reserved to make additional exceptions and/or requirements upon examination of all documents submitted in connection with this transaction.

G. If a policy of title insurance is issued, it will exclude from coverage all matters set forth in Schedule B of this report and in the printed Exclusions from Coverage contained in an ALTA policy or in the Hawaii Standard Owner's Policy, as applicable. Different forms may have different exclusions and should be reviewed. Copies of the policy forms are available upon request from Title Guaranty of Hawaii or on our website at www.tghawaii.com.

DATE PRINTED: 1/30/2007

STATEMENT OF ASSESSED VALUES AND REAL PROPERTY TAXES DUE

NAME OF OWNER: A & B - HAWAII INC
LEASED TO :

TAX MAP KEY

DIVISION	ZONE	SECTION	PLAT	PARCEL	HPR NO.
(2)	3	8	004	022	0000

CLASS: 5 AREA ASSESSED: 1489.200 AC

ASSESSED VALUES FOR CURRENT YEAR TAXES: 2006

This certifies that the records of this division show the assessed values and taxes on the property designated by Tax Key shown above are as follows:

BUILDING	$	0	
EXEMPTION	$	0	
NET VALUE	$	0	
LAND	$	1,027,500	HIGHEST & BEST USE
EXEMPTION	$	0	
NET VALUE	$	1,027,500	
TOTAL NET VALUE	$	1,027,500	

Installment (1 - due 8/20; 2 - due 2/20)

Tax Year	Installment	Tax Amount	Penalty Amount	Interest Amount	Other Amount	Total Amount	
2006	2	2,311.87				2,311.87	PENDING
2006	1	2,311.88				2,311.88	PAID
2005	2	2,532.79				2,532.79	PAID
2005	1	2,532.79				2,532.79	PAID

Total Amount Due: 2,311.87

Penalty and Interest Computed to: 1/25/2007

STATUS REPORT

Maximum liability limited to
$3,500.00

This report (and any revisions thereto) is issued solely for the convenience of the titleholder, the titleholder's agent, counsel, purchaser or mortgagee, or the person ordering it.

SCHEDULE A

Title Guaranty of Hawaii, Incorporated, hereby reports that, subject to those matters set forth in Schedule "B" hereof, the title to the estate or interest to the land described in Schedule "C" hereof is vested in:

ALEXANDER & BALDWIN, INC.,
a Hawaii corporation,
as Fee Owner

This report is dated as of January 18, 2007 at 8:00 a. m.

Inquiries concerning this report
should be directed to
GERI LUM.
Email·glum@tghawaii.com
Fax (808) 521-0210
Telephone (808) 539-7743.
Refer to Order No. 200704411.

SCHEDULE B
EXCEPTIONS

1. Real Property Taxes, if any, that may be due and owing.

   Tax Key: (2) 3-8-004-030   Area Assessed: 38.591 AC

   -Note:- Attention is invited to the fact that the premises covered herein may be subject to possible rollback or retroactive property taxes.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. GRANT

   TO : COUNTY OF MAUI

   DATED : December 11, 1979
   RECORDED : Liber 14533 Page 229
   GRANTING : an easement over said Easement "D"

4. Restriction of abutter's rights of vehicle access acquired by the State of Hawaii, by FINAL ORDER OF CONDEMNATION recorded in Liber 16661 at Page 719.

5. GRANT

   TO : MAUI 100 PARTNERS, a Hawaii general partnership

   DATED : November 8, 1984
   RECORDED : Liber 18325 Page 614
   GRANTING : an easement over said Easement "F", more particularly described therein

6. DESIGNATION OF EASEMENT "H" (20 feet wide, area 43,501 square feet)

PURPOSE	:	access
SHOWN	:	on survey map prepared by Michio M. Okuda, Registered Professional Land Surveyor, dated July 25, 1986, revised January 14, 1987

7. The terms and provisions contained in the following:

INSTRUMENT	:	SUBDIVISION AGREEMENT (AGRICULTURAL USE)
DATED	:	March 20, 1987
RECORDED	:	Liber 20571 Page 651
PARTIES	:	ALEXANDER & BALDWIN, INC. and COUNTY OF MAUI

8. Restriction of rights of vehicle access into and from Mokulele Highway, Federal Aid Project No. NH-0900(59) Puunene Avenue to Piilani Highway, Phase 1, except where such access is permitted, pursuant to the rights (of access) acquired by the State of Hawaii, by FINAL ORDER OF CONDEMNATION dated October 5, 2006, recorded as Document No. 2006-221462.

9. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

-Note:- A current survey, with metes and bounds description, should be made of said premises.

END OF SCHEDULE B

SCHEDULE C

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Land Patent Number 8140, Land Commission Award Number 5230 to Keaweamahi) situate, lying and being at Pulehunui, District of Wailuku, Island and County of Maui, State of Hawaii,being LOT 4, bearing Tax Key designation (2) 3-8-004-030, and containing an area of 38.591 acres, more or less.

SAVING AND EXCEPTING THEREFROM, that certain parcel of land conveyed to the STATE OF HAWAII, by ALEXANDER & BALDWIN, INC., a Hawaii corporation; et al, by FINAL ORDER OF CONDEMNATION dated October 5, 2006, recorded on December 4, 2006, as Document No. 2006-221462, and more particularly described as follows:

MOKULELE HIGHWAY, FEDERAL AID PROJECT NO. NH-0900(59), PARCEL 15: being a portion of Land Patent 8140, Land Commission Award Number 5230 to Keaweamahi, situated at Pulehunui, Wailuku, Maui, Hawaii.

Beginning at the north corner of this piece of land, on the east side of Mokulele Highway, Federal Aid Project No. NH-0900(59), Puunene Avenue to Piilani Highway, Phase 1, the coordinates of said point of beginning referred to Government Survey Triangulation Station "LUKE" being 34,895.68 feet south and 12,600.32 feet east, thence running by azimuths measured clockwise from true South:

1.	311°	41'	49"	22.13	feet along the east side of Mokulele Highway, Project No. NH-0900(59), along the remainder of L. P. 8140, L.C. Aw. 5230 to Keaweamahi;
2.	41°	41'	49"	55.00	feet along same;
3.	311°	41'	49"	1,1018.99	feet along same;

SCHEDULE C CONTINUED

4.	Thence along the east side of Piilani Highway, Federal Aid				Project No. F-RF-031-1(5), along the remainder of L.P. 8140, L.C. Aw. 5230 to Keaweamahi on a curve to the left with a radius of 165.00 feet, the chord azimuth and distance being 51° 54' 15.5" 58.48 feet;
5.	131°	41'	49"	5.00	feet along the east side of Piilani Highway, Federal Aid Project No. F-RF-031-1(5), along the remainder of L.P. 8140, L.C. Aw. 5230 to Keaweamahi;
6.	41°	41'	49"	23.62	feet along same;
7.	82°	50'	00"	18.87	feet along same;
8.	176°	14'	30"	11.54	feet along same;
9.	86°	14'	30"	63.24	feet along same;
10.	131°	41'	49"	690.00	feet along same;
11.	41°	41'	49"	15.00	feet along same;
12.	131°	41'	49"	356.54	feet along same;
13.	227°	23'	30"	80.60	feet along same;
14.	234°	29'	30"	57.80	feet along same;
15.	266°	20'	30"	92.48	feet along same to the point of beginning and containing an area of 152,373 square feet or 3.498 acres, more or less.

SCHEDULE C CONTINUED

BEING THE PREMISES ACQUIRED BY DEED

GRANTOR	:	ALEXANDER & BALDWIN, INC., a Hawaii corporation
GRANTEE	:	A&B-HAWAII, INC., a Hawaii corporation
DATED	:	March 30, 1989, but effective as of April 1, 1989
RECORDED	:	Liber 23006 Page 583

END OF SCHEDULE C

GENERAL NOTES

1. There is hereby omitted from any covenants, conditions and reservations contained herein any covenant or restriction based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law. Lawful restrictions under state or federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

2. Filed with the Department of Commerce and Consumer Affairs of the State of Hawaii (Business Registration), is the merger of A&B-HAWAII, INC., a Hawaii corporation, with and into ALEXANDER & BALDWIN, INC. on December 31, 1999, recorded as Document No. 2000-003694.

GUIDELINES FOR THE ISSUANCE OF INSURANCE

A. Taxes shown in Schedule B are as of the date such information is available from the taxing authority. Evidence of payment of all taxes and assessments subsequent to such date must be provided prior to recordation.

B. Evidence of authority regarding the execution of all documents pertaining to the transaction is required prior to recordation. This includes corporate resolutions, copies of partnership agreements, powers of attorney and trust instruments.

C. If an entity (corporation, partnership, limited liability company, etc.) is not registered in Hawaii, evidence of its formation and existence under the laws where such entity is formed must be presented prior to recordation.

D. If the transaction involves a construction loan, the following is required:

   (1) a letter confirming that there is no construction prior to recordation; or

   (2) if there is such construction, appropriate indemnity agreements, financial statements and other relevant information from the owner, developer, general contractor and major sub-contractors must be submitted to the Title Company for approval at least one week prior to the anticipated date of recordation.

   Forms are available upon request from Title Guaranty of Hawaii.

E. Chapter 669, Hawaii Revised Statutes, sets forth acceptable tolerances for discrepancies in structures or improvements relative to private property boundaries for various classes of real property. If your survey map shows a position discrepancy that falls within the tolerances of Chapter 669, call your title officer as affirmative coverage may be available to insured lenders.

F. The right is reserved to make additional exceptions and/or requirements upon examination of all documents submitted in connection with this transaction.

G. If a policy of title insurance is issued, it will exclude from coverage all matters set forth in Schedule B of this report and in the printed Exclusions from Coverage contained in an ALTA policy or in the Hawaii Standard Owner's Policy, as applicable. Different forms may have different exclusions and should be reviewed. Copies of the policy forms are available upon request from Title Guaranty of Hawaii or on our website at www.tghawaii.com.

DATE PRINTED: 2/02/2007

STATEMENT OF ASSESSED VALUES AND REAL PROPERTY TAXES DUE

NAME OF OWNER: A & B HAWAII INC
LEASED TO :

TAX MAP KEY

DIVISION	ZONE	SECTION	PLAT	PARCEL	HPR NO.
(2)	3	8	004	030	0000

CLASS: 5 AREA ASSESSED: 38.591 AC

ASSESSED VALUES FOR CURRENT YEAR TAXES: 2006

This certifies that the records of this division show the assessed values and taxes on the property designated by Tax Key shown above are as follows:

BUILDING	$	0	
EXEMPTION	$	0	
NET VALUE	$	0	
LAND	$	9,100	AGRICULTURAL USE VALUE
EXEMPTION	$	0	
NET VALUE	$	9,100	
TOTAL NET VALUE	$	9,100	

Installment (1 - due 8/20; 2 - due 2/20)

Tax Year	Installment	Tax Amount	Penalty Amount	Interest Amount	Other Amount	Total Amount	
2006	2	30.00				30.00	PENDING
2006	1	30.00				30.00	PAID
2005	2	30.00				30.00	PAID
2005	1	30.00				30.00	PAID

Total Amount Due: 30.00

Penalty and Interest Computed to: 1/25/2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2005

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.)

822 Bishop Street
Post Office Box 3440, Honolulu, Hawaii 96801
(Address of principal executive offices and zip code)

808-525-6611
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of Class)

Number of shares of Common Stock outstanding at February 6, 2006:
44,182,469

Aggregate market value of Common Stock held by non-affiliates at June 30, 2005:
$1,965,081,251

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 ✓

Documents Incorporated By Reference
Portions of Registrant's Proxy Statement dated March 6, 2006 (Part III of Form 10-K)

Exhibit "5"

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORTS

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on its assessments, Management believes that, as of December 31, 2005, the Company's internal control over financial reporting is effective. The Company's independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), has issued an audit report on Management's assessment of the Company's internal control over financial reporting. That report appears on page 51 of this Form 10-K.

