

Alexander & Baldwin, Inc.
Form 10-K
February 28, 2013

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, 2012

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

Commission file number 001-35492
(Exact name of registrant as specified in its charter)

Hawaii
(State or other jurisdiction of
incorporation or organization)

45-4849780
(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:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	NYSE

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

Number of shares of Common Stock outstanding at February 15, 2013:
43,017,144

Aggregate market value of Common Stock held by non-affiliates at June 30, 2012:
\$1,057,054,900

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

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

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

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

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 for the 2013 Annual Meeting of Shareholders (Part III of Form 10-K)

TABLE OF CONTENTS

PART I

		Page
Items 1 & 2.	Business and Properties	1
A.	Real Estate Development and Sales Segment	5
	(1) Landholdings	5
	(2) Planning and Zoning	7
	(3) Development Projects	7
B.	Real Estate Leasing Segment	12
C.	Agribusiness	14
	(1) Production	14
	(2) Marketing of Sugar	15
	(3) Sugar Competition and Legislation	15
	(4) Land Designations and Water	16
	(5) Energy	17
	Employees and Labor Relations	17
	Available Information	17
Item 1A.	Risk Factors	18
Item 1B.	Unresolved Staff Comments	28
Item 3.	Legal Proceedings	28
Item 4.	Mine Safety Disclosures	29

PART II

Item 5.	30
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Market for Registrant's Common Equity, Related Stockholder
Matters and Issuer Purchases of Equity Securities

Item 6.	Selected Financial Data	32
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	35

	Page
Items 7A.	53
Item 8.	54
Item 9.	94
Item 9A.	94
A.	94
B.	94
Item 9B.	96

PART III

Item 10.	97
A. Directors	97
B. Executive Officers	97
C. Corporate Governance	98
D. Code of Ethics	98
Item 11.	98
Item 12.	98
Item 13.	98
Item 14.	98

Principal Accounting Fees and
Services

PART IV

Item 15.	Exhibits and Financial Statement Schedules	99
A.	Financial Statements	99
B.	Financial Statement Schedules	99
C.	Exhibits Required by Item 601 of Regulation S-K	101
Signatures		106
Consent of Independent Registered Public Accounting Firm		107

ALEXANDER & BALDWIN, INC.

FORM 10-K

Annual Report for the Fiscal Year
Ended December 31, 2012

PART I

ITEMS 1 & 2. BUSINESS AND PROPERTIES

Overview

Alexander & Baldwin, Inc. (“A&B” or the “Company”) is a premier Hawaii-focused land company with interests in real estate development, real estate leasing and agribusiness. A&B’s assets include approximately 87,000 acres of land in Hawaii, nearly 8.0 million square feet of high-quality retail, office and industrial properties in Hawaii and on the Mainland, and a real estate development portfolio encompassing residential and commercial projects across Hawaii. Its landholdings, primarily on Maui and Kauai, make it the fourth largest private landowner in the state. A&B, whose history in Hawaii dates back to 1870, is Hawaii’s largest farmer with 36,000 acres in productive sugar cane cultivation. A&B also plays a key role as a major provider of renewable energy on Maui and Kauai, supplying approximately six percent of the power consumed on each island.

Prior to June 29, 2012, A&B’s businesses included Matson Navigation Company Inc. (“Matson Navigation”), a wholly owned subsidiary, that provided ocean transportation, truck brokerage and intermodal services. As part of a strategic initiative designed to allow A&B to independently execute its strategies and to best enhance and maximize its earnings, growth prospects and shareholder value, A&B made a decision to separate the transportation businesses from the Hawaii real estate and agriculture businesses. In preparation for the separation, A&B modified its legal-entity structure and became a wholly owned subsidiary of a newly created entity, Alexander & Baldwin Holdings, Inc. (“Holdings”). On June 29, 2012, Holdings distributed to its shareholders all of the shares of A&B stock in a tax-free distribution (the “Separation”). Holders of Holdings common stock continued to own the transportation businesses, but also received one share of A&B common stock for each share of Holdings common stock held at the close of business on June 18, 2012, the record date. Following the Separation, Holdings changed its name to Matson, Inc. (“Matson”). On July 2, 2012, A&B began regular trading on the New York Stock Exchange under the ticker symbol “ALEX” as an independent, public company.

A&B is headquartered in Honolulu and operates in three segments in two industries—Real Estate and Agribusiness. The business industries of A&B are generally as follows:

- A. Real Estate - The Real Estate Industry consists of two segments, both of which have operations in Hawaii and on the Mainland. The Real Estate Industry engages in real estate development and ownership activities, including planning, zoning, financing, constructing, purchasing, managing and leasing, selling and exchanging, and investing in real property. Real estate activities are conducted through A&B Properties, Inc. and other wholly owned subsidiaries of A&B.
- Real Estate Development and Sales segment - generates its revenues and creates value through an active and comprehensive program of land stewardship, planning, entitlement, development and sale of land and commercial and residential properties, principally in Hawaii.

- Real Estate Leasing segment - owns, operates, and manages a large portfolio of high-quality retail, office, and industrial properties in Hawaii and on the Mainland. The Company also leases land in Hawaii. The significant recurring cash flow generated by this portfolio serves as an important source of funding for A&B's real estate development and sales activities.

B. Agribusiness - Agribusiness, which contains one segment, produces bulk raw sugar, specialty food grade sugars, and molasses; markets and distributes specialty food-grade sugars; provides general trucking services, mobile equipment maintenance, and repair services in Hawaii; leases agricultural land to third parties; and generates and sells electricity to the extent not used in A&B's Agribusiness operations. A&B also is the member of Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative that provides raw sugar marketing and transportation services.

The following table contains key information regarding each of the Company's segments. Since the purchase and sale of real estate is considered an ongoing and recurring core activity of its real estate businesses, Real Estate Development Sales and Real Estate Leasing segment revenue and segment operating profit are analyzed before subtracting amounts related to discontinued operations. This is consistent with how the Company generates earnings and how A&B's management evaluates performance and makes decisions regarding capital allocation for A&B's real estate businesses.

Segment	2012 Revenue (in millions)	Percentage of Total 2012 Revenue	2012 Operating Profit (in millions)	Percentage of Total 2012 Operating Profit	Key Facts
Real Estate Leasing	\$100.6	32%	\$41.6	72%	High-quality commercial portfolio consisting of 45 improved properties in Hawaii and 8 Mainland states totaling nearly 8.0 million square feet. Hawaii-focused, experienced developer with a large development pipeline encompassing over a dozen projects entitled for approximately 1,700 resort residential, 600 primary residential and 200 commercial units. Fourth largest private landowner in Hawaii with approximately 87,000 acres.
Real Estate Sales*	\$32.2	10%	\$(4.4)	(8)%	Largest farmer in Hawaii and only producer of raw sugar in Hawaii, producing nearly 180,000 tons of sugar in 2012, and provider of approximately 6 percent of renewable energy on both Maui and Kauai.
Agribusiness	\$182.3	58%	\$20.8	36%	

Total	\$315.1	100%	\$58.0	100%
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*Revenue includes \$8.3 million on the sale of a 286-acre agricultural parcel in the third quarter of 2012 classified as “Gain on sale of agricultural parcel” in the consolidated statements of income, but reflected as revenue for segment reporting purposes. Additionally, operating profit includes impairment and equity losses of \$9.8 million related to the Company’s change to its development strategy to focus on development projects in Hawaii.

Further information about the revenue, operating profits and identifiable assets of A&B’s industry segments for the three years ended December 31, 2012 are contained in Note 14 (“Operating Segments”) to A&B’s financial statements in Item 8 of Part II below.

Strategy

A&B strives to create value through superior investments in Hawaii by leveraging its extensive asset base, market knowledge and development expertise to create shareholder value through the entire spectrum of land stewardship and development, including land planning, entitlement, permitting, development and sales. A&B has a long track record of successfully investing in residential and commercial projects on both its legacy landholdings and non-legacy holdings. A&B believes that Hawaii has attractive near- and long-term growth prospects and intends to position its development and investment activities to capitalize on this growth.

A&B is committed to the highest and best use of its agricultural land assets through continued improvements in sugar production and renewable energy generation, and will continue to explore opportunities for conversion to a bio-energy generating model. Additional details regarding A&B’s key strategies across its lands, commercial properties, investments, and agriculture assets are as follows:

Land:

◆Employing lands at their highest and best use: A&B strives to employ the land it owns at its highest and best use, to the benefit of shareholders, employees, our communities and other key stakeholder groups. For a significant portion of A&B’s substantial Hawaii landholdings, this implies a wide range of non-development uses, ranging from conservation/watershed to pasture to active farming. While a material portion of A&B’s landholdings has limited or no long-term urban development potential, these landholdings remain valuable for other reasons, for example, providing access to natural resources or hydro-electric generation capability.

