BIOTIME INC
Form 8-K
November 20, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): November 19, 2008

BioTime, Inc.
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation)	1-12830 (Commission File Number)	94-3127919 (IRS Employer Identification No.)

1301 Harbor Bay Parkway
Alameda, California 94502
(Address of principal executive offices)

(510) 521-3390
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this report and in our other reports filed with the Securities and Exchange Commission. Words such as “expects,” “may,” “will,” “anticipates,” “intends,” “plans,” “believes,” “ “estimates,” and similar expressions identify forward-looking statements.

Section 7 - Regulation FD

Item 7.01 - Regulation FD Disclosure

The press release filed as Exhibit 99.1 is incorporated by reference.

Section 9 - Financial Statements and Exhibits

Item 9.01 - Financial Statements and Exhibits

Exhibit Number	Description
99.1	Press Release dated November 19, 2008

SIGNATURES

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

BIOTIME, INC.

Date: November 19, 2008

By /s/ Steven A. Seinberg
Chief Financial Officer

Exhibit Number	Description
99.1	Press Release dated November 19, 2008

4
;font-size:10pt;">
387.5

472.8

456.3

Operating Costs and Expenses:

Cost of Commercial Real Estate

77.2

75.5

79.0

80.4

78.0

Cost of Land Operations

117.1

60.4

35.0

71.1

57.4

Cost of Materials & Construction

188.1

166.1

154.5

175.7

191.3

Selling, general and administrative

61.2

66.4

52.0

51.6

52.9

REIT evaluation/conversion costs[1]

—

15.2

9.5

—

—

Impairment of assets[2]

79.4

22.4

11.7

—

—

Total operating costs and expenses

523.0

406.0

341.7

378.8

379.6

Gain (loss) on the sale of improved property, net

51.4

9.3

8.1

(1.8
)

—

Operating Income (Loss)

172.8

28.8

53.9

92.2

76.7

Other Income and (Expenses):

Income (loss) related to joint ventures

(4.1
)

7.2

19.2

36.8

1.8

Impairment of equity method investments[3]

(188.6
)

—

—

—

—

Interest and other income (expense), net

2.8

2.1

(1.7
)

(2.5
)

6.1

Reductions in solar investments, net[4]

(0.5
)

(2.6
)

(9.8
)

(2.6
)

(14.7
)
Interest expense

(35.3
)

(25.6
)

(26.3
)

(26.8
)

(29.0
)
Income (Loss) from Continuing Operations Before Income Taxes

(52.9
)

9.9

35.3

97.1

40.9

Income tax benefit (expense)

(16.3
)

218.2

(2.6
)

(36.3
)

(4.1
)
Income (Loss) from Continuing Operations

(69.2
)

228.1

32.7

60.8

36.8

Income (loss) from discontinued operations, net of income taxes

(0.6
)

2.4

(41.1
)

(29.7
)

27.7

Net Income (Loss)

(69.8
)

230.5

(8.4
)

31.1

64.5

Income attributable to noncontrolling interest

(2.2
)

(2.2
)

(1.8
)

(1.5
)

(3.1
)
Net Income (Loss) Attributable to A&B Shareholders

$
(72.0
)

$
228.3

$
(10.2
)

$
29.6

$
61.4

Capital expenditures[5,6]

$
296.1

$
42.5

$

119.6

$
44.7

$
75.1

Depreciation and amortization[6]

$
42.8

$
41.4

$
119.5

$
55.7

$
55.0

Earnings (Loss) Per Share Available to A&B Shareholders:

Basic Earnings (Loss) Per Share of Common Stock:

Continuing operations available to A&B shareholders

$
(1.01
)

$
4.63

$
0.66

$
1.15

$
0.69

Discontinued operations available to A&B shareholders

(0.01
)

0.05

(0.84
)

(0.61
)

0.57

Net income (loss) available to A&B shareholders

$
(1.02
)

$
4.68

$
(0.18
)

$
0.54

$
1.26

Diluted Earnings (Loss) Per Share of Common Stock:

Continuing operations available to A&B shareholders

$
(1.01
)

$
4.30

$
0.65

$
1.14

$
0.68

Discontinued operations available to A&B shareholders

(0.01
)

0.04

(0.83
)

(0.60
)