W. Allen Doane

W. Allen Doane
President and Chief Executive Officer
February 24, 2006

Christopher J. Benjamin
Senior Vice President and Chief Financial Officer
February 24, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Alexander & Baldwin, Inc.:

We have audited the accompanying consolidated balance sheets of Alexander & Baldwin, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. We also have audited management's assessment, included in the accompanying "Management Report – Management's Responsibility for Internal Control Over Financial Reporting" that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements, an opinion on management's assessment, and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Deloitte + Touche LLP

DELOITTE & TOUCHE LLP
Honolulu, Hawaii
February 24, 2006

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per-share amounts)

	Year Ended December 31, 2005	2004	2003
Operating Revenue:			
Ocean transportation	$ 873	$ 846	$ 776
Logistics services	432	377	238
Property leasing	83	74	70
Property sales	98	81	27
Food products	121	111	113
Total revenue	1,607	1,489	1,224
Operating Costs and Expenses:			
Cost of transportation services	673	668	601
Cost of logistics services	390	345	215
Cost of property sales and leasing services	107	80	53
Cost of agricultural goods and services	110	105	108
Selling, general and administrative	140	128	124
Impairment loss for operating investment	2	--	8
Total operating costs and expenses	1,422	1,326	1,109
Operating Income	185	163	115
Other Income and (Expense)			
Gain on insurance settlement	5	--	--
Equity in income of real estate affiliates, net	3	3	4
Interest income	5	4	--
Interest expense, net of amounts capitalized	(13)	(13)	(12)
Income From Continuing Operations Before Income Taxes	185	157	107
Income taxes	69	59	40
Income From Continuing Operations	116	98	67
Income from discontinued operations, net of income taxes (see Note 4)	10	3	14
Net Income	126	101	81
Other Comprehensive Income (Loss):			
Minimum pension liability adjustment (net of taxes of $1, $1 and $(13))	2	(2)	20
Change in cash flow hedge (net of taxes)	--	1	(1)
Comprehensive Income	$ 128	$ 100	$ 100
Basic Earnings per Share of Common Stock:			
Continuing operations	$ 2.66	$ 2.29	$ 1.62
Discontinued operations	0.23	0.08	0.33
Net income	$ 2.89	$ 2.37	$ 1.95
Diluted Earnings per Share of Common Stock:			
Continuing operations	$ 2.63	$ 2.26	$ 1.61
Discontinued operations	0.23	0.07	0.33
Net income	$ 2.86	$ 2.33	$ 1.94
Average Common Shares Outstanding	43.6	42.6	41.6

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2005	2004	2003
Cash Flows from Operations:			
Net income	$ 126	$ 101	$ 81
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	84	80	73
Deferred income taxes	68	(11)	(6)
Gains on disposal of assets	(30)	(12)	(18)
Equity in income of affiliates, net	(17)	(9)	(9)
Write-down of long-lived assets and investments	2	--	8
Changes in assets and liabilities:			
Accounts and notes receivable	5	(21)	3
Inventories	(4)	1	(1)
Prepaid expenses and other assets	(8)	(14)	3
Deferred drydocking costs	(1)	9	1
Pension and post-retirement assets and obligations	(1)	3	(1)
Accounts and income taxes payable	39	26	16
Other liabilities	4	20	6
Real Estate Developments Held for Sale:			
Real estate inventory sales	45	30	15
Expenditures for new real estate inventory	(34)	(30)	(35)
Net cash provided by operations	278	173	136
Cash Flows from Investing Activities:			
Capital expenditures for property and developments	(231)	(151)	(214)
Receipts from disposal of income-producing property, investments and other assets	25	22	8
Deposits into Capital Construction Fund	(219)	(2)	(4)
Withdrawals from Capital Construction Fund	150	142	47
Payments for purchases of investments	(32)	(39)	(17)
Proceeds from sale and maturity of investments	2	7	6
Net cash used in investing activities	(305)	(21)	(174)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	104	56	293
Payments of long-term debt	(27)	(158)	(233)
Payments of short-term borrowings – net	(7)	--	--
Repurchases of capital stock	--	(2)	--
Proceeds from issuance of capital stock	11	26	20
Dividends paid	(39)	(38)	(37)
Net cash provided by (used in) financing activities	42	(116)	43
Cash and Cash Equivalents:			
Net increase for the year	15	36	5
Balance, beginning of year	42	6	1
Balance, end of year	$ 57	$ 42	$ 6
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (17)	$ (14)	$ (11)
Income taxes paid, net of refunds	$ 3	$ (61)	$ (45)
Non-cash Activities:			
Debt assumed in real estate purchase	$ 11	--	--
Tax-deferred property sales	$ 55	--	$ 34
Tax-deferred property purchases	$ (28)	--	$ (41)

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per-share amount)

	December 31 2005	December 31 2004
ASSETS		
Current Assets		
Cash and cash equivalents	$ 57	$ 42
Accounts and notes receivable, less allowances of $14 for each year	177	181
Sugar and coffee inventories	6	4
Materials and supplies inventories	12	11
Real estate held for sale	9	35
Deferred income taxes	16	10
Prepaid expenses and other assets	25	20
Accrued withdrawal (deposit), net to Capital Construction Fund	1	(15)
Total current assets	303	288
Investments in Affiliates	154	111
Real Estate Developments	71	82
Property – net	1,289	1,133
Capital Construction Fund	93	40
Pension Assets	68	65
Other Assets	93	59
Total	$ 2,071	$ 1,778
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable and current portion of long-term debt	$ 31	$ 31
Accounts payable	134	115
Payrolls and vacation due	19	19
Uninsured claims	16	16
Income taxes payable	12	6
Post-retirement benefit obligations — current portion	3	3
Accrued and other liabilities	39	45
Total current liabilities	254	235
Long-term Liabilities		
Long-term debt	296	214
Deferred income taxes	415	339
Post-retirement benefit obligations	47	45
Uninsured claims and other liabilities	45	41
Total long-term liabilities	803	639
Commitments and Contingencies		
Shareholders' Equity		
Capital stock – common stock without par value; authorized, 150 million shares ($0.75 stated value per share); outstanding, 44.0 million shares in 2005 and 43.3 million shares in 2004	36	35
Additional capital	175	150
Accumulated other comprehensive loss	(7)	(9)
Deferred compensation	(6)	(2)
Retained earnings	827	741
Cost of treasury stock	(11)	(11)
Total shareholders' equity	1,014	904
Total	$ 2,071	$ 1,778

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2005
(In millions, except per-share amounts)

	Capital Stock					Accumulated Other Compre-hensive		
	Issued		In Treasury					
	Shares	Stated Value	Shares	Cost	Additional Capital	Income (Loss)	Deferred Compen-sation	Retained Earnings
Balance, December 31, 2002	45.1	$ 34	3.9	$ (12)	$ 85	$ (27)	--	$ 644
Stock options exercised – net	0.9	1	--	--	26	--	--	(4)
Issued – incentive plans	--	--	(0.1)	--	1	--	--	--
Minimum pension liability	--	--	--	--	--	20	--	--
Cash flow hedge	--	--	--	--	--	(1)	--	--
Net income	--	--	--	--	--	--	--	81
Cash dividends	--	--	--	--	--	--	--	(37)
Balance, December 31, 2003	46.0	35	3.8	(12)	112	(8)	--	684
Shares repurchased	(0.1)	--	--	--	--	--	--	(2)
Stock options exercised – net	1.0	--	--	--	34	--	--	(4)
Issued – incentive plans	0.1	--	(0.1)	1	4	--	$ (2)	--
Minimum pension liability	--	--	--	--	--	(2)	--	--
Cash flow hedge	--	--	--	--	--	1	--	--
Net income	--	--	--	--	--	--	--	101
Cash dividends	--	--	--	--	--	--	--	(38)
Balance, December 31, 2004	47.0	35	3.7	(11)	150	(9)	(2)	741
Shares repurchased	--	--	--	--	--	--	--	--
Stock options exercised – net	**0.6**	**1**	--	--	**17**	--	--	**(1)**
Issued – incentive plans	--	--	**(0.1)**	**0**	**8**	--	**(4)**	--
Minimum pension liability	--	--	--	--	--	**2**	--	--
Net income	--	--	--	--	--	--	--	**126**
Cash dividends	--	--	--	--	--	--	--	**(39)**
Balance, December 31, 2005	**47.6**	**$ 36**	**3.6**	**$ (11)**	**$ 175**	**$ (7)**	**$ (6)**	**$ 827**

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Founded in 1870, Alexander & Baldwin, Inc. ("A&B") is incorporated under the laws of the State of Hawaii. A&B operates primarily in three industries: transportation, real estate and food products. These industries are described below:

> Transportation - carrying freight, primarily between various ports on the U.S. Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; arranging intermodal and motor carrier services and providing logistics services in North America; and providing terminal, stevedoring and container equipment maintenance services in Hawaii. The Company began carrying cargo from two ports in China to Los Angeles in February 2006.
>
> Real Estate - purchasing, developing, selling, managing, leasing and investing in commercial (including retail, office and industrial) and residential properties, in Hawaii and on the U.S. mainland.
>
> Food Products - growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; marketing and distributing roasted coffee and green coffee; providing sugar, petroleum and molasses hauling, general trucking services, mobile equipment maintenance and repair services, and self-service storage in Hawaii; and generating and selling electricity.

Principles of Consolidation: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly owned subsidiaries ("the Company"), after elimination of significant intercompany amounts.

Investments in Affiliates: Significant investments in businesses, partnerships, and limited liability companies in which the Company does not have control are accounted for under the equity method. Generally, these are investments in businesses in which the Company's voting ownership is between 20 percent and 50 percent.

Segment Information: The Company has five segments operating in three industries: Transportation, Real Estate, and Food Products. The Transportation industry is comprised of ocean transportation and integrated logistics service segments. The Real Estate industry is comprised of leasing and real estate sales segments. The Company reports segment information in the same way that management assesses segment performance. For purposes of certain segment disclosures, such as identifiable assets, the Company's development activities are included with the property sales segment. Additional information regarding these segments is found in Note 15.

Cash and Cash Equivalents: Cash equivalents are composed of highly liquid investments with an original maturity of three months or less and which have no significant risk of change in value.

Allowances for Doubtful Accounts: Allowances for doubtful accounts are established by management based on estimates of collectibility. The changes in allowances for doubtful accounts, included on the Balance Sheets as an offset to "Accounts and notes receivable," for the three years ended December 31, 2005 were as follows (in millions):

	Balance at Beginning of year	Expense	Write-offs and Other	Balance at End of Year
2003	$ 11	$ 5	$ (4)	$ 12
2004	$ 12	$ 6	$ (4)	$ 14
2005	$ 14	$ 5	$ (5)	$ 14

Inventories: Raw sugar and coffee inventories are stated at the lower of cost (first-in, first-out basis) or market value. Other inventories, composed principally of materials and supplies, are stated at the lower of cost (principally average cost) or market value.

Drydocking: Under U.S. Coast Guard Rules, administered through the American Bureau of Shipping's alternative compliance program, all vessels must meet specified seaworthiness standards to remain in service. Vessels must undergo regular inspection, monitoring and maintenance, referred to as "drydocking," to maintain the required operating certificates. These drydocks occur on scheduled intervals ranging from two to five years, depending on the vessel age. Because the drydocks enable the vessel to continue operating in compliance with U.S. Coast Guard requirements, the costs of these scheduled drydocks are deferred and amortized until the next regularly scheduled drydock period. Deferred amounts are included on the Consolidated Balance Sheets in other current and non-current assets. Amortized amounts are charged to operating expenses in the Consolidated Statements of Income. Changes in deferred drydocking costs are included in the Consolidated Statements of Cash Flows in Cash Flows from Operations.

Property: Property is stated at cost, net of accumulated depreciation and amortization. Expenditures for major renewals and betterments are capitalized. Replacements, maintenance, and repairs that do not improve or extend asset lives are charged to expense as incurred. Gains or losses from property disposals are included in the determination of net income. Costs of developing coffee orchards are capitalized during the development period and depreciated over the estimated productive lives. Upon acquiring real estate, the Company allocates the purchase price to land, buildings, in-place leases and above and below market leases based on relative fair value.

Depreciation: Depreciation is computed using the straight-line method. Estimated useful lives of property are as follows:

Classification	Range of Life (in years)
Buildings	10 to 40
Vessels	10 to 40
Marine containers	2 to 25
Terminal facilities	3 to 35
Machinery and equipment	3 to 35
Utility systems and other	5 to 50
Coffee orchards	20

Real Estate Development: Expenditures for real estate developments are capitalized during construction and are classified as Real Estate Developments on the Consolidated Balance Sheets. When construction is substantially complete, the costs are reclassified as either Real Estate Held for Sale or Property, based upon the Company's intent to sell the completed asset or to hold it as an investment. Cash flows related to real estate developments are classified as either operating or investing activities, based upon the Company's intention to sell the property or to retain ownership of the property as an investment following completion of construction.

For development projects that have material continuing post-closing involvement, capitalized costs are allocated using the direct method for expenditures that are specifically associated with the unit being sold and the relative-sales-value method for expenditures that benefit the entire project. These project-wide costs typically include land, grading, roads, water and sewage systems, landscaping and project amenities.

Capitalized Interest: Interest costs incurred in connection with significant expenditures for real estate developments, the construction of assets, or investments in joint ventures are capitalized. Capitalization of interest is discontinued when the asset is substantially complete and ready for its intended use. Capitalization of interest on investments in joint ventures is recorded until the underlying investee commences operations; this is typically when the investee has other-than-ancillary revenue generation.

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term and long-term borrowings approximate their carrying values.

Real Estate Assets: Real estate is carried at the lower of cost or fair value. Fair values generally are determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, market value is determined by reference to the sales of similar property, market studies, tax assessments, and cash flows. For commercial property, market value is determined using recent comparable sales, tax assessments, and cash flows. A large portion of the Company's real estate is undeveloped land located in the State of Hawaii on the islands of Maui and Kauai. The cost basis of the Company's undeveloped land on Maui and Kauai, excluding the recently acquired Wailea property, is about $150 per acre, a value much lower than fair value.

Impairments of Long-Lived Assets: Long-lived assets are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value.

Goodwill and Intangible Assets: Goodwill and intangibles are recorded on the Balance Sheets as other non-current assets. The Company is required to conduct an annual review of goodwill and intangible assets for potential impairment. Goodwill impairment testing requires a comparison between the carrying value and fair value of a reportable goodwill asset. If the carrying value exceeds the fair value, goodwill is considered impaired. The amount of the impairment loss is measured as the difference between the carrying value and the implied fair value of the goodwill, which is determined using estimated discounted cash flows. Impairment testing for non-amortizable intangible assets requires a comparison between fair value and carrying value of the intangible asset. If the carrying value exceeds fair value the intangible asset is considered impaired and is reduced to fair value. In 2005, the Company did not record a charge to earnings for an impairment of goodwill or other intangible assets as a result of its annual review. At December 31, 2005 and 2004, the unamortized amount of goodwill and other intangible assets totaled $10 million and $8 million, respectively.

Voyage Revenue Recognition: Voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period; commonly referred to as the "percentage of completion" method. Voyage expenses are recognized as incurred. Probable losses on voyages are provided for at the time such losses can be estimated. Freight rates are provided in tariffs filed with the Surface Transportation Board of the U.S. Department of Transportation.