◆Focus on entitlement and development of core Hawaii lands: A&B intends to focus on development of a portion of its core landholdings in Hawaii, pursuing appropriate entitlement and development projects that respond to market demand while meeting community needs.

Commercial Properties:

◆Optimize returns of A&B’s diversified commercial portfolio: A&B has a track record of increasing the value of its commercial property portfolio through active management of a comprehensive program designed to increase occupancy, secure quality tenants, and reduce costs, thereby maximizing the financial performance of these properties. Periodically, when A&B believes it has maximized the value of a select asset, it may market the asset for sale. Upon sale, A&B will seek to redeploy the proceeds on a 1031 tax-deferred basis into a new asset with a higher return potential, with a focus on opportunistically migrating the portfolio to Hawaii over time, while ensuring that the portfolio continues to serve as a stable source of cash flow for A&B’s investment activities.

Real Estate Investment:

Invest in high-returning real estate opportunities in Hawaii: In addition to development of its own lands, A&B will continue to invest in attractive real estate opportunities elsewhere in Hawaii where it can leverage its market knowledge, relationships and financial strength to create significant value and, at the same time, diversify its current portfolio and pipeline.

Build a pipeline of development projects scaled to market opportunities and designed to optimize risk-adjusted returns: A&B owns a valuable pipeline of development projects encompassing a wide-range of product types, from resort residential real estate, to industrial, to primary residential housing. A&B employs a disciplined approach to its investments and prudently invests capital to position select projects with ready inventory to meet market demand. A&B also will pursue joint ventures, where appropriate, to supplement its in-house capabilities, access third-party capital, gain access to new opportunities in the Hawaii market, diversify its pipeline, and optimize risk-adjusted returns.

Agriculture:

De-risk agricultural operations: A&B continuously seeks to stabilize and de-risk its agricultural operations. For example, the sale of A&B's Kauai Coffee Company, Inc. assets to a global coffee manufacturer removed operational cost and product marketing risks and replaced volatile financial results with a stable lease income stream. In addition, A&B has enhanced the management of field and factory at its sugar operations, resulting in a greater than 40 percent increase in sugar yields per acre over the past three years. A&B intends to continue its focus on maximizing its returns from agricultural activities and assets while mitigating the volatility of those returns. To meet this objective, A&B employs a variety of risk-mitigation measures, including forward pricing of sugar sales and fixed-rate contracts for key inputs. Refer to the Company's "Outlook" on page 51 for an updated discussion on the Company's sugar pricing.

Grow renewable energy operations: Due to the high cost of transporting fossil fuels to a remote island community, the economics of renewable energy in Hawaii are more favorable relative to other U.S. locations. In fact, Hawaii has mandated a shift to 40 percent clean energy by the year 2030. As a result, A&B expects to evaluate and further capitalize on opportunities to add additional renewable energy capacity to its portfolio through new projects, and to continue research on possible cultivation and conversion of feedstock from A&B's sugar plantation for use in bio-fuel production.

Seek New Hawaii Opportunities:

A&B has a successful long-term track record of expanding into lines of businesses that complement its core land and agribusiness operations. Looking forward, A&B expects to continue its evaluation of Hawaii-centric business opportunities that complement its core land stewardship, agribusiness, property development and property management activities in the state, and leverage A&B's competitive strengths and the long-term prospects for growth in Hawaii.

Competitive Strengths

Irreplaceable Hawaii Real Estate Assets:

Extensive and irreplaceable landholdings: A&B is the fourth largest private landowner in Hawaii, with approximately 87,000 acres, primarily on Maui and Kauai, including 750 acres fully entitled for urban use.

High-quality commercial real estate portfolio producing strong free cash flow: A&B owns and manages a high-quality commercial portfolio of 45 properties in Hawaii and eight Mainland states that totals nearly 8.0 million square feet, which provides significant, stable, recurring cash flows that support A&B's real estate investment activities.

• **Diverse pipeline of development projects:** A&B’s development pipeline encompasses over a dozen primary residential, resort residential and commercial projects comprising more than 2,500 units throughout the State of Hawaii, providing for substantial embedded growth opportunities.

• **Largest agricultural operation in Hawaii with upside in renewable energy:** A&B farms roughly 36,000 acres of mostly contiguous lands in Maui’s central valley with extensive infrastructure to meet water, power and transportation needs, consistent with large-scale agronomic activity. Additionally, A&B owns approximately 7,000 acres of high-quality agricultural land on Kauai’s sunny south shore, of which over 4,000 acres are leased to other parties for a variety of agricultural uses, including the cultivation of coffee and seed corn. A&B maintains a portfolio of renewable energy production facilities encompassing biomass combustion, hydro-electric and solar generation capabilities on Maui and Kauai. Total renewable energy production capacity exceeds 48 megawatts, which includes the recently completed six megawatt solar farm on the island of Kauai.

Leading Hawaii Real Estate Capabilities:

• **Deep local knowledge and expertise:** A&B has been in the development business in Hawaii since 1949 when it established Kahului Development Co., Ltd. to develop and market “Dream City,” which today is Kahului, Maui’s principal population center and commercial hub. In the ensuing decades, A&B has expanded and diversified its pipeline of development projects and broadened its development capabilities and expertise. For instance, A&B is the original developer of the world famous Wailea master-planned resort community on Maui’s south shore. The Company’s knowledge, expertise and relationships forged through over six decades of Hawaii development activity enable it to profitably pursue a wide range of long-term commercial and residential developments in a manner that is both responsive to market needs and sensitive to local concerns. This local knowledge and expertise, combined with the Company’s strong financial position, also serve to make A&B an ideal partner for landowners, developers and others seeking to participate in the Hawaii real estate sector.

• **Experienced management team:** A&B’s management team has considerable real estate and agribusiness experience, and a track record of conceptualizing, planning, entitling and developing a wide range of real property projects in Hawaii. The Company’s management team brings decades of Hawaii real estate and business experience, working on commercial and residential developments on every island.

• **Track record of success:** A&B has an extensive and long track record of investing in Hawaii real estate. Since 2000, A&B has invested approximately \$500 million in Hawaii real estate outside of its legacy holdings—including four high-rise condominiums in urban Honolulu and premier resort destination communities in Hawaii, such as the Wailea Resort on Maui—and over \$850 million in the acquisition of Hawaii and Mainland commercial properties, mainly through tax-deferred property exchanges.

DESCRIPTION OF BUSINESS AND PROPERTIES

Business Segments

A. Real Estate Development and Sales Segment

A&B is actively involved in the entire spectrum of real estate development and ownership, including planning, zoning, financing, constructing, purchasing, managing and leasing, selling and exchanging, and investing in real property.

(1) Landholdings

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As of December 31, 2012, A&B and its subsidiaries owned approximately 87,707 acres of land, consisting of approximately 87,240 acres in Hawaii and approximately 467 acres on the U.S. Mainland, as follows:

Location	No. of Acres
Maui	66,800
Kauai	20,360
Oahu	70
Big Island	10
TOTAL HAWAII	87,240

Location	No. of Acres
Texas	150
California	96
Georgia	63
Utah	55
Colorado	36
Washington	27
Nevada	21
Arizona	19
TOTAL U.S. MAINLAND	467

As described more fully in the table below, the bulk of this acreage currently is used for agricultural, pasture, watershed and conservation purposes. A portion of these lands is used for urban purposes or planned for development.

Current Use	No. of Acres
Hawaii	
Fully entitled urban (defined below)	744
Agricultural, pasture and miscellaneous	57,326
Watershed/conservation	29,170
U.S. Mainland	
Fully entitled Urban	467
TOTAL	87,707

The tables above do not include approximately 1,100 acres under joint venture development that are shown below. An additional 2,900 acres on Maui, Kauai and Oahu are leased from third parties, and are not included in any of the tables.

Project	Original Acres	Acres at 12/31/12
Kukui'ula (HI)	1,000	958
Bakersfield (CA)	57	57
Ka Milo (HI)	31	22
Kai Malu (HI)	25	2

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Santa Barbara Ranch (CA)*	22	22
Palmdale (CA)	18	18
Crossroads (CA)	7	7
Waihonua (HI)	2	2
TOTAL	1,162	1,088

* The Company consolidates Santa Barbara Ranch for financial reporting purposes because it has determined it has a controlling financial interest in the entity.

(2) Planning and Zoning

The entitlement process for development of property in Hawaii is complex, time-consuming and costly, involving numerous state and county regulatory approvals. For example, conversion of an agriculturally-zoned parcel to residential zoning usually requires the following approvals:

- amendment of the County general plan to reflect the desired residential use;
- approval by the State Land Use Commission to reclassify the parcel from the Agricultural district to the Urban district;
- amendment of the Community Plan; and
- County approval to rezone the property to the precise residential use desired.