0.57

Net income (loss) available to A&B shareholders

$
(1.02
)

$
4.34

$
(0.18
)

$
0.54

$
1.25

Cash dividends declared per common share

$
—

$
4.48

$
0.25

$
0.21

$
0.17

30

	December 31,				
(In millions)	2018	2017	2016	2015	2014
Consolidated balance sheet data:					
Total assets	$2,225.2	$2,231.2	$2,156.3	$2,242.3	$2,321.1
Total liabilities	$1,009.0	$1,572.1	$932.3	$1,003.6	$1,107.3
Long-term debt – non-current	$739.1	$585.2	$472.7	$496.6	$632.0
Redeemable noncontrolling interest	$7.9	$8.0	$10.8	$11.6	$—
Total equity (includes noncontrolling interest)[8]	$1,208.3	$651.1	$1,213.2	$1,227.1	$1,213.8

[1] Costs related to the Company's in-depth evaluation of and conversion to a REIT.
[2] During the year ended December 31, 2018, the Company recorded non-cash impairment charges for goodwill and other assets, primarily related to the Materials and Construction segment. During the year ended December 31, 2017, the Company recorded non-cash impairment charges related to three mainland commercial properties classified as held for sale at December 31, 2017. During the year ended December 31, 2016, A&B recorded non-cash impairment charges related to certain non-active, long-term development projects in its Land Operations segment.
[3]During the year ended December 31, 2018, the Company recorded non-cash impairment charges to its equity method investments primarily related to the Company's change in strategy regarding its long term Kukui`ula development joint venture.
[4] Represents non-cash reductions in the carrying value of A&B’s KRS II and Waihonu joint venture solar investments. Tax benefits associated with joint venture solar investments are included in Income tax benefit (expense).
[5] Excludes capital expenditures for real estate developments to be held and sold as real estate development inventory, which are classified in the consolidated statement of cash flows as operating activities.
[6] Includes amounts from discontinued operations.
[7] 2018 amounts are presented on a different basis from prior periods due to the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), using the modified retrospective transition method.
[8] 2018 amounts are reflective of the early adoption of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-K that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding possible or assumed future results of operations, business strategies, growth opportunities and competitive positions. Such forward-looking statements speak only as of the date the statements were made and are not guarantees of future performance. Forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from those expressed in or implied by the forward-looking statements. These factors include, but are not limited to, prevailing market conditions and other factors related to the company's REIT status and the company's business as well as the evaluation of alternatives by the company related to its materials and construction business and by the company's joint venture related to the development of Kukui'ula, generally discussed in the Company's most recent Form 10-K, Form 10-Q and other filings with the SEC. The information in this Form 10-K should be evaluated in light of these important risk factors. We do not undertake any obligation to update the Company's forward-looking statements.

The risk factors discussed in "Risk Factors" could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our financial position, results of operations or cash flows. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides additional information about A&B's business, recent developments, financial condition, liquidity and capital resources, cash flows, results of operations and how certain accounting principles, policies and estimates affect A&B’s financial statements. MD&A is organized as follows:

- Business Overview: This section provides a general description of A&B's business, as well as recent developments that A&B believes are important in understanding its results of operations and financial condition or in understanding anticipated future trends.
- Critical Accounting Estimates: This section identifies and summarizes those accounting policies that significantly impact A&B's reported results of operations and financial condition and require significant judgment or estimates on the part of management in their application.
- Consolidated Results of Operations: This section provides an analysis of A&B's consolidated results of operations for the years ended December 31, 2018, 2017 and 2016.
- Analysis of Operating Revenue and Profit by Segment: This section provides an analysis of A&B's results of operations by business segment.
- Liquidity and Capital Resources: This section provides a discussion of A&B's financial condition and an analysis of A&B’s cash flows for the years ended December 31, 2018, 2017 and 2016, as well as a discussion of A&B's ability to fund its future commitments and ongoing operating activities through internal and external sources of capital.
- Contractual Obligations, Commitments, Contingencies and Off-Balance-Sheet Arrangements: This section provides a discussion of A&B’s contractual obligations and other commitments and contingencies that existed at December 31, 2018.
- Quantitative and Qualitative Disclosures about Market Risk: This section discusses how A&B monitors and manages exposure to potential gains and losses associated with changes in interest rates.
- Rounding: Amounts in the MD&A are rounded to the nearest tenth of a million. Accordingly, a recalculation of totals and percentages, if based on the reported data, may be slightly different.