Logistics Services Revenue and Cost Recognition: The revenue for logistics services includes the total amount billed to customers for transportation services. The primary costs include purchased transportation services. Revenue and the related purchased transportation costs are recognized based on relative transit time, commonly referred to as the "percentage of completion" method. The Company reports revenue on a gross basis in accordance with the criteria in EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent."

Real Estate Sales Revenue Recognition: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally on closing dates), adequate down payments have been received, and collection of remaining balances is reasonably assured. For development projects, including Kukui`ula, that have material continuing post-closing involvement and for which total revenue and capital costs are estimable, the Company uses the percentage-of-completion method for revenue recognition. Under this method, the amount of revenue recognized is based on development costs that have been incurred through the reporting period as a percentage of total expected development cost. This generally results in a stabilized gross margin percentage, but requires judgments and estimates.

Real Estate Leasing Revenue Recognition: Rental revenue is recognized on a straight-line basis over the terms of the related leases, including periods for which no rent is due (typically referred to as "rent holidays"). Differences between revenue recognized and amounts due under respective lease agreements are recorded as increases or decreases, as applicable, to deferred rent receivable. Also included in rental revenue are certain tenant reimbursements and percentage rents determined in accordance with the terms of the leases. Income arising from tenant rents that are contingent upon the sales of the tenant exceeding a defined threshold are recognized in accordance with Staff Accounting Bulletin 101, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).

Sugar and Coffee Revenue Recognition: Revenue from bulk raw sugar sales is recorded when delivered to the cooperative of Hawaiian producers, based on the estimated net return to producers in accordance with contractual agreements. Revenue from coffee is recorded when the title to the product and risk of loss passes to third parties (generally this occurs when the product is shipped or delivered to customers) and when collection is reasonably assured.

Non-voyage Ocean Transportation Costs: Depreciation, charter hire, terminal operating overhead, and general and administrative expenses are charged to expense as incurred.

Agricultural Costs: Costs of growing and harvesting sugar cane are charged to the cost of production in the year incurred and to cost of sales as raw sugar is delivered to the cooperative of Hawaiian producers, as permitted by Statement of Position No. 85-3, "Accounting by Agricultural Producers and Agricultural Cooperatives." Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

Discontinued Operations: The sales of certain income-producing assets are classified as discontinued operations, as required by Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," if the operations and cash flows of the assets clearly can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold and if the amount is considered material. 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. Upon reclassification, depreciation of the assets is stopped. Sales of land and residential houses are generally considered inventory and are not included in discontinued operations.

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

Accounting Method for Stock-Based Compensation: As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," and by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," the Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost is recognized in the Company's net income for options granted with exercise prices that are equal to the market values of the underlying common stock on the dates of grant.

Pro forma information regarding net income and earnings per share, using the fair value method and reported below, has been estimated using a Black-Scholes option-pricing model. This model was developed for use in estimating the fair value of traded options which do not have vesting requirements and which are fully transferable. The Company's options have characteristics significantly different from those of traded options. The following assumptions were used in determining the pro forma amounts:

	2005	2004	2003
Stock volatility	22.2%	22.8%	24.4%
Expected term from grant date (in years)	6.4	5.8	5.2
Risk-free interest rate	4.0%	3.6%	3.3%
Dividend yield	2.2%	2.1%	2.7%

Based upon the above assumptions, the computed annual weighted average fair values of employee stock options granted during 2005, 2004, and 2003 were $10.18, $7.44, and $5.21, respectively, per option.

Had compensation cost for the stock options been based on the estimated fair values at grant dates, the Company's pro forma net income and net income per share in each of the three years ended December 31, 2005, would have been as follows (in millions, except per share amounts):

	2005	2004	2003
Net Income:			
As reported	**$ 126**	$ 101	$ 81
Stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	**(2)**	(2)	(1)
Pro forma	**$ 124**	$ 99	$ 80
Net Income Per Share:			
Basic, as reported	**$ 2.89**	$ 2.37	$ 1.95
Basic, pro forma	**$ 2.85**	$ 2.33	$ 1.93
Diluted, as reported	**$ 2.86**	$ 2.33	$ 1.94
Diluted, pro forma	**$ 2.82**	$ 2.30	$ 1.91

Basic and Diluted Earnings per Share of Common Stock: Basic Earnings per Share is determined by dividing Net Income by the weighted-average common shares outstanding during the year. The calculation of Diluted Earnings per Share includes the dilutive effect of unexercised options to purchase the Company's stock. Total shares considered antidilutive and that were not included in the computation of diluted earnings per share for 2003 were 508,000. The shares for 2005 and 2004 were not significant.

	2005	2004	2003
Effect on average shares outstanding of assumed exercise of stock options (in millions of shares):			
Average number of shares outstanding	**43.6**	42.6	41.6
Effect of assumed exercise of outstanding stock options	**0.4**	0.6	0.3
Average number of shares outstanding after assumed exercise of stock options	**44.0**	43.2	41.9

Income Taxes: Significant judgment is required in determining the Company's tax liabilities in the multiple jurisdictions in which the Company operates. Income taxes are reported in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the statement of operations and/or balance sheet.

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

The Company's income tax provision is based on calculations and assumptions that are subject to examination by different tax authorities. The Company establishes accruals for certain tax contingencies and interest when, despite the belief that the Company's tax return positions are properly supported, the Company believes certain positions are likely to be challenged and that the Company's positions may not be fully sustained. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law, and the expiration of statutes of limitations. If events occur and the payment of these amounts proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period it is determined the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Derivative Financial Instruments: The Company periodically uses derivative financial instruments such as interest rate and foreign currency hedging products to mitigate risks. The Company's use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate or currency agreements that are accounted for as hedges. The Company does not hold or issue derivative instruments for trading or other speculative purposes nor does it use leveraged financial instruments. Hedge accounting requires a high correlation between changes in fair value of cash flows of the derivative instrument and the specific item being hedged, both at inception and throughout the life of the hedge. The Company discontinues hedge accounting prospectively when it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is discontinued as a hedge investment because it is unlikely that a forecasted transaction will occur.

All derivatives are recognized in the consolidated balance sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a fair value or a cash flow hedge. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair value hedge, are recorded in current period earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, are recorded in Other Comprehensive Income (Loss) and are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of hedges is recognized in earnings in the current period.

Comprehensive Income: Comprehensive Income includes all changes in Stockholders' Equity, except those resulting from capital stock transactions. Other Comprehensive Income (Loss) includes the minimum pension liability adjustments (see Note 11) and gains or losses on certain derivative instruments used to hedge interest rate risk (see Note 9). Comprehensive Income is not used in the calculation of Earnings per Share.

Environmental Costs: Environmental expenditures are recorded as a liability and charged to operating expense when the obligation is probable and the remediation cost is estimable. Certain costs, however, are capitalized in Property when the obligation is recorded, if the cost (1) extends the life, increases the capacity or improves the safety and efficiency of property owned by the Company, (2) mitigates or prevents environmental contamination that has yet to occur and that otherwise may result from future operations or activities, or (3) is incurred or discovered in preparing for sale property that is classified as "held for sale." The amounts of capitalized environmental costs were not material at December 31, 2005 or 2004.

Use of Estimates: The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Future actual amounts could differ from those estimates.

Impact of Newly Issued and Proposed Accounting Standards: In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004) "Share-Based Payment" ("SFAS No. 123R") as a revision of SFAS No 123, "Accounting for Stock-Based Compensation." SFAS No. 123R supersedes Accounting Principles Board Opinion ("APBO") No. 25, "Accounting for Stock issued to Employees and amends SFAS No. 95. "Statement of Cash Flows." SFAS No. 123R requires companies to measure the cost for all employee awards of equity instruments based on the fair value of the award on the grant-date and the estimated probability of the award actually vesting. This cost is then recognized over the period during which an employee is required to provide service in exchange for the award or over the period in which performance based measures are achieved. Pro forma disclosure of the effects of equity based awards is not an alternative once the new standard is adopted.

The Company adopted SFAS No. 123R effective January 1, 2006 using the "modified prospective" method. Following this method, compensation costs are recognized for all share-based payments granted after January 1, 2006 and for the portions of share-based awards that had not vested as of January 1, 2006. The after-tax annual effect of adopting this standard would have been approximately $2 million in 2005.

In February 2006, the FASB amended SFAS No. 123R to stipulate that companies must assess the probability of contingent cash settlement events in determining the classification of equity instruments such as stock options. If cash settlement is outside of a company's control and is probable of occurrence, the instruments are treated as a liability and adjusted to market value at each reporting date. If cash settlement is not probable, then the instruments are treated as equity. The Company has contracts with certain of its management that require cash settlement of options to purchase shares of the Company's stock in the event of a change in control. The Company has determined that a change in control is not probable and will classify these stock options in accordance with Accounting Series Release No. 268.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." This standard clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage, requiring that, under some circumstances, these costs should be treated as period charges. This standard is effective for reporting periods beginning after June 15, 2005. This standard did not affect the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29." This standard addresses the accounting for reciprocal transfers of non-monetary assets and is effective for reporting periods beginning after June 15, 2005. This standard did not affect the consolidated financial statements.

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

2. ACQUISITIONS

In December 2004, Matson Integrated Logistics, Inc. ("MIL"), a subsidiary of Matson Navigation Company, Inc., acquired certain assets, obligations and contracts of Aquitaine Assets LLC, ("AQ") for approximately $3 million plus a percentage of annual earnings over five years. Headquartered in Houston, Texas, AQ provides comprehensive highway, intermodal and logistics services. The purchase agreement contains an earn-out provision based on the EBITDA generated by the acquired assets though 2009. No debt was assumed in connection with the acquisition.

3. SUBSEQUENT EVENTS

In January and February of 2006, the Company received approximately $61 million of cash from Hokua LLC, a limited liability company in which A&B is an investor. As this venture winds down its affairs, distributions of the remaining cash are expected to be made to the partners. These distributions are not expected to be material.

In February 2006, the Company executed a commitment letter with Prudential Investment Management, Inc. to borrow up to $150 million in unsecured senior term notes and to enter into a three-year uncommitted private shelf agreement that would allow the Company to borrow an amount not to exceed the net of $400 million less the then total outstanding principal balances owed to Prudential. This commitment is subject to certain conditions, due diligence, completion of documentation, agreement on terms, and various approvals. The Company currently intends to borrow, under this facility, $50 million in late 2006 and $75 million during the first half of 2007.

4. DISCONTINUED OPERATIONS

During 2005, the sales of two office buildings in Honolulu for $26 million, one warehouse/distribution complex in Ontario, California, for $18 million, one service center/warehouse complex, consisting of three buildings in San Antonio, Texas, for $6 million, and the fee interest in a parcel in Maui were considered discontinued operations. Additionally, the revenue and expenses of an office building in Wailuku, Maui and three parcels on Maui have been classified as discontinued operations even though the Company had not sold the properties by the end of 2005. The three parcels were sold in January 2006.

During 2004, the sale of a Maui property was classified as a discontinued operation. In addition, two office and one light industrial properties met the criteria for classification as discontinued operations even though the Company had not sold the property by the end of 2004. Two of these properties were sold in January 2005.

During 2003, the sales of a Nevada commercial property and five commercial properties on Maui met the criteria for classification as discontinued operations.

The revenue, operating profit, income tax expense and after-tax effects of these transactions for the three years ended December 31, 2005, were as follows (in millions, except per share amounts):

	2005	2004	2003
Sales Revenue	$ 50	$ 1	$ 37
Leasing Revenue	$ 6	$ 9	$ 10
Sales Operating Profit	$ 14	$ 2	$ 18
Leasing Operating Profit	$ 2	$ 3	$ 4
Income tax expense	$ 6	$ 2	$ 8
After-tax Earnings	$ 10	$ 3	$ 14
Basic Earnings Per Share	$ 0.23	$ 0.08	$ 0.33
Diluted Earnings Per Share	$ 0.23	$ 0.07	$ 0.33

The revenue and operating profit generated from these properties in prior years were reclassified from continuing operations to discontinued operations for consistency with the current treatment. Consistent with the Company's intention to reinvest the sales proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

5. IMPAIRMENT AND DISPOSAL OF INVESTMENTS

Through August 8, 2005, the Company held common and preferred stock holdings in C&H Sugar Company Inc. ("C&H"). As a result of operating losses and declining cash flows at C&H, combined with adverse market changes, the Company concluded in 2003 that C&H's estimated future earnings and cash flows would not allow recovery of the carrying value of the investments. This loss in value was considered an "other than temporary" impairment condition; accordingly, the carrying values of the investments were written down by $8 million during the fourth quarter of 2003. During the second quarter of 2005, the Company recorded a $2 million loss in connection with the ultimate disposition of the investment in C&H in August 2005. The impairment charges were recorded as a separate line item in Operating Costs and Expenses in the Consolidated Statements of Income.

6. INVESTMENTS IN AFFILIATES

At December 31, 2005 and 2004, investments consisted principally of equity in affiliated companies, limited liability companies, and limited partnership interests. These investments are summarized, by industry, as follows (in millions):

	2005	2004
Equity in Affiliated Companies:		
Real Estate	$ 114	$ 84
Transportation	40	23
Food Products	--	3
Other	--	1
Total Investments	$ 154	$ 111

Real Estate: The Company and its real estate subsidiaries have investments in nine joint ventures that operate and/or develop real estate. The Company does not have a controlling interest in any of these ventures and, accordingly, accounts for its investments in the real estate ventures using the equity method of accounting. The most significant of these investments includes Kukui`ula and Hokua.