The entitlement process is complicated by the conditions, restrictions and exactions that are placed on these approvals, including, among others, the requirement to construct infrastructure improvements, payment of impact fees, restrictions on the permitted uses of the land, requirement to provide affordable housing and required phased development of projects.

A&B actively works with regulatory agencies, commissions and legislative bodies at various levels of government to obtain zoning reclassification of land to its highest and best use. A&B designates a parcel as “fully entitled” or “fully zoned” when all of the above-mentioned land use approvals have been obtained.

(3) Development Projects

The following is a summary of the Company’s real estate development portfolio as of December 31, 2012:

(Dollars in millions)

Project	Location	Product type	Gross acres at 12/31/12	Original planned units, saleable acres or gross leasable square feet	Estimated project cost(1)	A&B net investment as of 12/31/12 (including capitalized interest)	Con-struction timing/ Estimated substantial completion
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ACTIVE PLANNING, DEVELOPMENT, AND SALES

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Wholly owned

Brydeswood	Kalaheo, Kauai	Agricultural lots	336(1)	24 lots	20	2	2014
Gateway at Mililani	Mililani,						
Mauka	Oahu,	Retail	4	29,000 sf	14	7	2014
Maui Business	Kahului,	Light industrial		155			
Park II	Maui	lots	175(4)	acres(4)	102	56	2019
The Bluffs at Wailea (MF-11)	Wailea, Maui	Resort residential	7	60 units	39	9	2015
The Ridge at Wailea (MF-19)	Wailea, Maui	Resort residential	7	9 lots	9	9	2009
Wailea B-1	Wailea, Maui	Commercial/retail	11	60,000 sf	tbd	5	2016
		Resort residential	13				
Wailea MF-7	Wailea, Maui	multi-family		75 units	84	9	2016
Total			553(1)				

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(Dollars in millions)

Project	Location	Product type	Gross acres at 12/31/12	Original planned units, saleable acres or gross leasable square feet	Estimated project cost(6)	A&B net investment as of 12/31/12 (including capitalized interest)	Construction timing/ Estimated substantial completion
Joint ventures							
Ka Milo at Mauna Lani	Kona, Hawaii	Resort residential	22	137 units up to 1,500 units on 640 saleable acres	120	10	2016
Kukui'ula Kai Malu at Wailea	Koloa, Kauai	Resort residential	948		785	250	2030(3)
	Wailea, Maui	Resort residential	2	150 units 341 units	124	2	2008
Waihonua at Kewalo	Honolulu, Oahu	Primary residential highrise	2	(340 saleable)	210	32	2014
FUTURE DEVELOPMENT							
Wholly owned							
Aina 'O Kane Gateway at Mililani Mauka S.	Kahului, Maui	Primary res./commercial	4	103 units	tbd	1	tbd
	Mililani, Oahu	Retail/Office	2(5)	20,000 sf 150-215	tbd	2	tbd
Haliimaile Kahului Town Center	Haliimaile, Maui	Primary residential	55(2)	units 440 units	tbd	1	tbd
	Kahului, Maui	Primary res./commercial	19(3)	225,000 sf	tbd	2	tbd
Kai'Olino Wailea SF-8	Port Allen, Kauai	Primary residential	4	75 units	tbd	11	tbd
	Kihei, Maui	Primary residential	13	90 units	tbd	2	tbd
Wailea MF-6	Wailea, Maui	Resort residential lots	23	60 lots 9 lots,	tbd	6	tbd
	Wailea, Maui	Resort residential/commercial	14	36 units, 64,000 sf	tbd	4	tbd
Wailea MF-10	Wailea, Maui	Resort residential lots	7	20 lots	tbd	3	tbd
	Wailea, Maui	Various	71	400 - 600 units	tbd	16	tbd

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Total			212(2)(3)(5)				
Joint ventures							
Bakersfield	Bakersfield, CA	Retail	57	—	—	7	—
Palmdale Center	Palmdale, CA	Office/Industrial	18	—	—	5	—
Santa Barbara Ranch	Santa Barbara, CA	Primary residential lots	22	—	—	6	—

Project	Location	Product type	Acres at 12/31/12	Planned units, saleable acres or gross leasable square feet
ENTITLEMENT				
Eleele Community	Eleele, Kauai	Primary residential	840	tbd
Kihei Residential	Kihei, Maui	Primary residential	95	up to 600 units
Waiale	Kahului, Maui	Primary residential	545	up to 2,550 units
JOINT VENTURE DEVELOPMENTS HELD FOR LEASE				
Crossroads Plaza	Valencia, CA	Office/Retail	7	56,000 sf
The Shops at Kukui'ula	Poipu, Kauai	Retail	10	78,900 sf

- (1) Brydeswood acreage is included in agricultural, pasture and miscellaneous landholdings.
- (2) Ten of the 55 acres are designated for parks and open space. In addition to the 55 acres, another eight acres are designated for drainage and a waste water treatment plant, and are included in the "Agricultural, pasture and miscellaneous" classification.
- (3) Kahului Town Center acreage is included in Hawaii-commercial improved properties fully entitled landholdings.
- (4) Includes adjacent bulk parcels
- (5) Gateway at Mililani Mauka South acres are included in Hawaii – commercial improved properties.
- (6) Includes land cost at book value and capitalized interest, but excludes sales commissions and closing costs.

A&B is actively pursuing a number of projects in Hawaii, including:

Maui:

- (a) Maui Business Park II. Maui Business Park II ("MBP II"), 179-acres (155 acres saleable, including adjacent bulk parcels) in Kahului zoned for light industrial, retail and office use, represents the second phase of the Company's Maui Business Park project. In 2012, mass grading and construction of the onsite roadway and utility improvements were substantially completed for the first increment, consisting of 97 acres (93 acres remaining), including bulk parcels. Offsite highway improvements will be completed in the second quarter of 2013. The potential development or use of a portion or all of the second increment, consisting of 58 acres, will be evaluated at a later date, depending on the first increment sales absorption.

(b) Wailea. In October 2003, A&B acquired 270 acres of fully-zoned, undeveloped residential and commercial land at the Wailea Resort on Maui for \$67.1 million. A&B was the original developer of the Wailea Resort, beginning in the 1970s and continuing until A&B sold the resort to the Shinwa Golf Group in 1989.

A&B has since sold 29 single-family homesites at Wailea's Golf Vistas subdivision and six bulk parcels comprising 78 acres. A 25-acre parcel was developed in a joint venture with Armstrong Builders into 150 duplex units, with 138 units sold by 2009. Most of the remaining 12 units were leased. In 2012, two units were sold and another two units closed in February 2013. Eight units remain available for sale. The 7.0-acre MF-19 parcel (Ridge at Wailea) was developed into nine residential lots, which remain available for sale.

A&B currently owns 167 acres, planned for up to 700 units. A&B is evaluating development or sale scenarios for various parcels, which include the following projects:

•The 7.4-acre MF-11 (Bluffs at Wailea) project was developed for the sale of 12 unimproved residential lots. Due to limited demand for unimproved lots, A&B is pursuing a joint venture development of 60 multi-family units, with construction projected to commence in 2014.

•The 13.0-acre MF-7 parcel is fully designed and permitted for the development of a 75-unit multi-family project. The project has secured the required affordable housing credits and water meters. Depending on market conditions, construction could commence in 2014.

•At the 11.0-acre B-I parcel, A&B is pursuing a joint venture development of a 60,000 square-foot retail facility. Planning and design work is underway and construction could commence in 2014.

(c) Haliimaile Subdivision. A&B's application to rezone 63 acres and amend the community plan for the development of a 150- to 215-lot residential subdivision in Haliimaile (Upcountry, Maui) was approved by the Maui County Council in September 2005. In 2006, onsite infrastructure design work was submitted to County agencies, but design approval was deferred until an acceptable water source could be confirmed. Two new well permit applications were filed in 2012 to serve a public or private regional water system. In 2012, an additional 80 acres adjacent to the planned Haliimaile residential project was approved by the County Council for future urban growth in the Maui Island Plan.

(d) Aina 'O Kane. Aina 'O Kane is planned to consist of 103 residential condominium units in five four-story buildings, with 20,000 square-feet of ground-floor commercial space, in Kahului. In 2010, A&B installed the project's water meters and, in July 2011, a two-year extension of the Special Management Area permit was secured. The project is positioned for development when market conditions improve.

(e) Kahului Town Center. The redevelopment plan for the 19-acre Kahului Shopping Center block reflects the creation of a traditional "town center," consisting of approximately 440 residential condominium units and 225,000 square feet of retail/office space. This project is being re-evaluated to meet market needs.