BUSINESS OVERVIEW

A&B, whose history dates back to 1870, is a REIT headquartered in Honolulu and operates through three reportable segments: Commercial Real Estate; Land Operations; and Materials & Construction.

Commercial Real Estate

Commercial Real Estate ("CRE"): includes leasing, property management, redevelopment and development-for-hold activities. Significant assets include improved commercial real estate and urban ground leases. Income from this segment is principally generated by leasing and operating real estate assets.

Land Operations

Land Operations: involves the management and optimization of A&B's land and related assets primarily through the following activities: planning, zoning, financing, constructing, selling, and investing in real property; leasing agricultural land; and renewable energy. Primary assets include landholdings, renewable energy assets (investments in hydroelectric and solar facilities and power purchase agreements) and development-for-sale projects and investments. Financial results from this segment are principally derived from renewable energy operations, income/loss from real estate joint ventures, real estate development sales and fees, and land parcel sales.

As a result of its conversion to a REIT and consequent de-emphasis of real estate development-for-sale, the Company is undergoing efforts to accelerate the monetization of and/or to reduce its capital requirement through joint venture or other arrangements.

Materials & Construction

Materials & Construction ("M&C"): performs asphalt paving as prime contractor and subcontractor; imports and sells liquid asphalt; mines, processes and sells basalt aggregate; produces and sells asphaltic concrete; provides and sells various construction- and traffic-control-related products; and manufactures and sells precast concrete products. Assets include two grade A (prime) rock quarries, an asphalt storage terminal, hot mix asphalt plants and quarry and paving equipment. Income is generated principally by materials supply and paving construction.

As a result of its conversion to a REIT and consequent de-emphasis of non-REIT operating businesses, the Company is evaluating strategic options for the eventual monetization of some or all of its Materials & Construction businesses.

CRITICAL ACCOUNTING ESTIMATES

A&B’s significant accounting policies are described in Note 2 to the Consolidated Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States, upon which the MD&A is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with certainty and actual results may differ from those critical accounting estimates. These differences could be material.

A&B considers an accounting estimate to be critical if: (i)(a) the accounting estimate requires A&B to make assumptions that are subjective about matters that were highly uncertain at the time that the accounting estimate was made, (b) changes in the estimate are reasonably likely to occur in periods subsequent to the period in which the estimate was made, or (c) different estimates by A&B could have been used, and (ii) changes in those assumptions or estimates would have had a material impact on the financial condition or results of operations of A&B. The critical accounting estimates inherent in the preparation of A&B’s financial statements are described below.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets

Long-lived assets, including finite-lived intangible assets, are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such an evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among other things, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets and ongoing costs of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur

33

in future periods, A&B’s financial condition or its future financial results could be materially impacted. During the year ended December 31, 2018, the Company recorded long-lived asset impairment charges of $40.6 million related to its Materials and Construction segment.

Impairment of Investments in Unconsolidated Affiliates

The Company's investments in unconsolidated affiliates are reviewed for impairment whenever there is evidence that fair value may be below carrying cost. An investment is written down to fair value if fair value is below carrying cost and the impairment is believed to be other-than-temporary. In evaluating the fair value of an investment and whether any identified impairment is other-than-temporary, significant estimates and considerable judgments are involved. These estimates and judgments are based, in part, on the Company’s current and future evaluation of economic conditions in general, as well as a joint venture’s current and future plans. Additionally, these impairment calculations are highly subjective because they require management to make assumptions and apply judgments to estimates regarding the timing and amount of future cash flows that may consider various factors, including sales prices, development costs, market conditions and absorption rates, probabilities related to various cash flow scenarios, and appropriate discount rates based on the perceived risks, among others. In evaluating whether an impairment is other-than-temporary, the Company considers all available information, including but not limited to the financial condition and near-term prospects of the affiliate, the Company’s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, and projected industry and economic trends, among others. Changes in these and other assumptions could affect the projected operational results and fair value of the unconsolidated affiliates, and accordingly, may require valuation adjustments to the Company’s investments that may materially impact the Company’s financial condition or its future operating results.