Kukui`ula is a joint venture that was formed in 2002 with an affiliate of DMB Associates, Inc., an Arizona-based developer, to develop a 1,000-acre master planned resort residential community located in Poipu, Kauai. The Company has a 50 percent voting interest in Kukui`ula and its equity ownership is tiered based on the venture achieving incremental traunches of profitability. When completed, the project will consist of approximately 1,200 high-end residential units. Offsite infrastructure construction commenced in June 2005, with the construction of the non-potable water system. Onsite infrastructure construction is expected to commence in the first quarter of 2006, with the construction of the Western Bypass Road, a major road serving the project. The Company's carrying value of the investment was $30.3 million and $43.3 million at the December 31, 2005 and 2004, respectively.

In 2003, the Company entered into an operating agreement with MK Management LLC, for the joint development of "Hokua at 1288 Ala Moana" ("Hokua"), a 40-story, 247-unit luxury residential condominium in Honolulu. The Company has a 50 percent voting interest in Hokua and its equity ownership is tiered based on the venture achieving incremental traunches of profitability. The Company's total investment in the venture was $40 million. The sales of all 247 residential units closed in January 2006, resulting in distributions to the Company in 2006 of $61 million in addition to cash distributions totaling $1 million prior to 2006, including a return of the Company's original $40 million investment. The Company's carrying value of the investment was $39.2 million and $48.1 million at December 31, 2005 and 2004, respectively.

The Company's other joint ventures are described in Part I Items 1 and 2 and in Part II Item 7 of this Form 10-K.

Transportation: Matson, a wholly owned subsidiary of the Company, is part owner of an LLC with SSA Marine Inc., named SSA Terminals, LLC ("SSAT"), which provides stevedoring and terminal services at five terminals in three West Coast ports to the Company and other shipping lines. Matson's 35 percent minority interest is accounted for under the equity method of accounting. The "Cost of transportation services" included approximately $137 million, $130 million, and $130 million for 2005, 2004, and 2003, respectively, paid to this unconsolidated affiliate for terminal services.

The Company's equity in earnings or (loss) of unconsolidated transportation affiliates of $17 million, $6 million and $4 million for 2005, 2004, and 2003, respectively, was included on the consolidated income statements with costs of transportation services because the affiliates are integrally related to the Company's ocean transportation operations since SSAT provides all terminal services to Matson for the U.S. West Coast and Sea Star was formed, in part, to charter vessels from the Company.

In August 2004, Matson sold its 19.5 percent investment in Sea Star Line, LLC ("Sea Star") to another owner of Sea Star for approximately $7 million and recognized a gain of approximately $1 million.

Food Products: On August 9, 2005, the Company sold its ownership interests in C&H, comprising approximately 36 percent of C&H's common voting stock, 40 percent of its junior preferred stock, and 100 percent of its senior preferred stock, for a nominal amount. Prior to this sale, the Company recorded, in 2005, a loss of $2.3 million to write down the investment to the value expected to be received upon its ultimate disposition. Approximately 90 percent of the Company's Maui sugar production is sold to C&H through an intermediary raw sugar marketing and transportation cooperative, HS&TC. The Company had an obligation to provide a security deposit for self-insurance workers' compensation claims incurred by C&H employees prior to December 24, 1998. This $3.2 million obligation was eliminated in November 2005, when C&H and its new parent company posted a replacement security deposit with the State of California.

Other: Other investments are principally investments in limited partnerships that are recorded at the lower of cost or fair value. The values of these investments are assessed annually.

7. PROPERTY

Property on the Consolidated Balance Sheets includes the following (in millions):

	2005	2004
Vessels	$ 1,000	$ 848
Machinery and equipment	517	504
Buildings	359	337
Land	158	138
Water, power and sewer systems	102	99
Other property improvements	86	70
Total	2,222	1,996
Less accumulated depreciation and amortization	933	863
Property – net	$ 1,289	$ 1,133

8. CAPITAL CONSTRUCTION FUND

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

Amounts deposited into the CCF are a preference item for calculating federal alternative minimum taxable income. Deposits not committed for qualified purposes within 25 years from the date of deposit will be treated as non-qualified withdrawals over the subsequent five years. As of December 31, 2005, the oldest CCF deposits date from 2005. Management believes that all amounts on deposit in the CCF at the end of 2005 will be used or committed for qualified purposes prior to the expiration of the applicable 25-year periods.

Under the terms of the CCF agreement, Matson may designate certain qualified earnings as "accrued deposits" or may designate, as obligations of the CCF, qualified withdrawals to reimburse qualified expenditures initially made with operating funds. Such accrued deposits to, and withdrawals from, the CCF are reflected on the Consolidated Balance Sheets either as obligations of the Company's current assets or as receivables from the CCF. At December 31, 2005, the Company has accrued a $1 million withdrawal from the CCF.

The Company has classified its investments in the CCF as "held-to-maturity" and, accordingly, has not reflected temporary unrealized market gains and losses on the Consolidated Balance Sheets or Consolidated Statements of Income. The long-term nature of the CCF program supports the Company's intention to hold these investments to maturity.

At December 31, 2005 and 2004, the balances on deposit in the CCF are summarized as follows (in millions):

	2005		2004	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed securities	$ 1	$ 1	$ 3	$ 3
Cash and cash equivalents	93	93	22	22
Accrued (withdrawals) deposits, net	(1)	(1)	15	15
Total	$ 93	$ 93	$ 40	$ 40

Fair value of the mortgage-backed securities was determined based on identical or substantially similar security values. No central exchange exists for these securities; they are traded over-the-counter. The Company earned $0.1 million in 2005, $0.4 million in 2004, and $0.8 million in 2003, on its investments in mortgage-backed securities. The fair values of the cash and cash equivalents, comprised principally of commercial paper and money market funds, are based on quoted market prices. These investments mature on or before February 23, 2006.

9. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 2005 and 2004, notes payable and long-term debt consisted of the following (in millions):

	2005	2004
Revolving Credit loans, 2005 high 4.6%, low 2.95%	--	$ 7
Title XI Bonds:		
5.27%, payable through 2029	$ 53	55
5.34%, payable through 2028	51	53
Term Loans:		
4.79%, payable through 2020	102	--
4.10%, payable through 2012	35	35
7.43%, payable through 2007	15	22
7.55%, payable through 2009	15	15
7.42%, payable through 2010	14	17
4.31%, payable through 2010	13	15
7.43%, payable through 2007	10	15
6.20%, payable through 2013	11	--
7.57%, payable through 2009	8	11
Total	327	245
Less current portion	31	31
Long-term debt	$ 296	$ 214

Long-term Debt Maturities: At December 31, 2005, maturities of all long-term debt during the next five years are $31 million in each of 2006 and 2007, $32 million in each of 2008 and 2009, and $31 million in 2010.

Revolving Credit Facilities: The Company has a $200 million revolving credit and term loan agreement with six commercial banks that expires in January 2008. Any revolving loan outstanding on the maturity date may be converted into a one-year term loan that would be payable in four equal quarterly installments. Interest on amounts borrowed carry interest at London Interbank Offered Rate ("LIBOR") plus 0.475 percent. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2005 and 2004, no amounts were outstanding under this agreement.

The Company has a $78.5 million uncommitted short-term revolving credit agreement with First Hawaiian Bank, which is also the agent for the previously noted $200 million revolving credit facility. The agreement extends to January 2007, but may be canceled by the bank or the Company with due notice. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $200 million multi-bank facility and by letters of credit issued under the $78.5 million uncommitted facility. At December 31, 2005, no amounts were outstanding under the facility, but $2 million in letters of credit had been issued against the line. At December 31, 2004, $7 million was outstanding. Amounts drawn on this facility are classified as current, unless the Company intends to move the drawn amount to another facility that is classified as long term. For sensitivity purposes, if the $200 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2005 year-end would have been $23 million.

In June 2005, Matson executed a $105 million secured reducing revolving credit agreement with DnB NOR Bank ASA and ING Bank N.V. This financing is for the planned purchase, in 2006, of a new containership, the *MV Maunalei*. The facility provides for a 10-year commitment beginning with the June 2005 execution of the agreement, but funding will not occur until the containership is delivered in 2006. The maximum amount that can be outstanding on the facility declines in eight annual commitment reductions of $10.5 million each, commencing on the second anniversary of the closing date. The interest rate for the facility is 0.375 percent over LIBOR the first five years. For the remaining term, the interest rate is 0.450 percent over LIBOR.

Matson has a $30 million revolving credit and term loan agreement with Wells Fargo Bank, National Association that extends to September 30, 2009, including a one-year term option. Any revolving loan outstanding on the maturity date may be converted into a one-year term loan that would be payable in four equal quarterly installments. Interest on amounts borrowed carry interest at LIBOR plus 0.475 percent. The agreement contains certain restrictive covenants, the most significant of which requires that Matson maintain a minimum tangible net worth of not less than $250 million or 65 percent of the tangible net worth at the beginning of the most recent fiscal year and the maintenance of an interest coverage ratio of 2:1. At December 31, 2005 and 2004, no amounts were outstanding under this agreement.

Matson has a $50 million revolving credit and term loan agreement with Bank of America, N.A. that expires in December 2006. Interest on amounts borrowed carry interest at LIBOR plus 0.475 percent. The agreement contains certain restrictive covenants, the most significant of which requires that Matson maintain a minimum tangible net worth of not less than $250 million or 65 percent of the tangible net worth at the beginning of the most recent fiscal year and the maintenance of an interest coverage ratio of 2:1. At December 31, 2005 and 2004, no amounts were outstanding under this agreement.

The unused borrowing capacity under all revolving credit facilities as of December 31, 2005 totaled $301 million. This amount excludes the $105 million that will become available to the Company in the third quarter of 2006 with the delivery of the *MV Maunalei*.

Title XI Bonds: In August 2004, Matson partially financed the delivery of the *MV Maunawili* with $55 million of 5.27 percent fixed-rate, 25-year term, U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds. These bonds are payable in semiannual payments of $1.1 million beginning in March 2005.

In September 2003, Matson partially financed the delivery of the *MV Manukai* with $55 million of 5.34 percent fixed-rate, 25-year term, Title XI bonds. These bonds are payable in semiannual payments of $1.1 million.

Unsecured Private Shelf Agreements: At December 31, 2005, the Company had a private shelf agreement for $75 million under which no amounts had been drawn. The agreement expires in March 2006 and is expected to be replaced with the agreement that is described in Note 3.

Vessel Secured Term Debt: In May 2005, Matson entered into an Amended and Restated Note Agreement with The Prudential Insurance Company of America and Pruco Life Insurance (collectively and individually "Prudential") for $120 million. The agreement amended and superseded Matson's $65 million private shelf facility with Prudential that would have expired in June 2007, against which $15 million had been drawn and was outstanding at the date of the new agreement. Included in the agreement are Series A and Series B notes. Series A comprises the previously noted $15 million note and Series B comprises 15-year term notes totaling $105 million. Both series are secured by the *MV Manulani*, which was delivered to the Company in May 2005. The Series A note carries interest at 4.31 percent and has $13 million currently outstanding. The $105 million Series B notes carry interest at 4.79 percent and mature in May 2020.

Real Estate Secured Term Debt: In June 2005, A&B Properties, Inc., a wholly owned subsidiary of the Company, assumed $11.4 million of secured debt in connection with the purchase of an office building in Phoenix, Arizona. This term loan carries interest at 6.2 percent and matures in October 2013.

Interest Rate Hedging: To hedge the interest rate risk associated with obtaining financing for two vessels, the Company entered into two interest rate lock agreements with settlements corresponding to the 2003 and 2004 vessel delivery schedules. Under the agreements, the Company agreed to pay or receive an amount equal to the difference between the net present value of the cash flows for a notional principal amount of indebtedness based on the existing yield of a U.S. treasury bond at the date when the agreement is established and the date when the agreement is settled. The agreements were settled in 2003 and 2004 and the deferred gains or losses associated with the settlements are being amortized as adjustments to interest expense over the 25-year term of the underlying debt. These amounts were not material to consolidated interest expense.

10. LEASES

The Company as Lessee: Principal operating leases include land, office and terminal facilities, containers and equipment, leased for periods that expire between 2006 and 2052. Management expects that, in the normal course of business, most operating leases will be renewed or replaced by other similar leases. Rental expense under operating leases totaled $38 million, $29 million, and $29 million for the years ended December 31, 2005, 2004, and 2003, respectively. Rental expense for operating leases that provide for future escalations are accounted for on a straight-line basis. Future minimum payments under operating leases as of December 31, 2005 were as follows (in millions):

	Operating Leases
2006	$ 19
2007	12
2008	9
2009	9
2010	8
Thereafter	55
Total minimum lease payments	$ 112

The Company as Lessor: The Company leases land, buildings, land improvements, and three vessels under operating leases. The historical cost of and accumulated depreciation on leased property at December 31, 2005 and 2004 were as follows (in millions):

	2005	2004
Leased property – transportation	$ 158	$ 155
Leased property – real estate	560	513
Less accumulated depreciation	(170)	(153)
Property under operating leases—net	$ 548	$ 515

Total rental income under these operating leases for the three years ended December 31, 2005 was as follows (in millions):

	2005	2004	2003
Minimum rentals	$ 112	$ 109	$ 107
Contingent rentals (based on sales volume)	3	2	2
Total	$ 115	$ 111	$ 109

Future minimum rentals on non-cancelable leases at December 31, 2005 were as follows (in millions):

	Operating Leases
2006	$ 66
2007	52
2008	42
2009	34
2010	23
Thereafter	138
Total	$ 355

11. EMPLOYEE BENEFIT PLANS

The Company has funded single-employer defined benefit pension plans that cover substantially all non-bargaining unit employees and certain bargaining unit employees. In addition, the Company has plans that provide certain retiree health care and life insurance benefits to substantially all salaried and to certain hourly employees. Employees are generally eligible for such benefits upon retirement and completion of a specified number of years of credited service. The Company does not pre-fund these benefits and has the right to modify or terminate certain of these plans in the future. Certain groups of retirees pay a portion of the benefit costs.