Kauai:

(f) Kukui'ula. In April 2002, A&B entered into a joint venture with DMB Communities II ("DMBC"), an affiliate of DMB Associates, Inc., an Arizona-based developer of master-planned communities, for the development of Kukui'ula, a 1,000-acre master planned resort residential community located in Poipu, Kauai, planned for up to 1,500 resort residential units. In 2004, A&B exercised its option to contribute to the joint venture up to 40 percent of the project's future capital requirements. In May 2009, A&B entered into an amended agreement with DMBC to increase A&B's ownership participation in Kukui'ula in exchange for more favorable participation rights to future cash and profit distributions, while limiting DMBC's required future contributions to \$35 million. In 2011, all resort core amenities were completed and opened for business, including the 18-hole golf course, the community's clubhouse, pool and spa facilities. Total capital contributed by A&B to the joint venture included approximately \$229 million as of December 31, 2012, and \$30 million representing the value of land initially contributed. DMBC has contributed

\$188 million, which includes the \$35 million mentioned above.

Three developer agreements have been executed on bulk parcels at Kukui'ula, including two agreements executed in 2012. Under these agreements, the joint venture receives a payment of \$500,000 to \$600,000 for each lot when construction of a home is completed and sold by the developer. These agreements have resulted in increased vertical home construction activity at Kukui'ula, which generated positive sales momentum in 2012, including six constructed homes and a vacant lot. As of December 31, 2012, a total of 88 residential lot sales had closed.

In August 2007, A&B entered into a joint venture arrangement with DMBC to develop The Shops at Kukui'ula, a 78,900 square foot commercial center located adjacent to the Kukui'ula project. The center was 78 percent leased as of December 31, 2012. Total capital contributed is \$11 million by both A&B and DMBC as of December 31, 2012.

(g) Brydeswood. Brydeswood is a 24-large estate lot subdivision located on 336 acres in Kalaheo, Kauai. Final subdivision approval for the project was received in 2011 and a potable test well was completed with acceptable water quality and sufficient quantity. Pre-sale activities commenced in September 2012. Construction of water system improvements is dependent on acceptable conversion of presales to binding contracts.

Oahu:

(h) Waihonua at Kewalo. In 2010, A&B acquired a fully-entitled high-rise condominium development site near the Ala Moana Shopping Center in Honolulu. During 2011, construction plans were prepared and processed for approvals for the 341-unit high-rise development. Condominium documents were approved in November 2011 and sales and marketing commenced in December 2011. In September 2012, the Company formed a joint venture with capital partners who will be providing half of \$65 million in total equity required for the project and secured a \$120 million construction loan. Construction has commenced and completion is projected in 2014. As of February 17, 2013, a total of 280 units, or 82 percent of the 340 units available for sale, were sold under binding contracts.

(i) One Ala Moana. In September 2012, A&B committed to a \$20 million preferred loan investment with profit participation in the One Ala Moana luxury condominium project planned to be developed atop the Nordstrom parking structure in the Ala Moana Center. One Ala Moana is a 23-story condominium tower consisting of 206 luxury residential units that is being developed by a partnership of the Howard Hughes Corporation, The MacNaughton Group and Kobayashi Group. As of February 17, 2013, 199 units were sold under binding contracts.

(j) Gateway at Mililani Mauka Shopping Center. In December 2011, A&B acquired a 4.3-acre development parcel within the 7.4-acre Gateway at Mililani Mauka Shopping Center on Oahu, including an existing, fully-leased 5,900 square-foot multi-tenant retail building and four fully-infrastructured building pads. A&B plans to develop an additional 29,000 square feet of retail space on the building pads. In 2012, construction commenced on a 11,500 square-foot building that is nearing completion and was 60% pre-leased at year-end. Another 16,900 square-foot building is being designed, and construction is expected to commence in 2013.

(k) Keola La'i. In 2008, A&B completed construction of a 42-story condominium project near downtown Honolulu, consisting of 352 residential units, averaging 970 square feet, and four commercial units, with the majority of the residential units and two commercial units closed in 2008. The last three units were sold in 2012.

Big Island of Hawaii:

(l) Ka Milo at Mauna Lani. In April 2004, A&B entered into a joint venture with Brookfield Homes Hawaii Inc. to acquire and develop a 30.5-acre residential parcel in the Mauna Lani Resort on the island of Hawaii, planned for 137 single-family units and duplex townhomes. A total of 27 units were constructed in 2007 and 2008, and the last three units sold in 2011. The venture is proceeding with a revised development plan, focusing on more single-family units on the remaining 24 acres. A total of eight new units closed in 2012. Ten units are projected to be

completed in 2013.

U.S. Mainland:

(m) Bakersfield. In November 2006, A&B entered into a joint venture with Intertex P&G Retail, LLC, for the planned development of a 575,000-square-foot retail center on a 57.3-acre commercial parcel in Bakersfield, California. Based on market conditions, A&B recognized an impairment loss of approximately \$4.7 million in 2012. Development plans remain on hold due to current economic conditions.

(n) Crossroads Plaza. In June 2004, A&B entered into a joint venture with Intertex Hasley, LLC, for the development of a 56,000-square-foot mixed-use neighborhood retail center on 6.5 acres in Valencia, California. The property was acquired in August 2004. The sale of a pad site building closed in 2007, and construction of the center was completed in 2008. As of December 31, 2012, the center was 100 percent leased.

(o) Palmdale Trade & Commerce Center. In December 2007, A&B entered into a joint venture with Intertex Palmdale Trade & Commerce Center LLC, for the planned development of a 315,000-square-foot mixed-use commercial office and light industrial condominium complex on 18.2 acres in Palmdale, California, located 60 miles northeast of Los Angeles and 25 miles northeast of Valencia. The parcel was contributed to the venture in 2008. Development plans remain on hold due to current economic conditions.

(p) Santa Barbara Ranch. In November 2007, A&B entered into a joint venture with Vintage Communities, LLC, a residential developer, for the planned development of an exclusive large-lot subdivision, located 12 miles north of the City of Santa Barbara. Based on market conditions, A&B suspended further investment in the project and has to date recognized a total impairment of \$10 million. A&B continues to market for sale the venture's assets that served as collateral for the repayment of A&B's investment, including a 14-acre oceanfront parcel and an adjacent eight-acre parcel.

B. Real Estate Leasing Segment

The Company's commercial portfolio's gross leasable area (GLA) summarized by geographic location and property type as of December 31, 2012 is as follows:

(square feet, in millions)	Hawaii(1)	Mainland(2)	Total
Industrial	0.5	4.5	5.0
Office	0.2	1.3	1.5
Retail	0.7	0.7	1.4
Total	1.4	6.5	7.9

(1)The number of commercial properties located in Hawaii by island are as follows: Oahu (9), Maui (8), Kauai (4), and Big Island of Hawaii (1).

(2)The number of commercial properties located on the Mainland are as follows: California (6), Texas (5), Colorado (3), Utah (3), Arizona (2), Washington (2), Nevada (1), and Georgia (1).

(a) Hawaii Commercial Properties

A&B's Hawaii commercial properties portfolio consists of retail, office and industrial properties, comprising approximately 1.4 million square feet of gross leasable area as of December 31, 2012. Most of the commercial properties are located on Maui and Oahu, with smaller holdings in the area of Port Allen, on Kauai, and Kona, on the island of Hawaii. The average occupancy for the Hawaii portfolio was 92 percent in 2012, versus 91 percent in 2011. Higher occupancy was primarily due to improved occupancy at the 238,300 square-foot Komohana Industrial Park on Oahu. In June 2012, A&B acquired a three-acre parcel on Oahu within the Gateway at Mililani Mauka South shopping center, including two fully-leased 18,700 square-foot office buildings, and land with future development potential of an additional 20,000 square feet of leasable space. In January 2013, A&B acquired the 170,300 square-foot Waianae Mall, located on Oahu's west shore.