Economic conditions in particular real estate markets, difficulty in obtaining or renewing project-level financing or development approvals, and changes in the Company’s development strategy, among other factors, may affect the value or feasibility of certain development projects owned by the Company or by its joint ventures and could lead to additional impairment charges in the future.

During the fourth quarter of 2018, the Company determined that its investment in Kukui`ula was other-than-temporarily impaired due to the Company changing its strategy and no longer intending to hold its investment through the duration of the project. As a result, the Company estimated the fair value of its investment in Kukui`ula using a discounted cash flow model and recorded a non-cash, other-than-temporary impairment of $186.8 million.

Goodwill

The Company reviews goodwill for impairment at the reporting unit level annually and whenever events or changes in circumstances indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The goodwill impairment test estimates the fair value of a reporting unit using various methodologies, including an income approach that is based on a discounted cash flow analysis and a market approach that involves the application of market-derived multiples. The discounted cash flow approach relies on a number of assumptions, including future macroeconomic conditions, market factors specific to the reporting unit, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time and a discount rate that considers the risks related to the amount and timing of the cash flows, among others. Under the market multiple methodology, the estimate of fair value is based on market multiples of EBITDA (earnings before interest, taxes, depreciation and amortization) or revenues. When using market multiples of EBITDA or revenues, the Company must make judgments about the comparability of those multiples in closed and proposed transactions and comparability of multiples for similar companies.

If the results of the Company's test indicates that a reporting unit's estimated fair value is less than its carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company's goodwill balance primarily relates to the acquisition of Grace Pacific in 2013. Grace Pacific has three reporting units in the Materials & Construction segment: GPC (primarily consisting of the Grace Pacific’s quarry, paving, and liquid asphalt operations), GPRS (primarily consisting of Grace Pacific’s roadway and maintenance solutions operations) and GPRM (primarily consisting of Grace Pacific’s prestressed and precast concrete operations).

The valuation that was performed of each reporting unit assumes that each is an unrelated business to be sold separately and independently from the other reporting units.
Based upon the results of the valuation, the GPC and GPRS reporting unit's carrying values exceeded their estimated fair values and goodwill was determined to be impaired. Therefore, the Company recorded a non-cash charge of $37.2 million during

the fourth quarter of 2018. The GPRM reporting unit goodwill was not deemed to be impaired as the weighted average percentage by which GPRM's carrying value of the reporting unit exceeded its fair value was approximately 33 percent.

As of December 31, 2018, the Company’s goodwill balance was $65.1 million, of which, $56.4 million related to Grace Pacific.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for a full description of the impact of recently issued accounting standards, which is incorporated herein by reference, including the expected dates of adoption and estimated effects on A&B’s results of operations and financial condition.

35

CONSOLIDATED RESULTS OF OPERATIONS

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries should be read in conjunction with the consolidated financial statements and related notes thereto. Amounts in this narrative are rounded to millions, but per-share calculations and percentages were calculated based on thousands. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different than the amounts included herein. The financial information included in the following table and narrative reflects the presentation of the Company's former sugar operations as discontinued operations for all periods presented.

Consolidated - 2018 vs. 2017 and 2017 vs. 2016

Net income (loss) attributable to A&B shareholders for the years ended December 31, 2018, 2017 and 2016 were as follows:

				2018 vs 2017		2017 vs 2016	
(dollars in millions, except per share amounts)	2018	2017	2016	$	%	$	%
Operating revenue	$644.4	$425.5	$387.5	$218.9	51.4 %	$38.0	9.8 %
Cost of operations	(382.4)	(302.0)	(268.5)	(80.4)	(26.6)%	(33.5)	(12.5)%
Selling, general and administrative	(61.2)	(66.4)	(52.0)	5.2	7.8 %	(14.4)	(27.7)%
REIT evaluation/conversion costs	—	(15.2)	(9.5)	15.2	100.0 %	(5.7)	(60.0)%
Impairment of assets	(79.4)	(22.4)	(11.7)	(57.0)	3X	(10.7)	(91.5)%
Gain (loss) on the sale of commercial real estate properties	51.4	9.3	8.1	42.1	5X	1.2	14.8 %
Operating income (loss)	172.8	28.8	53.9	144.0	5X	(25.1)	(46.6)%
Income (loss) related to joint ventures	(4.1)	7.2	19.2	(11.3)	NM	(12.0)	(62.5)%
Impairment of equity method investments	(188.6)	—	—	(188.6)	— %	—	— %
Other income (expense), net	(33.0)	(26.1)	(37.8)	(6.9)	(26.4)%	11.7	31.0 %
Income tax benefit (expense)	(16.3)	218.2	(2.6)	(234.5)	NM	220.8	NM
Income (loss) from continuing operations	(69.2)	228.1	32.7	(297.3)	NM	195.4	6X
Discontinued operations (net of income taxes)	(0.6)	2.4	(41.1)	(3.0)	NM	43.5	NM
Net income (loss)	(69.8)	230.5	(8.4)	(300.3)	NM	238.9	NM
Income attributable to noncontrolling interest	(2.2)	(2.2)	(1.8)	—	— %	(0.4)	(22.2)%
Net income (loss) attributable to A&B	$(72.0)	$228.3	$(10.2)	$(300.3)	NM	$238.5	NM
Basic - Continuing operations available to A&B shareholders	$(1.01)	$4.63	$0.66	$(5.64)	NM	$3.97	6X
Basic - Discontinued operations available to A&B shareholders	(0.01)	0.05	(0.84)	(0.06)	NM	0.89	NM
Net income (loss) available to A&B shareholders	$(1.02)	$4.68	$(0.18)	$(5.70)	NM	$4.86	NM
Diluted - Continuing operations available to A&B shareholders	$(1.01)	$4.30	$0.65	$(5.31)	NM	$3.65	6X
Diluted - Discontinued operations available to A&B shareholders	(0.01)	0.04	(0.83)	(0.05)	NM	0.87	NM
Net income (loss) available to A&B shareholders	$(1.02)	$4.34	$(0.18)	$(5.36)	NM	$4.52	NM

2018 vs. 2017

Operating revenue for 2018 increased 51.4%, or $218.9 million, to $644.4 million, primarily due to higher revenue from the Land Operations segment. The reasons for business and segment-specific year-to-year fluctuations in revenue are further described in the Analysis of Operating Revenue and Profit by Segment.

Cost of operations for 2018 increased 26.6%, or $80.4 million, to $382.4 million, primarily due to increases in operating expenses incurred by the Land Operations and Materials & Construction segments. The reasons for business and segment-specific year-to-year fluctuations in cost of operations are further described in the Analysis of Operating

Revenue and Profit by Segment.
Selling, general and administrative for 2018 decreased 7.8%, or $5.2 million, to $61.2 million, primarily due to decreases in professional services costs and personnel related costs in 2018.