Asset Allocations, Investments and Plan Administration: The Company's weighted-average asset allocations at December 31, 2005 and 2004, and 2005 year-end target allocation, by asset category, were as follows:

	Target	2005	2004
Domestic equity securities	60%	59%	61%
International equity securities	10%	14%	15%
Debt securities	15%	12%	14%
Real estate	15%	12%	10%
Other and cash	--	3%	--
Total	100%	100%	100%

The Company has an Investment Committee that meets regularly with investment advisors to establish investment policies, direct investments and select investment options. The Investment Committee is also responsible for appointing trustees and investment managers. The Company's investment policy permits investments in marketable securities, such as domestic and foreign stocks, domestic and foreign bonds, venture capital, real estate investments, and cash equivalents. Equity investments in the defined benefit plan assets do not include any direct holdings of the Company's stock but may include such holdings to the extent that the stock is included as part of certain mutual fund holdings.

Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the maximum deductible contribution allowed for tax purposes. For the plans covering employees who are members of collective bargaining units, the benefit formulas are determined according to the collective bargaining agreements, either using career average pay as the base or a flat dollar amount per year of service. The benefit formulas for the remaining defined benefit plans are based on final average pay. The Company did not make any contributions during 2005 and contributed approximately $5 million to its defined benefit pension plans in 2004. No contributions are expected to be required in 2006.

Benefit Plan Assets and Obligations: The measurement date for the Company's benefit plan disclosures is December 31st each year. The status of the funded defined benefit pension plan, the unfunded accumulated post-retirement benefit plans, the accumulated benefit obligation, and assumptions used to determine benefit information at December 31, 2005, 2004, and 2003, is shown below (dollars in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2005	2004	2003	2005	2004	2003
Change in Benefit Obligation						
Benefit obligation at beginning of year	$ 274	$ 262	$ 289	$ 54	$ 49	$ 47
Service cost	6	6	6	1	1	1
Interest cost	16	16	19	3	3	3
Plan participants' contributions	--	--	--	2	2	2
Actuarial (gain) loss	13	4	7	1	4	1
Benefits paid	(15)	(14)	(16)	(5)	(5)	(5)
Amendments	--	--	17	--	--	--
Settlements	--	--	(60)	--	--	--
Benefit obligation at end of year	294	274	262	56	54	49
Change in Plan Assets						
Fair value of plan assets at beginning of year	295	274	254			
Actual return on plan assets	35	30	58			
Employer contribution	--	5	--			
Benefits paid	(15)	(14)	(16)			
Settlements	--	--	(22)			
Fair value of plan assets at end of year	315	295	274			
Prepaid (Accrued) Benefit Cost						
Funded status - Plan assets greater than benefit obligation	21	21	12	(56)	(54)	(49)
Unrecognized net actuarial (gain) loss	46	46	52	6	6	2
Unrecognized prior service cost	2	2	3	--	--	--
Intangible asset	--	--	1	--	--	--
Minimum pension liability	(1)	(4)	(6)	--	--	--
Prepaid (Accrued) benefit cost	$ 68	$ 65	$ 62	$ (50)	$ (48)	$ (47)
Accumulated Benefit Obligation	$ 265	$ 248	$ 234			
Weighted Average Assumptions:						
Discount rate	5.75%	6.00%	6.25%	5.75%	6.00%	6.25%
Expected return on plan assets	8.50%	8.50%	8.50%			
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Initial health care cost trend rate				9.00%	9.00%	8.50%
Ultimate rate				5.00%	5.00%	5.00%
Year ultimate rate is reached				2010	2009	2008

The expected return on plan assets is based on the Company's historical returns combined with long-term expectations, based on the mix of plan assets, asset class returns, and long-term inflation assumptions, after consultation with the firm used by the Company for actuarial calculations. One-, three-, and five-year pension returns were 12.4 percent, 15.7 percent, and 3.3 percent, respectively. The long-term average return has been approximately 10 percent. The actual returns have generally exceeded the benchmark returns used by the Company to evaluate performance of its fund managers.

The Company has determined that its post-retirement prescription drug plans are actuarially equivalent to Part D of the Medicare Prescription Drug Improvement and Modernization Act of 2003. The 2005 post-retirement obligations include the benefits of the Act's subsidy. These amounts are not material.

The information for qualified pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2005 and 2004 is shown below (in millions):

	2005	2004
Projected benefit obligation	$ 35	$ 53
Accumulated benefit obligation	$ 30	$ 47
Fair value of plan assets	$ 28	$ 45

Components of the net periodic benefit cost for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 2005, 2004, and 2003, are shown below (in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2005	2004	2003	2005	2004	2003
Components of Net Periodic Benefit Cost/(Income)						
Service cost	$ 6	$ 6	$ 6	$ 1	$ 1	$ 1
Interest cost	16	16	19	3	3	3
Expected return on plan assets	(24)	(23)	(22)	--	--	--
Recognition of net (gain) loss	2	2	7	1	--	--
Amortization of prior service cost	--	1	5	--	--	--
Recognition of settlement (gain)/loss	--	--	(17)	--	--	--
Net periodic benefit cost/(income)	$ --	$ 2	$ (2)	$ 5	$ 4	$ 4

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

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2005, 2004 and 2003, and the net periodic post-retirement benefit cost for 2005, 2004 and 2003, would have increased or decreased as follows (in millions):

	Other Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2005	2004	2003	2005	2004	2003
Effect on total of service and interest cost components	$ 1	$ --	$ --	$ --	$ --	$ --
Effect on post-retirement benefit obligation	$ 5	$ 6	$ 5	$ (4)	$ (5)	$ (4)

Non-qualified Benefit Plans: The Company has non-qualified supplemental pension plans covering certain employees and retirees, which provide for incremental pension payments from the Company's general funds, so that total pension benefits would be substantially equal to amounts that would have been payable from the Company's qualified pension plans if it were not for limitations imposed by income tax regulations. The obligation, included with other non-current liabilities, relating to these unfunded plans, totaled $19 million at December 31, 2005 and 2004. These amounts include an additional minimum pension liability of $6 million. A 5.25 percent discount rate was used to determine the 2005 obligation. The expense associated with the non-qualified plans was $4 million, $3 million, and $7 million, for 2005, 2004 and 2003, respectively. The 2003 expense included settlement and special termination losses totaling $3 million. The 2004 expense included settlement losses totaling $600,000.

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

Year	Pension Benefits	Non-qualified Plan Benefits	Post-retirement Benefits
2006	$ 16	$ 3	$ 3
2007	16	4	3
2008	16	1	3
2009	16	2	4
2010	17	11	4
2011-2015	96	7	19

Minimum Pension Liabilities: The Company has recorded minimum pension liabilities for its qualified and nonqualified plans as required by SFAS No. 87 representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. The change in the unfunded accumulated benefit obligations was attributed primarily to fluctuations in the values of pension assets combined with a reduction in the discount rate assumption. The components for 2004 and 2005 were as follows (in millions):

	Other Non-current Asset (unrecognized) prior service cost)	Other Non-current Liabilities (additional minimum liability)	Deferred Tax Asset	Accumulated Other Comprehensive (Gain) / Loss
December 31, 2003	$ 1	$ (9)	$ 3	$ 5
Change	(1)	(3)	2	2
December 31, 2004	--	(12)	5	7
Change	--	4	(2)	(2)
December 31, 2005	$ --	$ (8)	$ 3	$ 5

Multiemployer Plans: Matson participates in 13 multiemployer plans and has an estimated withdrawal obligation with respect to four of these plans that totals $65 million. Management has no present intention of withdrawing from and does not anticipate termination of any of these plans. Total contributions to the multiemployer pension plans covering personnel in shoreside and seagoing bargaining units were $11 million in 2005, $9 million in 2004, and $5 million in 2003.

In December 2003, Matson Terminals, Inc., a subsidiary of Matson, and two other Hawaii marine terminal operators formed the Hawaii Terminals Multiemployer Plan. The transfer of two of the Company's defined benefit plans' benefit obligations to the new multiemployer plan resulted in a settlement gain of $17 million. Approximately $22 million of assets were transferred to the multiemployer plan in December 2003 in connection with this matter.

Union collective bargaining agreements provide that total employer contributions during the terms of the agreements must be sufficient to meet the normal costs and amortization payments required to be funded during those periods. Contributions are generally based on union labor paid or cargo volume. A portion of such contributions is for unfunded accrued actuarial liabilities of the plans being funded over periods of 25 to 40 years, which began between 1967 and 1976.

The multiemployer plans are subject to the plan termination insurance provisions of ERISA and are paying premiums to the Pension Benefit Guaranty Corporation ("PBGC"). The statutes provide that an employer who withdraws from, or significantly reduces its contribution obligation to, a multiemployer plan generally will be required to continue funding its proportional share of the plan's unfunded vested benefits.

Under special rules approved by the PBGC and adopted by the Pacific Coast longshore plan in 1984, Matson could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. Accordingly, no withdrawal obligation for this plan is included in the total estimated withdrawal obligation.

12. INCOME TAXES

The income tax expense on income from continuing operations for the three years ended December 31, 2005 consisted of the following (in millions):

	2005	2004	2003
Current:			
Federal	$ 5	$ 64	$ 43
State	1	6	3
Current	6	70	46
Deferred	63	(11)	(6)
Total continuing operations tax expense	$ 69	$ 59	$ 40

During 2005, Matson deposited $219 million of cash into the CCF and expects to receive the tax benefit on $204 million of this amount in 2005; the tax benefit on $15 million was recorded in 2004. For 2005, the current tax benefit from the $204 million of deposits was $78 million. This amount was included in deferred tax liabilities on the consolidated balance sheet at December 31, 2005. Additional information about the CCF is included in Note 8.

Income tax expense for the three years ended December 31, 2005 differs from amounts computed by applying the statutory federal rate to income from continuing operations before income taxes, for the three years ended December 31, 2005 for the following reasons (in millions):

	2005	2004	2003
Computed federal income tax expense	$ 65	$ 55	$ 37
State income taxes	3	3	3
Other—net	1	1	--
Income tax expense	$ 69	$ 59	$ 40

Total State and Federal tax credits totaled $2 million, $1 million, and $2 million for 2005, 2004 and 2003, respectively. These comprised capital goods excise credits, research and experimental credits, enterprise zone credits, credits arising from the production of electricity from qualified facilities, rehabilitation credits for certified historic structures and investments in qualified high-tech investment tax credits.

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

	2005	2004
Deferred tax assets:		
Capital loss carry-forward	$ 12	--
Benefit plans	6	$ 5
Insurance reserves	12	11
Joint ventures and other investments		7
Other	15	12
Total deferred tax assets	45	35
Deferred tax liabilities:		
Basis differences for property and equipment	263	223
Tax-deferred gains on real estate transactions	127	118
Capital Construction Fund	35	15
Joint ventures and other investments	13	--
Other	6	8
Total deferred tax liabilities	444	364
Net deferred tax liability	$ 399	$ 329

The realization of the deferred tax assets related to the capital loss carryover is dependent upon the future generation of capital gains. Management considers projected future transactions and tax planning strategies in making this assessment. Management believes it is more likely than not that the Company will generate such gains before the capital loss carryover expires in 2010. Therefore, no valuation allowance was established for this deferred tax asset as of December 31, 2005.

Examinations of the Company's federal income tax returns have been completed through 1999. The Internal Revenue Service may audit the Company's federal income tax returns for years subsequent to 2001. Additionally, the Company is routinely involved in state and local income tax audits. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax have been provided for adjustments that may be expected to result for these years.

In 2003, the Company received non-taxable death benefit proceeds of approximately $1.4 million resulting in a one-time reduction of income tax expense. The Company's 2003 effective tax rate on continuing operations would have been 37.3 percent, excluding this item.

In 2005, 2004, and 2003, income tax benefits attributable to employee stock option transactions of $4 million, $6 million and $2 million, respectively, were not included in the tax provision, but were charged directly to stockholders' equity.

13. STOCK OPTIONS AND RESTRICTED STOCK

Employee Stock Option Plans: The Company has two stock option plans under which key employees are granted options to purchase shares of the Company's common stock.

Adopted in 1998, the Company's 1998 Stock Option/Stock Incentive Plan ("1998 Plan") provides for the issuance of non-qualified stock options to employees of the Company. Under the 1998 Plan, option prices may not be less than the fair market value of the Company's common stock on the dates of grant and the options become exercisable over periods determined, at the dates of grant, by the Compensation Committee of the A&B Board of Directors that administers the plan. Generally, options vest ratably over three years and expire ten years from the date of grant. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for such number of shares as is equal to the number surrendered, with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price.

Adopted in 1989, the Company's 1989 Stock Option/Stock Incentive Plan ("1989 Plan") is substantially the same as the 1998 Plan, except that each option is generally exercisable in full one year after the date granted. The 1989 Plan terminated in January 1999, but options granted through 1998 remain exercisable.

Restricted Stock: The 1998 and 1989 Plans also permit the issuance of shares of the Company's common stock as a reward for past service rendered to the Company or one of its subsidiaries or as an incentive for future service with such entities. The recipients' interest in such shares may be vested fully upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee that administers the plans. During 2005, 132,600 shares were issued at a value of $44.45 per share. These shares vest ratably over three years. All 132,600 shares were outstanding at December 31, 2005. During 2004, 66,100 shares were issued at a value of $33.51 per share. These shares vest ratably over five years. 51,720 shares were outstanding at December 31, 2005. Compensation expense is being recognized in earnings during the vesting period.