The primary Hawaii commercial properties owned as of year-end 2012 were as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Komohana Industrial Park	Kapolei, Oahu	Industrial	238,300
Maui Mall	Kahului, Maui	Retail	185,700
Waipio Industrial	Waipahu, Oahu	Industrial	158,400
Kaneohe Bay Shopping Center	Kaneohe, Oahu	Retail	123,900
Waipio Shopping Center	Waipahu, Oahu	Retail	113,800
P&L Building	Kahului, Maui	Industrial	104,100
Lanihau Marketplace	Kailua-Kona, Hawaii	Retail	88,300
Port Allen (4 buildings)	Port Allen, Kauai	Industrial/Retail	87,500
Kunia Shopping Center	Waipahu, Oahu	Retail	60,400
Kahului Office Building	Kahului, Maui	Office	58,300
Lahaina Square	Lahaina, Maui	Retail	50,200

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Kahului Shopping Center	Kahului, Maui	Retail	46,400
Kahului Office Center	Kahului, Maui	Office	32,900
Stangenwald Building	Honolulu, Oahu	Office	27,100
Judd Building	Honolulu, Oahu	Office	20,300
Gateway at Mililani Mauka South	Mililani, Oahu	Office	18,700
Maui Clinic Building	Kahului, Maui	Office	16,700
Lono Center	Kahului, Maui	Office	13,400
Gateway at Mililani Mauka	Mililani, Oahu	Retail	5,900

(b) U.S. Mainland Commercial Properties

On the Mainland, A&B owns a portfolio of commercial properties, acquired primarily by way of tax-deferred exchanges under Internal Revenue Code Section 1031. A&B's Mainland commercial properties portfolio consists of retail, office and industrial properties, comprising approximately 6.5 million square feet of leasable space as of December 31, 2012. A&B's Mainland commercial properties' occupancy rate was 93 percent compared to 92 percent in 2011. Although there is some improvement in the leasing environment in certain Mainland markets, rents in most markets, while showing improvement over 2011, remain below 2007 levels.

In 2012, A&B completed the sales of the 28,100 square-foot Firestone Boulevard Building, an industrial property in California. In January 2013, A&B sold the 119,500 square-foot Northpoint property, an industrial property in California.

A&B's mainland commercial properties owned as of year-end 2012 were as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Heritage Business Park	Dallas, TX	Industrial	1,316,400
Savannah Logistics Park	Savannah, GA	Industrial	1,035,700
Midstate 99 Distribution Center	Visalia, CA	Industrial	789,100
Sparks Business Center	Sparks, NV	Industrial	396,100
Republic Distribution Center	Pasadena, TX	Industrial	312,500
Activity Distribution Center	San Diego, CA	Industrial	252,300
Centennial Plaza	Salt Lake City, UT	Industrial	244,000
Meadows on the Parkway	Boulder, CO	Retail	216,500
1800 and 1820 Preston Park	Plano, TX	Office	198,700
Ninigret Office Park X and XI	Salt Lake City, UT	Office	185,500
San Pedro Plaza	San Antonio, TX	Office/Retail	172,000
Rancho Temecula Town Center	Temecula, CA	Retail	165,600
2868 Prospect Park	Sacramento, CA	Office	162,900
Issaquah Office Center	Issaquah, WA	Office	146,900
Little Cottonwood Center	Sandy, UT	Retail	141,600
Concorde Commerce Center	Phoenix, AZ	Office	137,500
Deer Valley Financial Center	Phoenix, AZ	Office	126,600
Northpoint Industrial	Fullerton, CA	Industrial	119,500
Broadlands Marketplace	Broomfield, CO	Retail	103,900
Union Bank	Everett, WA	Office	84,000
2890 Gateway Oaks	Sacramento, CA	Office	58,700
Wilshire Shopping Center	Greeley, CO	Retail	46,500

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Royal MacArthur Center

Dallas, TX

Retail

44,200

The Company's schedule of lease expirations for its Hawaii and U.S. Mainland commercial portfolio is as follows:

Year of expiration	Number of leases	Sq. ft. of expiring leases	Percentage of total leased GLA(1)	Annual gross rent expiring(2) (\$ in millions)	Percentage of total annual gross rent(2)
2013	109	699,317	9.9%	7.4	10.5%
2014	111	477,349	6.7%	6.9	9.8%
2015	129	1,197,584	16.9%	12.3	17.7%
2016	78	974,963	13.8%	10.6	15.1%
2017	72	2,007,353	28.3%	14.8	21.2%
2018	26	469,888	6.6%	3.7	5.2%
2019	9	125,870	1.8%	2.0	2.8%
2020	15	197,154	2.8%	2.9	4.2%
2021	6	161,607	2.3%	1.5	2.2%
2022	11	97,839	1.4%	2.0	2.8%
2023	4	20,861	0.3%	0.4	0.6%
Thereafter	21	652,965	9.2%	5.5	7.9%
Total	591	7,082,750	100.0%	70.0	100.0%

(1)

Gross leasable area

(2) Annual gross rent means the annualized base rent amounts of expiring leases and includes improved properties only.

C. Agribusiness

(1) Production

A&B has been engaged in the production of cane sugar in Hawaii since 1870. A&B's current agribusiness and related operations consist of: (1) a sugar plantation on the island of Maui, operated by its Hawaiian Commercial & Sugar Company ("HC&S") division, (2) renewable energy operations on the island of Kauai, operated by its McBryde Resources, Inc. ("McBryde") subsidiary, (3) its Kahului Trucking & Storage, Inc. ("KT&S") and Kauai Commercial Company, Incorporated ("KCC") subsidiaries, which provide several types of trucking services, including sugar and molasses hauling on Maui, mobile equipment maintenance and repair services on Maui, Kauai, and the Big Island, and self-service storage facilities on Maui and Kauai, and (4) Hawaiian Sugar & Transportation Cooperative ("HS&TC"), an agricultural cooperative that provides raw sugar marketing and transportation services solely to HC&S. HS&TC owns the MV Moku Pahu, a Jones Act qualified integrated tug barge bulk dry carrier, which is used to transport raw sugar from Hawaii to the U.S. West Coast and coal from the U.S. West Coast to Hawaii.

HC&S is Hawaii's only producer of raw sugar, producing approximately 178,300 tons of raw sugar in 2012 (compared with 182,800 tons in 2011). The primary reasons for the decrease in production were lower yields on the plantation due to an increase in fields harvested as green cane, which suppresses yields, and drier conditions resulting in lower water deliveries to the crop. HC&S harvested 15,900 acres of sugar cane in 2012 (compared with 15,063 in 2011). Yields averaged 11.3 tons of sugar per acre in 2012 (compared to 12.1 in 2011). As a by-product of sugar production,

HC&S also produced approximately 50,500 tons of molasses in 2012 (compared to 53,100 in 2011).

In 2012, approximately 15,600 tons of sugar (compared to 18,700 tons in 2011) were processed by HC&S into specialty food-grade sugars under HC&S's Maui Brand® trademark or repackaged by distributors under their own labels. This decrease in production was due to planned lower levels to meet customer commitment levels and limited availability of the highest quality syrup to process the specialty sugars.

HC&S and McBryde produce electricity for internal use and for sale to the local electric utility companies. HC&S's power is produced by burning bagasse (the residual fiber of the sugar cane plant), by hydroelectric power generation and, when necessary, by burning fossil fuels. McBryde produces power through hydroelectric and solar generation. The price for the power sold by HC&S is equal to the utility companies' "avoided cost" of not producing such power themselves. In addition, HC&S receives a capacity payment to provide a guaranteed power generation capacity to the local utility. The price for the power sold by McBryde is based on fixed prices that vary along a sliding scale tied to volume. See "Energy" below for power production and sales data.

(2) Marketing of Sugar

Approximately 90 percent of the bulk raw sugar produced by HC&S in 2012 was purchased by C&H Sugar Company, Inc. ("C&H"). C&H processes the raw cane sugar at its refinery at Crockett, California and markets the refined products primarily in the western and central United States.

The remaining 10 percent of the raw sugar was used by HC&S to produce specialty food-grade sugars, which are sold by HC&S to food and beverage producers and to retail stores under its Maui Brand® label, and to distributors that repackage the sugars under their own labels. HC&S's largest food-grade sugar customers are Cumberland Packing Corp. and Sugar Foods Corporation, which repackage HC&S's turbinado sugar for their "Sugar in the Raw" product line.

HS&TC, a sugar grower cooperative in Hawaii (of which HC&S is the member), has a supply contract with C&H ending in December 2014. Pursuant to the supply contract, the cooperative sells raw sugar to C&H at a price equal to the New York No. 16 Contract settlement price, less a volume-based discount.

(3) Sugar Competition and Legislation

Hawaii has traditionally produced more sugar per acre than most other major producing areas of the world, but that advantage is offset by Hawaii's high labor costs and the distance to the Mainland market. Hawaiian refined sugar is marketed primarily west of Chicago, Illinois. The region near Chicago is also the largest beet sugar growing and processing area and, as a result, the only market area in the United States that produces more sugar than it consumes. Sugar from sugar beets is the greatest source of competition in the refined sugar market for the Hawaiian sugar industry.

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. The current legislation is the Food Conservation and Energy Act of 2008, which was set to expire on December 31, 2012 ("2008 Farm Bill"), but was extended one year during the national "fiscal cliff" negotiations. The two main elements of U.S. sugar policy are the tariff-rate quota ("TRQ") import system and the price support loan program. The TRQ system limits imports from countries other than Canada and Mexico by allowing only a quota amount to enter the U.S. after payment of a relatively low tariff. A higher, over-quota tariff is imposed for imported quantities above the quota amount. Also, a new but limited sucrose ethanol program was added in 2008, which allows sugar to be diverted into ethanol production when the market is deemed to be oversupplied.

