

## Tax Basis Allocation Methodology – Matson and A&B Stock

After the close of the market on Friday, June 29, 2012 and prior to the opening of the market on July 2, 2012, the separation of Alexander & Baldwin Holdings, Inc. (“A&B Holdings”) into Matson, Inc. (“Matson”) and Alexander & Baldwin, Inc. (“A&B”) was completed. Under the terms of the separation, shareholders of A&B Holdings as of the close of business on the record date of June 18, 2012 received one share of A&B common stock (ticker symbol “ALEX”) for each share of A&B Holdings common stock (the “Distribution”). Upon completion of the separation and at the opening of the market on July 2, 2012, A&B Holdings changed its name to Matson, Inc. and began trading under the stock symbol “MATX,” and A&B began trading under the stock symbol “ALEX”.

As a consequence of the Distribution, U. S. federal income tax law requires that shareholders allocate the tax basis of their former shares of A&B Holdings common stock immediately before the distribution among their shares of Matson common stock and the newly received shares of A&B common stock. The allocation of tax basis among the shares is based on the relative fair market values of the Matson stock and A&B stock immediately after the spin-off.

U.S. federal income tax law does not specify how to determine these relative fair market values. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. One approach to determine fair market values is to utilize the closing prices for Matson and A&B trading on a “when-issued” basis, as quoted on the New York Stock Exchange (“NYSE”) on the June 29, 2012 distribution date, which closing prices were \$26.50 and \$25.17, respectively. Based on the closing “when-issued” prices on the distribution date, 51.29% of pre-distribution tax basis should be allocated to the Matson common stock and 48.71% should be allocated to the A&B common stock. Shareholders are not bound by this approach and may choose, in consultation with their tax advisor, to use another approach to determine the fair market values for the Matson and A&B common stock. Another possible approach is to use the (i) the NYSE Composite average closing price per share of Matson common stock during the first week of trading from July 2 through July 6, 2012, which was \$27.12, and (ii) the NYSE Composite average closing price per share of A&B common stock during the same period, which was \$29.44. Based on these amounts, 47.95% of pre-distribution tax basis should be allocated to the Matson common stock and 52.05% should be allocated to the A&B common stock.

*We recommend that shareholders consult their own tax advisor to determine an appropriate methodology.*

Additional information contained in IRS Form 8937 may be found on the Matson website at [www.matson.com](http://www.matson.com).

This information does not constitute tax advice and is not intended to be used for the purposes of avoiding penalties under the Internal Revenue Code or promoting, marketing or recommending to another party any transaction or matter addressed herein. It does not purport to be complete or to describe the consequences that apply to all particular categories of Matson or A&B stockholders. Shareholders are encouraged to consult with their tax advisors for questions on their own specific tax position.