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

The 1989 Non-Employee Directors Stock Option Plan ("1989 Directors' Plan") is substantially the same as the 1998 Directors' Plan, except that each option generally becomes exercisable in-full one year after the date granted. This plan terminated in January 1999, but options granted through termination remain exercisable.

Changes in shares and the weighted average exercise prices for the three years ended December 31, 2005, were as follows (shares in thousands):

	Employee Plans		Directors' Plans			Weighted
	1998 Plan	1989 Plan	1998 Directors' Plan	1989 Directors' Plan	Total Shares	Average Exercise Price
December 31, 2002	1,739	1,210	96	126	3,171	$ 24.84
Granted	426	--	24	--	450	$ 26.16
Exercised	(274)	(690)	(24)	(27)	(1,015)	$ 24.48
Canceled	(54)	(61)	(3)	(12)	(130)	$ 24.61
December 31, 2003	1,837	459	93	87	2,476	$ 25.23
Granted	351	--	64	--	415	$ 33.47
Exercised	(759)	(363)	(6)	(28)	(1,156)	$ 24.78
Canceled	(11)	(1)	--	--	(12)	$ 24.02
December 31, 2004	1,418	95	151	59	1,723	$ 27.61
Granted	**196**	**--**	**72**	**--**	**268**	**$ 43.35**
Exercised	**(420)**	**(57)**	**(7)**	**(17)**	**(501)**	**$ 25.55**
Canceled	**(4)**	**--**	**--**	**--**	**(4)**	**$ 26.01**
December 31, 2005	**1,190**	**38**	**216**	**42**	**1,486**	**$ 31.16**
Exercisable	**626**	**38**	**93**	**42**	**799**	**$ 27.15**

As of December 31, 2005, the Company had reserved 1,558,048 and 235,906 shares of its common stock for the issuance of options under the 1998 Plan and 1998 Directors' Plan, respectively. Additional information about stock options outstanding as of 2005 year-end is summarized below (shares in thousands):

Range of Exercise Price	Shares Outstanding as of 12/31/2005	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Shares Exercisable as of 12/31/2005	Weighted Average Price of Exercisable Options
\$20.01 – 23.00	86	3.6	\$ 21.03	86	\$ 21.03
\$23.01 – 26.00	52	2.0	\$ 24.07	52	\$ 24.07
\$26.01 – 29.00	675	5.8	\$ 26.87	536	\$ 27.08
\$29.01 – 32.00	28	4.3	\$ 30.47	22	\$ 30.29
\$32.01 – 35.00	376	8.0	\$ 33.47	103	\$ 33.47
\$35.01 – 44.45	269	9.1	\$ 43.35	--	--
\$ 0.00 – 44.45	1,486	6.7	\$ 31.16	799	\$ 27.15

14. COMMITMENTS, GUARANTEES, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

Commitments, Guarantees and Contingencies: Commitments, excluding the operating and capital lease commitments that are described in Note 10, that were in effect at December 31, 2005 included the following (in millions):

Arrangement		2005
Capital appropriations	(a)	\$ 582
Guarantee of HS&TC debt	(b)	\$ 1
Guarantee of Hokua debt	(c)	\$ 15
Standby letters of credit	(d)	\$ 16
Bonds	(e)	\$ 8
Benefit plan withdrawal obligations	(f)	\$ 65

(a) At December 31, 2005, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately \$582 million. These expenditures are primarily for a new vessel, real estate developments, vessel maintenance, containers and operating equipment and vessel modifications. There are, however, no contractual obligations to spend the entire amount. Of this amount, approximately \$391 million is expected to be spent during 2006, \$165 million during 2007 and \$26 million during 2008. The Company's internal cash flows, existing credit lines and a new credit line that was discussed above are expected to be sufficient to finance these capital needs. The actual payments for the capital expenditures could be different than the amounts noted above; that difference could be significantly larger or smaller than indicated.

(b) The Company has guaranteed up to \$21.5 million of a \$30 million Hawaiian Sugar & Transportation Cooperative ("HS&TC") revolving credit line. HS&TC is a raw-sugar marketing and transportation cooperative that is used to market and transport the Company's raw sugar to C&H Sugar Company, Inc. ("C&H"); the Company is a member of HS&TC. Under normal circumstances the guarantee would not exceed \$15 million. The amount would only increase to \$21.5 million if the amounts owed by C&H are outstanding beyond normal 10-day payment terms. As of December 31, 2005, approximately \$1 million was outstanding on the facility.

(c) At December 31, 2005, A&B Properties, Inc. ("Properties") had a limited loan guarantee equal to the lesser of $15 million or 15.5 percent of the outstanding balance of the construction loan for the Hokua condominium project, in which Properties is an investor. The outstanding balance of the venture's construction loan at December 31, 2005 was $100 million. However, with the closing of 247 residential units on January 11, 2006, the construction loan was paid off on that date.

(d) At December 31, 2005, the Company has arranged for standby letters of credit totaling $16 million. This includes letters of credit, totaling approximately $14 million, which enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The balance includes approximately $2 million for insurance-related matters, principally in the Company's real estate business.

(e) Of the $8 million in bonds outstanding at December 31, 2005, $6 million is for customs bonds, $1 million relates to real estate construction projects in Hawaii and $1 million of bonds are for ocean transportation matters.

(f) The withdrawal liabilities for multiemployer pension plans, in which Matson is a participant, aggregated approximately $65 million as of the most recent valuation dates. Management has no present intention of withdrawing from and does not anticipate termination of any of those plans.

Certain of the businesses in which the Company holds non-controlling investments have long-term debt obligations. Other than obligations described above, those investee obligations do not have recourse to the Company and the Company's "at-risk" amounts are limited to its investment. For certain real estate joint ventures, the Company may also be obligated to perform work through bond indemnifications and/or commitments to complete construction of the real estate development if the joint venture does not perform. These investments are described in Note 6.

Environmental Matters: As with most industrial and land development companies of its size, the Company's shipping, real estate, and agricultural businesses have certain risks that could result in expenditures for environmental remediation. The Company believes that it is in compliance, in all material respects, with applicable environmental laws and regulations, and works proactively to identify potential environmental concerns. In addition, the Company has emergency response and crisis management programs.

After HC&S self-reported, in 2001, to the State of Hawaii Department of Health ("DOH") possible violations of state and federal air pollution control regulations relating to a boiler at its Maui sugar mill, the DOH issued a notice of violation and proposed penalty of approximately $2 million in September 2003. Although the Company operated in accordance with the requirements of permits issued by the DOH in 1974, the permit conditions may not have reflected the federal standards fully. Upon identifying and self-reporting the matter in late 2001, the Company immediately took corrective action to comply with the regulations. The amount of the penalty is being contested. The Company is continuing to engage in discussion with the DOH but a final determination of the matter has not yet been made. The Company believes that the resolution of this matter will not have a material effect on the Company's consolidated financial statements and that appropriate accruals for this matter have been recorded.

Additionally, in late 2003 the Company paid $1.6 million to settle a claim for payment of environmental remediation costs incurred by the current owner of a sugar refinery site in Hawaii that previously was sold by the Company in 1994. In connection with this settlement, the Company assumed responsibility to remediate certain parcels of the site. The Company has accrued an obligation of approximately $2.1 million for the estimated remediation costs.

Other Contingencies: In February 2006, Matson's Long Beach terminal operator, SSAT (Long Beach) LLC, commenced negotiations of an amendment to its Preferential Assignment Agreement with the City of Long Beach that would include changes requested by Matson to implement its new China Service as well as environmental covenants applicable to vessels which call at Pier C. The environmental requirements are part of programs proposed by both the ports of Los Angeles and Long Beach designed to reduce airborne emissions in the port area. Under the proposed requirements, Matson would be required to install equipment on certain of its vessels to allow them to accept a shore-based electrical power source instead of using the vessel's diesel generators while in port, use low sulfur fuel, limit usage of the terminal by its steamships and take other actions designed to reduce emissions. Matson expects that it will be permitted to make the vessel modifications over time, following execution of the amendment and installation by the City of the required shoreside equipment. The cost of the modifications has not been accrued as an obligation because the amount, or range of amounts, cannot currently be estimated.

In January 2004, a petition was filed by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources ("BLNR") declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar-growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company objected to the petition, asked the BLNR to conduct administrative hearings on the matter and requested that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license.

Since the filing of the petition, the Company has been working to make improvements to the water systems of the petitioner's four clients so as to improve the flow of water to their taro patches. The administrative hearing process on the petition is continuing, no substantive progress was reached in 2005, and the Company continues to object to the petition. The effect of this claim on the Company's sugar-growing operations cannot currently be estimated. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar-growing operations.

In October 2004, two community-based organizations filed a Citizen Complaint and a Petition for a Declaratory Order with the Commission on Water Resource Management of the State of Hawaii ("Water Commission") against both an unrelated company and HC&S, to order the companies to leave all water of four streams on the west side of the island of Maui that is not being put to "actual, reasonable and beneficial use" in the streams of origin. The complainants had earlier filed, in June 2004, with the Water Commission a petition to increase the interim in-stream flow standards for those streams. No substantive progress was reached during 2005 for resolution of these petitions. The Company objects to the petitions. If the Company is not permitted to divert stream water for its use to the extent that it is currently diverting, it may have an adverse effect on the Company's sugar-growing operations.

The Company and certain subsidiaries are parties to various other legal actions and are contingently liable in connection with other 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.

Related Party Transactions: Notes 5 and 6 includes additional information about transactions with unconsolidated affiliates, which affiliates are/were also related parties, due to the Company's minority interest investments.

C&H, an entity in which the Company had a minority ownership equity interest until August 9, 2005 (see Notes 5 and 6), is a party to a sugar supply contract with Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar to C&H. Under the terms of this contract, which expires with the 2008 crop, C&H is obligated to purchase, and HS&TC is obligated to sell, all of the raw sugar delivered to HS&TC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. The price that the Hawaii sugar growers receive for the sale of raw sugar is the C&H contract price, reduced for the operating, transportation and interest costs incurred by HS&TC, net of revenue generated by HS&TC for charter voyages. Revenue from raw sugar sold to HS&TC was $59 million, $63 million, and $71 million, during 2005, 2004, and 2003, respectively. At December 31, 2005, 2004 and 2003, the Company had amounts receivable from HS&TC of $1 million, $10 million and $9 million, respectively.

15. INDUSTRY SEGMENTS

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is made up of the president and lead executives of the Company and each of the Company's segments. The lead executive for each operating segment manages the profitability, cash flows, and assets of his or her respective segment's various product or service lines and businesses. The operating segments are managed separately, because each operating segment represents a strategic business unit that offers different products or services and serves different markets. The Company has five segments that operate in three industries: Transportation, Real Estate and Food Products.

The Transportation industry is comprised of two segments. Ocean Transportation carries freight between various U.S. Pacific Coast, major Hawaii ports, Guam and other Pacific ports; holds investments in ocean transportation entities that are considered integral to its operations and terminal service businesses (see Note 6); and provides terminal, stevedoring and container equipment management services in Hawaii. The Company began carrying cargo from two ports in China to Los Angeles in February 2006. The operating results for the China Long Beach Express Service are expected to be included with the Ocean Transportation segment. Logistics Services provides intermodal and motor carrier services and provides logistics services in North America.

The Real Estate industry is comprised of two segments operating in Hawaii and on the U.S. mainland. Property Leasing owns, operates, and manages commercial properties. Property Development and Sales develops and sells commercial and residential properties. When property that was previously leased is sold, the revenue and operating profit are included with this later segment.

The Food Products segment grows sugar cane and coffee in Hawaii; produces bulk raw sugar, specialty food-grade sugars, molasses and green coffee; markets and distributes roasted coffee and green coffee; provides sugar, petroleum and molasses hauling, general trucking services, mobile equipment maintenance and repair services, and self-service storage in Hawaii; and generates and sells, to the extent not used in the Company's operations, electricity.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Reportable segments are measured based on operating profit, exclusive of non-operating or unusual transactions, interest expense, general corporate expenses, and income taxes.

Industry segment information for each of the three years ended December 31, 2005 is summarized below (in millions):

For the Year	2005	2004	2003
Revenue:			
Transportation:			
Ocean transportation	$ 878.3	$ 850.1	$ 776.3
Logistics services	431.6	376.9	237.7
Real Estate:			
Leasing	89.7	83.8	80.3
Sales	148.9	82.3	63.8
Less amounts reported in discontinued operations[1]	(56.5)	(10.3)	(47.3)
Food Products	123.2	112.8	112.9
Reconciling Items [2]	(8.4)	(6.5)	--
Total revenue	$ 1,606.8	$ 1,489.1	$ 1,223.7
Operating Profit:			
Transportation:			
Ocean transportation	$ 128.0	$ 108.3	$ 93.2
Logistics services	14.4	8.9	4.3
Real Estate:			
Leasing	43.7	38.8	37.0
Sales	44.1	34.6	23.9
Less amounts reported in discontinued operations[1]	(16.5)	(5.0)	(22.3)
Food Products	11.2	4.8	5.1
Total operating profit	224.9	190.4	141.2
Write-down of long-lived assets[3]	(2.3)	--	(7.7)
Interest expense, net[4]	(13.3)	(12.7)	(11.6)
General corporate expenses	(24.1)	(20.3)	(15.2)
Income from continuing operations before income taxes	$ 185.2	$ 157.4	$ 106.7
Identifiable Assets:			
Transportation[6]	$ 1,183.3	$ 953.4	$ 981.9
Real Estate[7]	705.9	661.0	612.8
Food Products	159.0	152.8	154.4
Other	22.7	11.0	10.5
Total assets	$ 2,070.9	$ 1,778.2	$ 1,759.6
Capital Additions:			
Transportation[6]	$ 175.2	$ 128.7	$ 133.4
Real Estate[5,7]	79.0	10.9	107.7
Food Products	13.0	10.2	12.6
Other	1.4	1.4	1.7
Total capital additions	$ 268.6	$ 151.2	$ 255.4
Depreciation and Amortization:			
Transportation[6]	$ 60.9	$ 58.0	$ 51.9
Real Estate[1,7]	12.5	12.3	11.3
Food Products	9.4	9.0	8.2
Other	0.5	0.4	0.3
Total depreciation and amortization	$ 83.3	$ 79.7	$ 71.7

1 Prior year amounts restated for amounts treated as discontinued operations. See Notes 1 and 4 for additional information.