The 2008 Farm Bill reauthorized the sugar price support loan program, which supports the U.S. price of sugar by providing for commodity-secured loans to producers. A loan rate (support price) of 18.50 cents per pound ("¢/lb") for raw cane sugar was in effect for the 2010 and 2011 crops. The loan rate increases to 18.75 ¢/lb for the 2012 and 2013

crops (the last year of the bill). The U.S. rates are adjusted by region to reflect the cost of transportation. The 2012 adjusted crop loan rate in Hawaii is 17.57¢/lb. A&B does not currently participate in the sugar price support loan program.

In 2005, the U.S. approved a trade pact with Central America and the Dominican Republic, known as the Central America-Dominican Republic-United States Free Trade Agreement. In 2006, the first year of the agreement, additional sugar market access for participating countries amounted to about 1.2 percent of current U.S. sugar consumption (107,000 metric tons), which will grow to about 1.7 percent (151,000 metric tons) in its fifteenth year.

Implementation of the North American Free Trade Agreement (NAFTA) began in 1994. This agreement removed most barriers to trade and investment among the U.S., Canada and Mexico. Under NAFTA, all non-tariff barriers to agricultural trade between the U.S. and Mexico were eliminated. In addition, many tariffs were eliminated immediately or phased out. Starting in 2008, Mexico was permitted to ship an unlimited quantity of sugar duty-free to the U.S. each year.

U.S. raw sugar prices remained relatively stable and flat for over thirty years. The full implementation of NAFTA in 2008, which unified the U.S. and Mexican sugar markets, increased price volatility. In 2009, a tight NAFTA supply/demand outlook and a soaring world raw sugar market combined to push U.S. raw sugar prices to 29-year highs. Prices have since steadily declined in 2012 due to a recent NAFTA and world market surplus. A chronological chart of the average U.S. domestic raw sugar prices, based on the average daily New York No. 16 Contract settlement price for domestic raw sugar, is shown below (not adjusted for inflation):

(4) Land Designations and Water

The HC&S sugar plantation, the only remaining sugar plantation in Hawaii, consists of 43,300 acres, with approximately 36,000 acres under active sugar cane cultivation.

On Kauai, approximately 3,000 acres are cultivated in coffee by Massimo Zanetti Beverage USA, Inc., which leases the land from A&B. Additional acreage is cultivated in seed corn and used for pasture purposes.

The Hawaii Legislature, in 2005, passed Important Agricultural Lands (“IAL”) legislation to fulfill the state constitutional mandate to protect agricultural lands, promote diversified agriculture, increase the state’s agricultural self-sufficiency, and assure the availability of agriculturally suitable lands. In 2008, the Legislature passed a package of incentives, which is necessary to trigger the IAL system of land designation. In 2009, A&B received approval from the State Land Use Commission for the designation of over 27,000 acres on Maui and over 3,700 acres on Kauai as IAL. These designations were the result of voluntary petitions filed by A&B.

It is crucial for HC&S to have access to reliable sources of water supply and efficient irrigation systems. HC&S conserves water by using “drip” irrigation systems that distribute water to the roots through small holes in plastic tubes. All but a small area of the cultivated cane land farmed by HC&S is drip irrigated.

A&B owns 16,000 acres of watershed lands in East Maui, which supply a portion of the irrigation water used by HC&S. A&B also held four water licenses to another 30,000 acres owned by the State of Hawaii in East Maui, which over the last ten years have supplied approximately 58 percent of the irrigation water used by HC&S. The last of these water license agreements expired in 1986, and all four agreements were then extended as revocable permits that were renewed annually. In 2001, a request was made to the State Board of Land and Natural Resources (the “BLNR”) to replace these revocable permits with a long-term water lease. Pending the conclusion by the BLNR of this contested case hearing on the request for the long-term lease, the BLNR has renewed the existing permits on a holdover basis.

A&B also holds rights to an irrigation system in West Maui, which provided approximately 14 percent of the irrigation water used by HC&S over the last ten years. For information regarding legal proceedings involving A&B's irrigation systems, see "Legal Proceedings" below.

(5) Energy

As has been the practice with sugar plantations throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of most of the electrical power for sugar milling and irrigation pumping operations. In addition to bagasse, HC&S uses coal, diesel, fuel oil, and recycled motor oil to generate power during factory shutdown periods when bagasse is not being produced or during periods when bagasse is not produced in sufficient quantities. HC&S also generates a limited amount of hydroelectric power. To the extent it is not used in A&B's factory and farming operations, HC&S sells electricity. In 2012, HC&S produced and sold, respectively, approximately 182,100 megawatt hours (MWH) and 58,200 MWH of electric power (compared with 191,300 MWH produced and 64,900 MWH sold in 2011). The decrease in power sold was due to increased power used for irrigation pumps to improve soil moisture levels and yields and mechanical problems with one of the boilers at HC&S in the first half of 2012. Hydroelectric generation was depressed during the year due to extended drought conditions on Maui. HC&S's use of oil in 2012 of 17,600 barrels was 81 percent more than the 9,700 barrels used in 2011. Coal used for power generation was 51,000 short tons, about 7,600 tons less than that used in 2011. Less coal was required because of the higher bagasse production from the fields, lower power deliveries described above, and the higher oil consumption.

In 2012, McBryde produced approximately 30,500 MWH of hydroelectric power (compared with approximately 29,800 MWH in 2011). To the extent it is not used in A&B-related operations, McBryde sells electricity to Kauai Island Utility Cooperative ("KIUC"). Power sales in 2012 amounted to approximately 24,100 MWH (compared with 22,100 MWH in 2011). In December 2012, McBryde placed into service a 6 MW photovoltaic solar power generation facility. The Company expects to sell approximately 10,000 MWH of solar power per annum to KIUC.

Employees and Labor Relations

As of December 31, 2012, A&B and its subsidiaries had 946 regular full-time employees. The Agribusiness segment employed 846 regular full-time employees, the real estate segment employed 43 regular full-time employees, and the remaining employees were employed in administration. Approximately 73 percent were covered by collective bargaining agreements with unions.

Bargaining unit employees of HC&S are covered by two collective bargaining agreements with the International Longshore and Warehouse Union ("ILWU"). The agreements with the HC&S production unit employees and clerical and technical employees bargaining units cover approximately 640 workers and expire on January 31, 2014. The bargaining unit employees at KT&S also are covered by two collective bargaining agreements with the ILWU. The bulk sugar employees' agreement expires on June 30, 2014 and the agreement with all other employees expires on March 31, 2015. There are two collective bargaining agreements with Kauai Commercial Company employees represented by the ILWU. These agreements expired on February 28, 2013, with renegotiations underway.

Available Information

A&B files reports with the Securities and Exchange Commission (the "SEC"). The reports and other information filed include: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports and information filed under the Securities Exchange Act of 1934 (the "Exchange Act").

The public may read and copy any materials A&B files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy

and information statements, and other information regarding A&B and other issuers that file electronically with the SEC. The address of that website is www.sec.gov.

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

ITEM 1A. RISK FACTORS

A&B's business and its common stock are subject to a number of risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Form 10-K and the Company's filings with the U.S. Securities and Exchange Commission. Based on information currently known, A&B believes that the following information identifies the most significant risk factors affecting A&B's business and its common stock. However, the risks and uncertainties faced by A&B are not limited to those described below, nor are they listed in order of significance. Additional risks and uncertainties not presently known to A&B or that it currently believes to be immaterial may also materially adversely affect A&B's business, liquidity, financial condition, results of operation and cash flows. This Form 10-K also contains forward-looking statements that involve risks and uncertainties.

If any of the following events occur, A&B's business, liquidity, financial condition, results of operations, and cash flows could be materially adversely affected, and the trading price of A&B common stock could materially decline.

Risks Relating to A&B's Business

Changes in economic conditions that result in a decrease in consumer confidence or market demand for A&B's real estate assets in Hawaii and the Mainland may adversely affect A&B's financial position, results of operations, liquidity, or cash flows.

A weakening of economic drivers in Hawaii, which include tourism, military spending, construction starts, personal income growth, and employment, or the weakening of consumer confidence, market demand, or economic conditions the Mainland, may adversely affect the demand for or sale of Hawaii real estate and the level of real estate leasing activity in Hawaii and on the Mainland.

A&B may face new or increased competition.