2 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.

3 The 2005 and 2003 write-downs were for an "other than temporary" impairment in the Company's investment in C&H. The Company's investment in C&H was sold on August 9, 2005 at the then approximate carrying value.

4 Includes Ocean Transportation interest expense of $9.6 million for 2005, $5.7 million for 2004, and $2.6 million for 2003. Substantially all other interest expense was at the parent company.

5 Includes tax-deferred property purchases that are considered non-cash transactions in the Consolidated Statements of Cash Flows; excludes capital expenditures for real estate developments held for sale.

6 Includes both Ocean Transportation and Logistics Services. Assets for Logistics Services comprise less than one percent of the total assets for the transportation industry.

7 Includes Leasing, Sales and Development activities.

16. QUARTERLY INFORMATION (Unaudited)

Segment results by quarter for 2005 are listed below (in millions, except per-share amounts):

	2005			
	Q1	Q2	Q3	Q4
Revenue:				
Transportation:				
Ocean transportation	$ 206.2	$ 221.0	$ 227.5	$ 223.6
Logistics services	96.1	106.6	108.5	120.4
Real Estate:				
Leasing	21.9	21.3	23.3	23.2
Sales	45.9	14.6	61.7	26.7
Less amounts reported in discontinued operations [1]	(26.4)	(1.9)	(1.7)	(26.5)
Food Products	22.4	32.2	34.6	34.0
Reconciling Items [2]	(1.5)	(1.9)	(2.1)	(2.9)
Total revenue	$ 364.6	$ 391.9	$ 451.8	$ 398.5
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 29.7	$ 38.7	$ 36.8	$ 22.8
Logistics services	3.0	3.6	3.5	4.3
Real Estate:				
Leasing	10.7	10.5	11.4	11.1
Sales	16.5	4.8	15.6	7.2
Less amounts reported in discontinued operations[1]	(7.0)	(0.7)	(0.7)	(8.1)
Food Products	9.0	0.3	(0.1)	2.0
Total operating profit	61.9	57.2	66.5	39.3
Write-down of Long-lived Assets	--	(2.2)	(0.1)	--
Interest Expense	(2.8)	(3.0)	(4.1)	(3.4)
General Corporate Expenses	(5.3)	(5.2)	(5.8)	(7.8)
Income From Continuing Operations before Income Taxes	53.8	46.8	56.5	28.1
Income taxes	(20.4)	(17.8)	(21.4)	(9.8)
Income From Continuing Operations	33.4	29.0	35.1	18.3
Discontinued Operations[1]	4.3	0.4	0.4	5.1
Net Income	$ 37.7	$ 29.4	$ 35.5	$ 23.4
Earnings Per Share:				
Basic	$ 0.87	$ 0.67	$ 0.81	$ 0.54
Diluted	$ 0.86	$ 0.66	$ 0.81	$ 0.53

1 See Note 4 for discussion of discontinued operations.

2 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.

Segment results by quarter for 2004 are listed below (in millions, except per-share amounts):

	2004			
	Q1	Q2	Q3	Q4
Revenue:				
Transportation:				
Ocean transportation	$ 196.5	$ 208.1	$ 215.0	$ 230.5
Logistics services	74.1	93.5	99.5	109.8
Real Estate:				
Leasing	20.8	20.4	20.9	21.7
Sales	40.1	28.3	11.6	2.3
Less amounts reported in discontinued operations [1]	(2.2)	(3.3)	(2.3)	(2.5)
Food Products	13.4	28.9	38.3	32.2
Reconciling Items [2]	(1.5)	(1.7)	(1.8)	(1.5)
Total revenue	$ 341.2	$ 374.2	$ 381.2	$ 392.5
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 18.6	$ 31.4	$ 33.0	$ 25.3
Logistics services	1.0	2.6	2.2	3.1
Real Estate:				
Leasing	9.5	9.2	10.1	10.0
Sales	19.0	13.4	2.5	(0.3)
Less amounts reported in discontinued operations[1]	(1.1)	(1.9)	(1.0)	(1.0)
Food Products	2.6	0.3	0.6	1.3
Total operating profit	49.6	55.0	47.4	38.4
Interest Expense	(3.3)	(3.2)	(3.1)	(3.1)
General Corporate Expenses	(4.1)	(4.8)	(5.3)	(6.1)
Income From Continuing Operations before Income Taxes	42.2	47.0	39.0	29.2
Income taxes	(15.8)	(18.1)	(14.8)	(11.1)
Income From Continuing Operations	26.4	28.9	24.2	18.1
Discontinued Operations[1]	0.7	1.2	0.6	0.6
Net Income	$ 27.1	$ 30.1	$ 24.8	$ 18.7
Earnings Per Share:				
Basic	$ 0.64	$ 0.71	$ 0.58	$ 0.44
Diluted	$ 0.63	$ 0.70	$ 0.58	$ 0.42

1 See Note 4 for discussion of discontinued operations.

2 Includes inter-segment revenue and interest income classified as revenue for segment reporting purposes.

17. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Set forth below are the unconsolidated condensed financial statements of Alexander & Baldwin, Inc. ("Parent Company"). The significant accounting policies used in preparing these financial statements are substantially the same as those used in the preparation of the consolidated financial statements as described in Note 1, except that, for purposes of the tables presented in this footnote, subsidiaries are carried under the equity method.

The following table presents the Parent Company's condensed Balance Sheets as of December 31, 2005 and 2004 (in millions):

	2005	2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7	$ 1
Accounts and notes receivable, net	11	13
Real estate held for sale	6	6
Prepaid expenses and other	16	11
Total current assets	40	31
Investments:		
Subsidiaries consolidated, at equity	879	829
Property, at Cost	395	379
Less accumulated depreciation and amortization	192	182
Property -- net	203	197
Due from Subsidiaries	62	44
Other Assets	37	29
Total	$ 1,221	$ 1,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 18	$ 24
Accounts payable	5	5
Income taxes payable	7	7
Other	19	18
Total current liabilities	49	54
Long-term Debt	83	98
Other Long-term Liabilities	22	22
Deferred Income Taxes	53	52
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	36	35
Additional capital	175	150
Accumulated other comprehensive loss	(7)	(9)
Deferred compensation	(6)	(2)
Retained earnings	827	741
Cost of treasury stock	(11)	(11)
Total shareholders' equity	1,014	904
Total	$ 1,221	$ 1,130

The following table presents the Parent Company's condensed Statements of Income for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Revenue:			
Food products	$ 89	$ 86	$ 90
Property leasing	22	21	19
Property sales	3	5	2
Interest and other	14	5	13
Total revenue	128	117	124
Costs and Expenses:			
Cost of agricultural goods and services	90	86	87
Cost of property sales and leasing services	10	9	8
Selling, general and administrative	24	20	16
Interest and other	9	10	13
Income taxes	(8)	(11)	--
Total costs and expenses	125	114	124
Income from Continuing Operations	3	3	--
Discontinued Operations, net of income taxes	1	--	--
Income Before Equity in Income of Subsidiaries Consolidated	4	3	--
Equity in Income from Continuing Operations of Subsidiaries Consolidated	113	95	67
Equity in Income from Discontinued Operations of Subsidiaries Consolidated	9	3	14
Net Income	126	101	81
Other Comprehensive Income (Loss), net of income taxes	2	(1)	19
Comprehensive Income	$ 128	$ 100	$ 100

The following table presents the Parent Company's condensed Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Cash Flows from Operations	$ 29	$ 34	$ 19
Cash Flows from Investing Activities:			
Capital expenditures	(13)	(12)	(14)
Proceeds from disposal of property and investments	1	6	2
Dividends received from subsidiaries	60	40	40
Net cash provided by investing activities	48	34	28
Cash Flows from Financing Activities:			
Decrease in intercompany payable	(19)	(15)	(62)
Proceeds from (repayments of) long-term debt, net	(24)	(38)	32
Proceeds from issuance of capital stock	11	26	20
Repurchases of capital stock	--	(2)	--
Dividends paid	(39)	(38)	(37)
Net cash used in financing activities	(71)	(67)	(47)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	6	1	--
Balance, beginning of year	1	--	--
Balance, end of year	$ 7	$ 1	$ --
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (7)	$ (9)	$ (9)
Income taxes paid, net of refunds	$ 3	$ (61)	$ (45)
Other Non-cash Information:			
Depreciation expense	$ (12)	$ (12)	$ (11)
Tax-deferred property sales	$ 3	--	--
Tax-deferred property purchases	$ (3)	--	--

General Information: The Parent Company is headquartered in Honolulu, Hawaii and is engaged in the operations that are described in Note 15, "Industry Segments." Additional information related to the Parent Company is described in the foregoing notes to the consolidated financial statements.

Long-term Debt: At December 31, 2005 and 2004, long-term debt consisted of the following (in millions):

	2005	2004
Revolving Credit loans, 2005 high 4.6%, low 2.95%	--	$ 7
Term Loans:		
4.10%, payable through 2012	$ 35	35
6.20%, payable through 2013	3	--
7.44%, payable through 2007	15	22
7.55%, payable through 2009	15	15
7.42%, payable through 2010	14	17
7.43%, payable through 2007	10	15
7.57%, payable through 2009	9	11
Total	101	122
Less current portion	18	24
Long-term debt	$ 83	$ 98

Long-term Debt Maturities: At December 31, 2005, maturities of all long-term debt during the next five years are $18 million annually from 2006 through 2009 and $17 million in 2010.

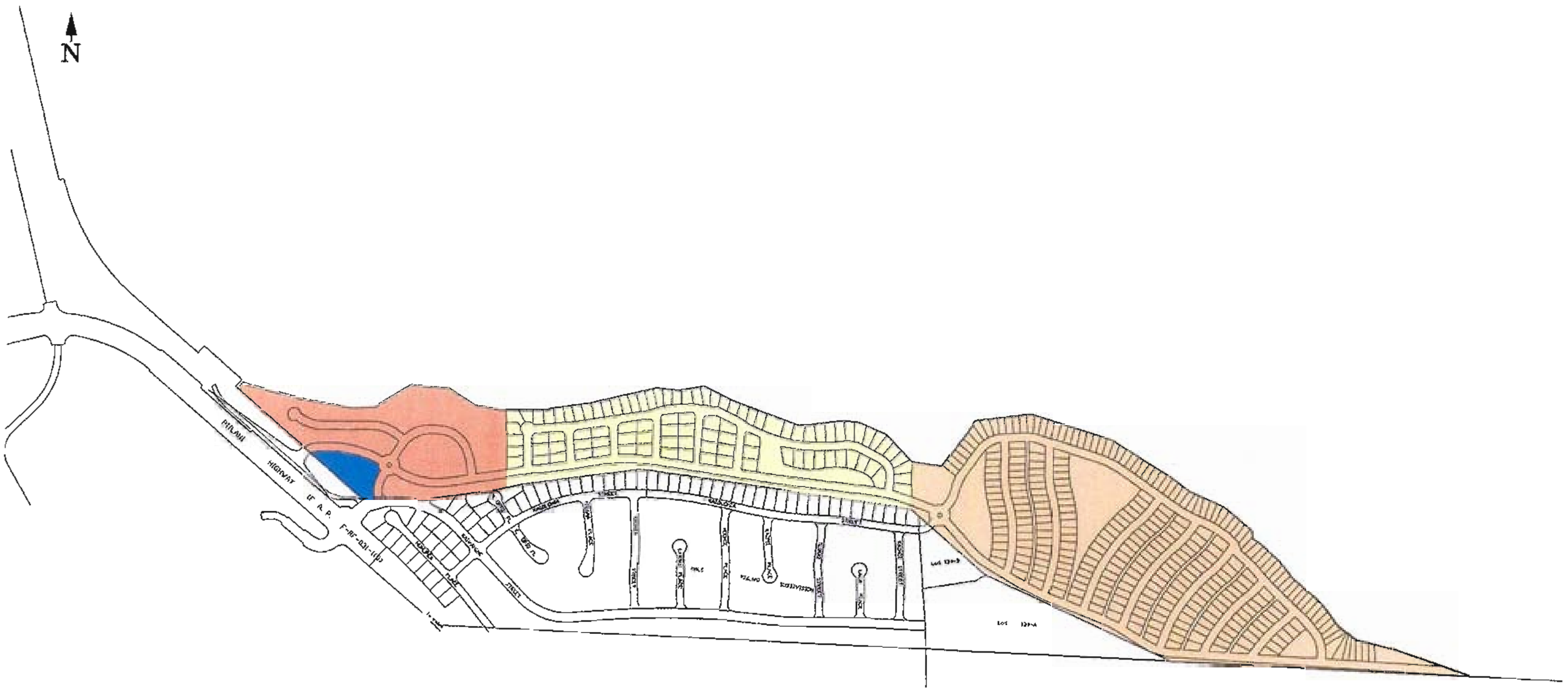
Revolving Credit Facilities: The Company has a $200 million revolving credit and term loan agreement with six commercial banks that expires in January 2008. Any revolving loan outstanding on the maturity date may be converted into a one-year term loan that would be payable in four equal quarterly installments. Interest on amounts borrowed carry interest at London Interbank Offered Rate ("LIBOR") plus 0.475 percent. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2005 and 2004, no amounts were outstanding under this agreement. When the Company does have outstanding balances on the credit line, the amounts are classified as non-current because the Company has the intent and ability to refinance the facility beyond twelve months.