There are numerous other developers, buyers, managers and owners of commercial and residential real estate and undeveloped land that compete or may compete with A&B for management and leasing revenues, land for development, properties for acquisition and disposition, and for tenants and purchasers for properties. Increased vacancies, decreased rents, sales prices or sales volume, or lack of development opportunities may lead to a deterioration in results from A&B's real estate businesses.

A&B may face potential difficulties in obtaining operating and development capital.

The successful execution of A&B's strategy requires substantial amounts of operating and development capital both initially and over time. Sources of such capital could include banks, life insurance companies, public and private offerings of debt or equity, including rights offerings, sale of certain assets and joint venture partners. If A&B's credit profile deteriorates significantly, its access to the debt capital markets or its ability to renew its committed lines of credit may become restricted, the cost to borrow may increase, or A&B may not be able to refinance debt at the same levels or on the same terms. Because A&B will rely on its ability to obtain and draw on a revolving credit facility to support its operations, any volatility in the credit and financial markets or deterioration in A&B's credit profile that

prevents A&B from accessing funds could have an adverse effect on A&B's financial condition and cash flows. There is no assurance that any capital will be available on terms acceptable to A&B or at all in order to satisfy A&B's short or long-term cash needs.

A&B may increase its debt level or raise additional capital in the future, which could affect its financial health and may decrease its profitability.

To execute its business strategy, A&B may require additional capital. If A&B incurs additional debt or raises equity through the issuance of preferred stock, the terms of the debt or preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of A&B common stock, particularly in the event of liquidation. The terms of any new debt may also impose additional and more stringent restrictions on A&B's operations than currently in place. If A&B issues additional common equity, either through public or private offerings or rights offerings, your percentage ownership in A&B would decline if you do not participate on a ratable basis. If A&B is unable to raise additional capital when required, it could affect A&B's liquidity, financial condition, results of operations and cash flows.

Failure to comply with certain restrictive financial covenants contained in A&B's credit facilities could impose restrictions on A&B's business segments, capital availability, the ability to pursue other activities or otherwise adversely affect A&B.

A&B's credit facilities contain certain restrictive financial covenants. If A&B breaches any of the covenants and such breach is not cured timely or waived by the lenders, and results in default, A&B's access to credit may be limited or terminated and the lenders could declare any outstanding amounts immediately due and payable.

A rapid increase in interest rates may increase A&B's overall interest rate expense.

A rapid increase in interest rates could have an immediate adverse impact on A&B due to its outstanding floating-rate debt. In the event of an increase in interest rates, A&B may be unable to refinance maturing debt with new debt at equal or better interest rates.

A&B's significant operating agreements and leases could be replaced on less favorable terms or may not be replaced.

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

An increase in fuel prices may adversely affect A&B's profits.

Fuel prices are a significant factor that has a direct impact on the health of the Hawaii economy. The price and supply of fuel are unpredictable and fluctuate based on events beyond A&B's control. Increases in the price of fuel may result in higher transportation costs to Hawaii and adversely affect visitor counts and the cost to ship goods into Hawaii, thereby affecting the strength of the Hawaii economy and its consumers. Increases in fuel costs also can lead to other direct expense increases to A&B through, for example, increased costs of energy and petroleum-based raw materials. Increases in energy costs for A&B's leased real estate portfolio are typically recovered from lessees, although A&B's share of energy costs increases as a result of lower occupancies, and higher operating cost reimbursements impact the ability to increase underlying rents. Rising fuel prices also may increase the cost of construction, including delivery costs to Hawaii, and the cost of materials that are petroleum-based, thus affecting A&B's real estate development projects. Finally, rising fuel prices will impact the cost of producing and transporting sugar.

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

A&B is subject to federal, state and local laws and regulations, including government rate regulations, land use regulations, tax regulations and federal government administration of the U.S. sugar program. Noncompliance with, or changes to, the laws and regulations governing A&B's business could impose significant additional costs on A&B and adversely affect A&B's financial condition and results of operations. For example, the real estate segments are subject to numerous federal, state and local laws and regulations, which, if changed, or not complied with may adversely affect A&B's business. The Agribusiness segment is subject to the federal government's administration of the U.S. sugar program, such as the 2008 Farm Bill, and the Hawaii Public Utilities Commission's regulation of agreements between A&B and Hawaii's utilities regarding the sale of electric power. Further changes to these laws and regulations could adversely affect A&B. Climate change legislation, such as limiting and reducing greenhouse gas emissions through a "cap and trade" system of allowances and credits, if enacted, may have an adverse effect on A&B's business.

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

As of December 31, 2012, A&B had 946 regular full-time employees, of which approximately 73 percent were covered by collective bargaining agreements with unions. A&B's Real Estate and Agribusiness segments may be adversely affected by actions taken by employees of A&B or other companies in related industries against efforts by management to control labor costs, restrain wage or benefits increases or modify work practices. Strikes and disruptions may occur as a result of the failure of A&B or other companies in its industry to negotiate collective bargaining agreements with such unions successfully. For example, in its Real Estate Sales segment, A&B may be unable to complete construction of its projects if building materials or labor are unavailable due to labor disruptions in the relevant trade groups.

The loss of or damage to key vendor and customer relationships may adversely affect A&B's business.

A&B's business is dependent on its relationships with key vendors, customers and tenants. For example, in A&B's Agribusiness segment, HC&S's relationship with C&H Sugar Company, Inc., the primary buyer of HC&S's raw sugar, is critical. The loss of or damage to any of these key relationships may affect A&B's business adversely.

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

A&B is highly dependent on information technology systems. All information technology and communication systems are subject to reliability issues, integration and compatibility concerns, and security-threatening intrusions. A&B may experience failures caused by the occurrence of a natural disaster, or other unanticipated problems at A&B's facilities. Any failure of A&B's systems could result in interruptions in its service or production, reductions in its revenue and profits and damage to its reputation.

A&B is susceptible to weather and natural disasters.

A&B's real estate operations are vulnerable to natural disasters, such as hurricanes, earthquakes, tsunamis, floods, fires, tornados and unusually heavy or prolonged rain, which could damage its real estate holdings and which could result in substantial repair or replacement costs to the extent not covered by insurance, a reduction in property values, or a loss of revenue, and could have an adverse effect on its ability to develop, lease and sell properties. The occurrence of natural disasters could also cause increases in property insurance rates and deductibles, which could reduce demand for, or increase the cost of owning or developing, A&B's properties.

For the Agribusiness segment, drought, greater than normal rainfall, hurricanes, low-wind conditions, earthquakes, tsunamis, floods, fires, other natural disasters or agricultural pestilence may have an adverse effect on the sugar planting, harvesting and production, electricity generation and sales, and the Agribusiness segment's facilities,

including dams and reservoirs.

A&B maintains casualty insurance under policies it believes to be adequate and appropriate. These policies are generally subject to large retentions and deductibles. Some types of losses, such as losses resulting from physical damage to dams or crop damage, generally are not insured. In some cases A&B retains the entire risk of loss because it is not economically prudent to purchase insurance coverage or because of the perceived remoteness of the risk. Other risks are uninsured because insurance coverage may not be commercially available. Finally, A&B retains all risk of loss that exceeds the limits of its insurance.

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

War, terrorist attacks and other acts of violence may cause consumer confidence and spending to decrease, or may affect the ability or willingness of tourists to travel to Hawaii, thereby adversely affecting Hawaii's economy and A&B. Additionally, future terrorist attacks could increase the volatility in the U.S. and worldwide financial markets.

Loss of A&B's key personnel could adversely affect its business.

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

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

The nature of A&B's business exposes it to the potential for disputes, legal or other proceedings, or government inquiries or investigations, relating to labor and employment matters, personal injury and property damage, environmental matters, construction litigation, and other matters, as discussed in the other risk factors disclosed in this section. These disputes, individually or collectively, could harm A&B's business by distracting its management from the operation of its business. If these disputes develop into proceedings, these proceedings, individually or collectively, could involve or result in significant expenditures or losses by A&B, which could have an adverse effect on A&B's future operating results, including profitability, cash flows, and financial condition. For more information, see Item 3 entitled "Legal Proceedings." As a real estate developer, A&B may face warranty and construction defect claims, as described below under "—Risks Related to A&B's Real Estate Segments."

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

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

A&B's businesses.

Risks Relating to A&B's Real Estate Segments

A&B is subject to risks associated with real estate construction and development.