The Company has a $78.5 million uncommitted short-term revolving credit agreement with First Hawaiian Bank, which is also the agent for the above noted $200 million revolving credit facility. The agreement extends to January 2007, but may be canceled by the bank or the Company with due notice. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $200 million multi-bank facility and by letters of credit issued under the $78.5 million uncommitted facility. At December 31, 2005, no amounts were outstanding under the facility, but $2 million in letters of credit had been issued against the line. At December 31, 2004, $7 million was outstanding. Amounts drawn on this facility are classified as current, unless the Company intends to move the drawn amount to another facility that is classified as long term. For sensitivity purposes, if the $200 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2005 year-end would have been $23 million.

Unsecured Private Shelf Agreements: The Company has a private shelf agreement for $75 million that expires in March 2006. No amount had been drawn on this facility at December 31, 2005.

Real Estate Secured Term Debt: In June 2005, the Company, together with its real-estate subsidiaries, purchased an office building in Phoenix, Arizona, and assumed $11 million of mortgage-secured debt. A&B owns approximately 24 percent of the Phoenix office building. At December 31, 2005, approximately $3 million of the $11 million was recorded on the parent company's books, consistent with ownership of the property. The property is jointly and severally owned by three Company entities.

Other Long-term Liabilities: Other Long-term Liabilities at December 31, 2005 and 2004 consisted principally of deferred compensation, executive benefit plans, additional minimum pension liability, and self-insurance liabilities.



LAND USE SUMMARY		ACRES
MULTI-FAMILY	A-1	52.8
MULTI-FAMILY	A-2	15.1
SINGLE-FAMILY	R-1	25.0
COMMERCIAL	B-2	1.4
TOTAL		94.3

Kihei Residential Project
Conceptual Master Plan

TMK:(2)3-8-04:POR. OF 2, POR. OF 22 & POR. OF 30

SCALE

CHRIS HART

01-18-07

Exhibit "6"

Exhibit "7" – See "Environmental Impact Statement Preparation Notice" filed separately on March 2, 2007

BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of A&B PROPERTIES, INC. To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	DOCKET NO. A07-772 A&B PROPERTIES, INC.

AFFIDAVIT OF SERVICE OF PETITION FOR LAND USE DISTRICT BOUNDARY AMENDMENT

OF COUNSEL:
MATSUBARA, LEE & KOTAKE
A Law Corporation

BENJAMIN M. MATSUBARA, #993-0
CURTIS T. TABATA, #5607-0
888 Mililani Street, 8th Floor
Honolulu, Hawaii 96813
Telephone: (808) 526-9566

Attorneys for Petitioner
A&B PROPERTIES, INC.

BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of A&B PROPERTIES, INC. To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	)	DOCKET NO. A07-772 A&B PROPERTIES, INC.

AFFIDAVIT OF SERVICE OF PETITION
FOR LAND USE DISTRICT BOUNDARY AMENDMENT

STATE OF HAWAII)
) ss.:
CITY AND COUNTY OF HONOLULU)

Benjamin M. Matsubara, being first duly sworn on oath, deposes and says:

A. Affiant is the attorney for Petitioner A&B Properties, Inc. and agent of the Petitioner for a State of Hawaii Land Use District Boundary Amendment from Agricultural Land Use District to Urban District, identified as Docket No. A07-772, for land situated at Waiakoa, Maui, Hawaii and identified as Tax Map Key Nos. (2)3-8-04:02 (portion), (2)3-8-04:22 (portion) and (2)3-8-04:30 (portion).

B. In compliance with §15-15-48(a) of the Hawaii Administrative Rules ("HAR"), Affiant did on March 2, 2007, deposit in the United States Mail, postage prepaid, by certified mail, a copy of the Petition for District Boundary Amendment, to the following:

Ms. Laura H. Thielen, Director
Office of Planning, State of Hawaii
235 South Beretania Street, 6th Floor
Honolulu, Hawaii 96813

Mr. Bryan C. Yee, Esq.
Deputy Attorney General
Department of the Attorney General
425 Queen Street
Honolulu, Hawaii 96813

Mr. Jeff Hunt, Planning Director
Ms. Colleen Suyama, Deputy Planning Director
Maui County Planning Department
County of Maui, State of Hawaii
250 South High Street
Wailuku, Maui, Hawaii 96793

Maui County Planning Commission
c/o Planning Department
County of Maui, State of Hawaii
250 South High Street
Wailuku, Maui, Hawaii 96793

Ms. Jane E. Lovell, Esq.
Deputy Corporation Counsel
County of Maui, State of Hawaii
200 South High Street
Wailuku, Maui, Hawaii 96793

A&B Properties, Inc.
822 Bishop Street
Honolulu, Hawaii 96813

Alexander & Baldwin, Inc.
P.O. Box 156
Kahului, Maui, Hawaii 96732

A&B Hawaii, Inc.
822 Bishop Street
Honolulu, Hawaii 96813

C. This Affidavit is provided in compliance with §15-15-50(c)(5), (C), HAR.

That further Affiant sayeth naught.

Dated: Honolulu, Hawaii, March 2, 2007.

Benjamin M. Matsubara

Attorney for Petitioner
A&B PROPERTIES, INC.

Subscribed and sworn to me
This 2nd day of March 2007

Name: Michael O. Yamamoto
Notary Public, State of Hawaii
My Commission expires: 04/15/2007

MICHAEL O. YAMAMOTO
NOTARY PUBLIC
STATE OF HAWAII

BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of	)	DOCKET NO. A07-772
	)	
A&B PROPERTIES, INC.	)	A&B PROPERTIES, INC.
	)	
To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	)	

AFFIDAVIT OF SENDING OF NOTIFICATION OF PETITION FILING

OF COUNSEL:
MATSUBARA, LEE & KOTAKE
A Law Corporation

BENJAMIN M. MATSUBARA, #993-0
CURTIS T. TABATA, #5607-0
888 Mililani Street, 8th Floor
Honolulu, Hawaii 96813
Telephone: (808) 526-9566

Attorneys for Petitioner
A&B PROPERTIES, INC.

BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of	)	DOCKET NO. A07-772
	)	
A&B PROPERTIES, INC.	)	A&B PROPERTIES, INC.
	)	
To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	)	

AFFIDAVIT OF SENDING OF NOTIFICATION OF PETITION FILING

STATE OF HAWAII)
) ss.:
CITY AND COUNTY OF HONOLULU)

Benjamin M. Matsubara, being first duly sworn on oath, deposes and says:

A. Affiant is the attorney for Petitioner A&B Properties, Inc. and agent of the Petitioner for a State of Hawaii Land Use District Boundary Amendment from Agricultural Land Use District to Urban District, identified as Docket No. A07-772, for land situated at Waiakoa, Maui, Hawaii and identified as Tax Map Key Nos. (2)3-8-04:02 (portion), (2)3-8-04:22 (portion) and (2)3-8-04:30 (portion).

B. In compliance with §15-15-50(d) of the Hawaii Administrative Rules ("HAR"), Affiant did on March 2, 2007, deposit in the United States Mail, postage prepaid, by regular mail, a copy of the attached Notification of Petition Filing, to the persons identified in the attached mailing list.

C. This Affidavit is provided in compliance with §15-15-50(d), HAR.

That further Affiant sayeth naught.

Dated: Honolulu, Hawaii, March 2, 2007.

Benjamin M. Matsubara

Attorney for Petitioner
A&B PROPERTIES, INC.

Subscribed and sworn to me
This 2nd day of March 2007

Name: Michael O. Yamamoto
Notary Public, State of Hawaii
My Commission expires: 04/15/2007

MICHAEL O. YAMAMOTO * STATE OF HAWAII *
NOTARY PUBLIC

March 2, 2007

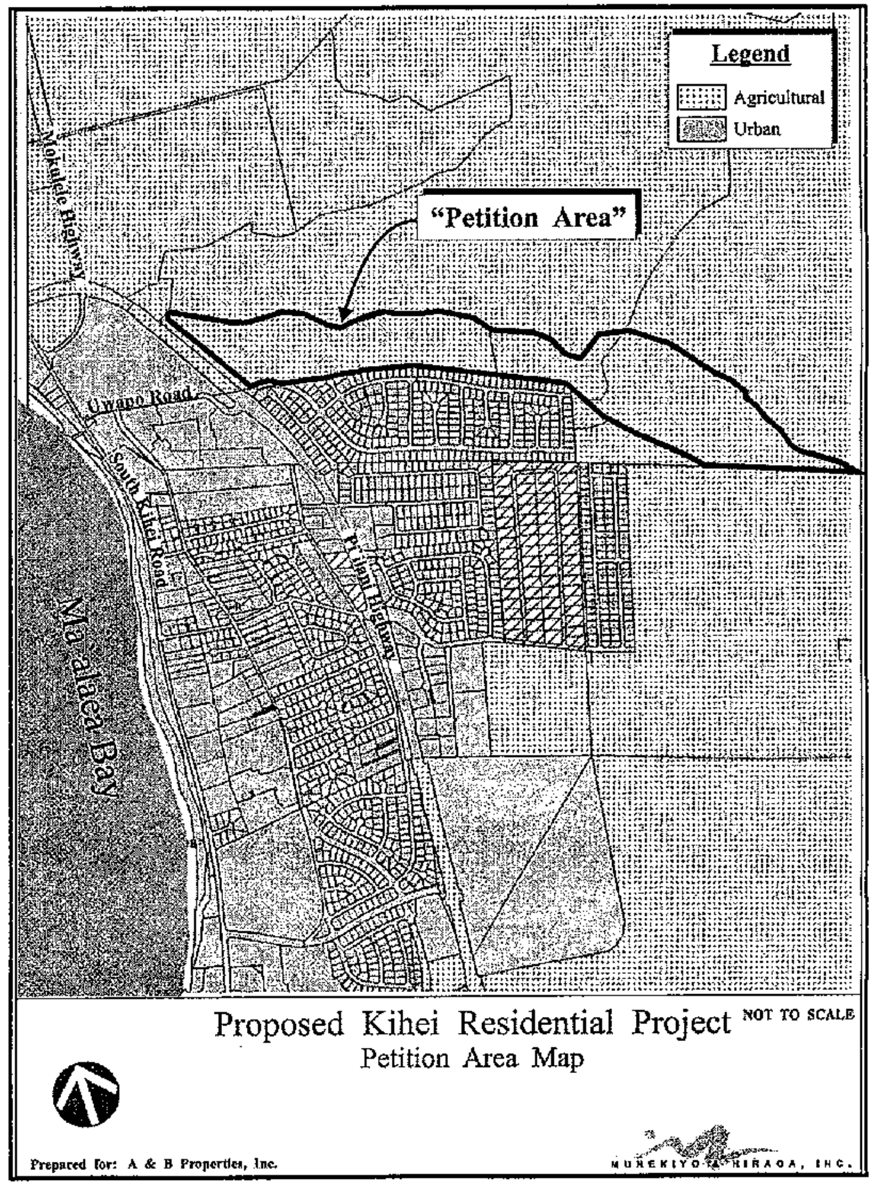
NOTIFICATION OF PETITION FILING

This is to advise you that a petition to amend the State Land Use District Boundaries with the following general information has been submitted to the State of Hawai'i Land Use Commission:

Docket No:	A07-772
Petitioner/Address:	A&B Properties, Inc. 822 Bishop Street Honolulu, Hawai'i 96813 Matsubara, Lee and Kotake 888 Mililani Street, 8th Floor Honolulu, Hawai'i 96813
Landowner:	Alexander & Baldwin, Inc. 822 Bishop Street Honolulu, Hawai'i 96813
Tax Map Key Numbers:	(2) 3-8-04: portion of 2, portion of 22 and portion of 30
Location:	North Kihei, Maui, Hawai'i
Requested Reclassification:	Agricultural to Urban
Acreage:	Approximately 94.3 acres
Proposed Use:	A single-family and multi-family housing project with a small neighborhood commercial area, open space and park areas.

You may review detailed information regarding the petition at the Land Use Commission ("Commission") office or the County of Maui Planning Department located at 250 South High Street, Wailuku, Hawai'i. The Commission's office is located at 235 S. Beretania Street, Room 406, Honolulu, Hawai'i. Office hours are from 7:45 a.m. to 4:30 p.m., Mondays through Fridays.

A hearing on this petition will be scheduled at a future date. If you are interested in participating in the hearing as a public witness, please write or call the Commission office at P.O. Box 2359, Honolulu, Hawai'i 96804-2359; telephone (808)587-3822. If you intend to participate in the hearing as an intervenor, pursuant to § 15-15-52, Hawai'i Administrative Rules, you should file a Notice of Intent to Intervene with the Commission within 30 days of the date of this notice. Please contact the Commission office for further information.



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BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of A&B PROPERTIES, INC. To Amend the Agricultural Land Use District Boundary into the Urban District for approximately 94.352 acres at Waiakoa, Island and County of Maui, State of Hawaii, TMK: 3-8-04: portion of 2, portion of 22 and portion of 30	DOCKET NO. A07-772 A&B PROPERTIES, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was duly served upon the following by depositing the same in the U.S. Postal Service by certified mail (return receipt requested), postage prepaid, on March 2, 2007:

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