A&B's development projects are subject to risks relating to A&B's ability to complete its projects on time and on budget. Factors that may result in a development project exceeding budget or being prevented from completion include, but are not limited to:

- an inability of A&B or buyers to secure sufficient financing or insurance on favorable terms, or at all;
- construction delays, defects, or cost overruns, which may increase project development costs;
 - an increase in commodity or construction costs, including labor costs;
- the discovery of hazardous or toxic substances, or other environmental, culturally-sensitive, or related issues;
- an inability to obtain, or significant delay in obtaining, zoning, construction, occupancy and other required governmental permits and authorizations;
 - difficulty in complying with local, city, county and state rules and regulations regarding permitting, zoning, subdivision, utilities, affordable housing, and water quality as well as federal rules and regulations regarding air and water quality and protection of endangered species and their habitats;
- an inability to have access to sufficient and reliable sources of water or to secure water service or meters for its projects;
- an inability to secure tenants or buyers necessary to support the project or maintain compliance with debt covenants;
 - failure to achieve or sustain anticipated occupancy or sales levels;
 - buyer defaults, including defaults under executed or binding contracts;
- condemnation of all or parts of development or operating properties, which could adversely affect the value or viability of such projects; and
 - an inability to sell A&B's constructed inventory.

Any of these risks has the potential to adversely affect A&B's operating results.

The reduction in availability of mortgage financing may adversely affect A&B's real estate business.

As a result of the financial crisis of 2008 - 2009, the financial industry experienced significant instability due to, among other things, declining property values and increasing defaults on loans. This led to tightened credit requirements, reduced liquidity and increased credit risk premiums for virtually all borrowers. Fewer loan products and strict loan qualifications make it more difficult for borrowers to finance the purchase of units in A&B's projects. Additionally, the stringent requirements to obtain financing for buyers of commercial properties make it significantly more difficult for A&B to sell commercial properties and may negatively impact the sales prices and other terms of such sales. The stringent credit environment may also impact A&B in other ways, including the credit or solvency of customers, vendors, tenants, or joint venture partners, and the ability of partners to fund their financial obligations to

joint ventures.

A decline in leasing rental income could adversely affect A&B.

A&B owns a portfolio of commercial income properties. Factors that may adversely affect the portfolio's profitability include, but are not limited to:

- a significant number of A&B's tenants are unable to meet their obligations;
- increases in non-recoverable operating and ownership costs;
- A&B is unable to lease space at its properties when the space becomes available;

the rental rates upon a renewal or a new lease are significantly lower than prior rents or do not increase sufficiently to cover increases in operating and ownership costs;

- the providing of lease concessions, such as free or discounted rents and tenant improvement allowances; and

the discovery of hazardous or toxic substances, or other environmental, culturally-sensitive, or related issues at the property.

The bankruptcy of key tenants may adversely affect A&B's revenues and profitability.

A&B may derive significant revenues and earnings from certain key tenants. If one or more of these tenants declare bankruptcy or voluntarily vacates from the leased premise and A&B is unable to re-lease such space or to re-lease it on comparable or more favorable terms, A&B's liquidity, financial position, results of operations and cash flows may be adversely impacted. Additionally, A&B's results of operations may be further adversely impacted by an impairment or "write-down" of intangible assets, such as lease-in-place value or a deferred asset related to straight-line lease rent, associated with a tenant bankruptcy or vacancy.

Governmental entities have adopted or may adopt regulatory requirements that may restrict A&B's development activity.

A&B is subject to extensive and complex laws and regulations that affect the land development process, including laws and regulations related to zoning and permitted land uses. Government entities have adopted or may approve regulations or laws that could negatively impact the availability of land and development opportunities within those areas. It is possible that increasingly stringent requirements will be imposed on developers in the future that could adversely affect A&B's ability to develop projects in the affected markets or could require that A&B satisfy additional administrative and regulatory requirements, which could delay development progress or increase the development costs to A&B. Any such delays or costs could have an adverse effect on A&B's revenues, earnings and cash flows.

Real estate development projects are subject to warranty and construction defect claims in the ordinary course of business that can be significant.

As a developer, A&B is subject to warranty and construction defect claims arising in the ordinary course of business. The amounts payable under these claims, both in legal fees and remedying any construction defects, can be significant and exceed the profits made from the project. As a consequence, A&B may maintain liability insurance, obtain indemnities and certificates of insurance from contractors generally covering claims related to workmanship and materials, and create warranty and other reserves for projects based on historical experience and qualitative risks associated with the type of project built. Because of the uncertainties inherent to these matters, A&B cannot provide any assurance that its insurance coverage, contractor arrangements and reserves will be adequate to address some or

all of A&B's warranty and construction defect claims in the future. For example, contractual indemnities may be difficult to enforce, A&B may be responsible for applicable self-insured retentions, and certain claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered and the availability of liability insurance for construction defects could be limited or costly. Accordingly, A&B cannot provide any assurance that such coverage will be adequate, available at an acceptable cost, or available at all.

A&B is involved in joint ventures and is subject to risks associated with joint venture relationships.

A&B is involved in joint venture relationships, and may initiate future joint venture projects. A joint venture involves certain risks such as, among others:

- A&B may not have voting control over the joint venture;
- A&B may not be able to maintain good relationships with its venture partners;

• the venture partner at any time may have economic or business interests that are inconsistent with A&B's economic or business interests;

• the venture partner may fail to fund its share of capital for operations and development activities, or to fulfill its other commitments, including providing accurate and timely accounting and financial information to A&B;

- the joint venture or venture partner could lose key personnel; and

• the venture partner could become insolvent, requiring A&B to assume all risks and capital requirements related to the joint venture project, and any resulting bankruptcy proceedings could have an adverse impact on the operation of the project or the joint venture.

In connection with its real estate joint ventures, A&B may be asked to guarantee completion of a joint venture's construction and development of a project, to guarantee joint venture indebtedness, or to indemnify a third party serving as surety for a joint venture's bonds for such completion. If A&B were to agree to become obligated to perform under such arrangements, A&B may be adversely affected.

A&B's financial results are significantly influenced by the economic growth and strength of Hawaii.

Virtually all of A&B's real estate development activity is conducted in Hawaii. Consequently, the growth and strength of Hawaii's economy has a significant impact on the demand for A&B's real estate development projects. As a result, any adverse change to the growth or health of Hawaii's economy could adversely affect A&B's financial condition and results of operations.

The value of A&B's development projects and its commercial properties are affected by a number of factors.

The Company has significant investments in various commercial real estate properties, development projects, and joint venture investments. For example, the Company has invested more than \$250 million in its Kukui'ula joint venture, including the value of the land. Further weakness in the real estate sector, difficulty in obtaining or renewing project-level financing, and changes in A&B's investment and development strategy, among other factors, may affect the fair value of these real estate assets owned by A&B or by its joint ventures. If the fair value of A&B's joint venture development projects were to decline below the carrying value of those assets, and that decline was other-than-temporary, A&B would be required to recognize an impairment loss. Additionally, if the undiscounted cash flows of its commercial properties or development projects were to decline below the carrying value of those assets, A&B would be required to recognize an impairment loss if the fair value of those assets were below their carrying value. Such impairment losses would have an adverse effect on A&B's financial position and results of operations.

Risks Relating to A&B's Agribusiness Segment

The lack of water for agricultural irrigation could adversely affect A&B.

It is crucial for A&B's Agribusiness segment to have access to reliable sources of water for the irrigation of sugar cane. As further described in "Legal Proceedings," there are regulatory and legal challenges to A&B's ability to divert water from streams in Maui. In addition, A&B's access to water is subject to weather patterns that cannot be reliably predicted. If A&B is limited in its ability to divert stream waters for its use or there is insufficient rainfall on an extended basis, it would have an adverse effect on A&B's sugar operations, including possible cessation of operations, and energy production.

Low raw sugar prices will adversely affect A&B's business.

The business and results of operations of A&B's Agribusiness segment are substantially affected by market factors, particularly the domestic prices for raw cane sugar. These market factors are influenced by a variety of forces, including prices of competing crops and suppliers, weather conditions, and United States farm and trade policies. A&B has forward priced approximately 78 percent of its 2013 crop at favorable levels. However, sugar prices have since declined below 25 cents a pound. If the price for sugar does not recover before A&B is required to price its remaining sugar deliveries in the medium- to long-term, A&B's Agribusiness segment would be adversely affected, including possible cessation of operations.

A&B is subject to risks associated with raw sugar production.

A&B's production of raw sugar is subject to numerous risks that could adversely affect the volume and quality of sugar produced. Any of these risks has the potential to adversely affect A&B's sugar operations, including possible cessation of operations. These risks include, but are not limited to:

• equipment accidents or failures in the factory or the power plant, particularly where equipment is old and difficult to repair or replace;

- government restrictions on farming practices, including cane burning;
- loss of A&B's major customer;
- weather and natural disasters;
- increases in costs, including, but not limited to fuel, fertilizer, herbicide, and drip tubing;

• labor, including labor availability (see risk factor above regarding labor disruptions) and loss of qualified personnel;

- lack of demand for A&B's production;
- disease;
- uncontrolled fires, including arson;
- and weed control.