REIT evaluation/conversion costs for 2017 were $15.2 million related to the Company's conversion to a real estate investment trust, while no costs were incurred in 2018.
Impairment of assets for 2018 increased 3X, or $57.0 million, to $79.4 million, primarily due to asset impairments incurred in the Company's Materials & Construction Segment. The reasons for business and segment-specific year-to-year fluctuations in impairment of assets are further described in the Analysis of Operating Revenue and Profit by Segment.
Gain (loss) on sale of commercial real estate properties for 2018 increased 5X, or $42.1 million, to $51.4 million. The change from the prior year was primarily due to the sales of nine improved properties and a ground lease in 2018 as compared to a gain on the sale of two improved properties during 2017.
Income (loss) related to joint ventures for 2018 decreased by $11.3 million, to a loss of $4.1 million as compared to 2017, primarily due to joint venture activity in the Land Operations segment. The reasons for business and segment-specific year-to-year fluctuations in income (loss) related to joint ventures are further described in the Analysis of Operating Revenue and Profit by Segment.
Impairment of equity method investments for 2018 was $188.6 million, as compared to 2017 when no such charges were incurred. The reasons for business and segment-specific year-to-year fluctuations in equity method investments are further described in the Analysis of Operating Revenue and Profit by Segment.
Other income (expense), net was a net expense for 2018 and increased 26.4%, or $6.9 million, to $33.0 million, primarily due to an increase of $9.7 million related to interest expense as a result of higher debt levels in 2018, offset by lower reductions to the carrying amount of tax equity solar investments in 2018 of $2.1 million.
Income tax (expense) benefit was an expense of $16.3 million for 2018 and primarily reflected the establishment of a valuation allowance related to the Company's deferred tax assets on the balance sheet due to cumulative losses incurred in the Company's TRS. Income tax benefit for 2017 of $218.2 million primarily reflected the reversal of approximately $223.0 million of net deferred tax liabilities in connection with the Company's conversion to a REIT, offset by approximately $3.0 million due to the impact of the enactment of the Tax Cuts and Jobs Act of 2017.
Income attributable to noncontrolling interest of $2.2 million for 2018 approximated 2017. The noncontrolling interest represents third-party noncontrolling interests in two entities consolidated by Grace Pacific in which Grace Pacific owns a 70% and 51% share.
2017 vs. 2016
Operating revenue for 2017 increased 9.8%, or $38.0 million, to $425.5 million, primarily due to higher revenue from the Land Operations and Materials & Construction segments. The reasons for business and segment-specific year-to-year fluctuations in revenue are further described in the Analysis of Operating Revenue and Profit by Segment.
Cost of operations for 2017 increased 12.5%, or $33.5 million, to $302.0 million, primarily due to increases in operating expenses incurred by the Land Operations and Materials & Construction segments. The reasons for business and segment-specific year-to-year fluctuations in cost of operations are further described in the Analysis of Operating Revenue and Profit by Segment.
Selling, general and administrative for 2017 increased 27.7%, or $14.4 million, to $66.4 million, primarily due to strategic initiatives taken to grow the commercial real estate business such as costs incurred to transition third-party property management and leasing functions internally.
REIT evaluation/conversion costs for 2017 increased 60.0%, or $5.7 million, to $15.2 million related to the Company's conversion to a real estate investment trust, compared to $9.5 million in 2016.
Impairment of assets for 2017 increased 91.5%, or $10.7 million, to $22.4 million, primarily due to certain of its U.S. Mainland properties that were classified as held for sale as of December 31, 2017.
Gain (loss) on sale of commercial real estate properties for 2017 was $9.3 million realized on the sales of two commercial properties during 2017, as compared to $8.1 million realized on commercial property sales during 2016. Additionally, following our conversion to a REIT, sales of improved properties are no longer subject to taxation.
Income (loss) related to joint ventures for 2017 decreased 62.5%, or $12.0 million to $7.2 million as compared to 2016 primarily due to joint venture activity in the Land Operations segment. The reasons for business and segment-specific year-to-

37

year fluctuations in income (loss) related to joint ventures are further described in the Analysis of Operating Revenue and Profit by Segment.

Other income (expense), net was a net expense of $26.1 million in 2017 compared to a net expense of $37.8 million in 2016. The change from the prior year was primarily due to an increase of $3.5 million in interest income, a $0.4 million decrease in pension and post retirement other expense and a $7.2 million increase in the adjustment to reduce the carrying amount of tax equity solar investments.

Income tax benefit (expense) was a benefit of $218.2 million in 2017, primarily due to the reversal of approximately $223.0 million of net deferred liabilities in connection with the Company's conversion to a REIT, partially offset by approximately $3.0 million due to the impact of the enactment of the Tax Cuts and Jobs Act of 2017. Income tax expense was $2.6 million for 2016 due to taxable income generated by the Company and reduced by a non-refundable federal tax credit related to the Company’s Waihonu tax equity solar investment.

Income attributable to noncontrolling interest increased $0.4 million in 2017 compared to 2016. The noncontrolling interest represents third-party noncontrolling interests in two entities consolidated by Grace Pacific and in which Grace Pacific owns a 70% and 51% share.

ANALYSIS OF OPERATING REVENUE AND PROFIT BY SEGMENT
Commercial Real Estate
2018 vs. 2017
Operating profit (loss) margin, cash and same store net operating income for the years ended December 31, 2018 and 2017 and number of Hawai`i ground leases at December 31, 2018 and 2017 were as follows:

(dollars in millions, unaudited)	2018	2017	$ Change	Change
Commercial Real Estate operating revenue	$140.3	$136.9	$3.4	2.5 %
Commercial Real Estate operating costs and expenses	(77.2)	(75.5)	(1.7)	(2.3)%
Selling, general and administrative	(6.9)	(6.8)	(0.1)	(1.5)%
Intersegment operating revenue, net[1]	2.6	2.5	0.1	4.0 %
Impairment of assets	—	(22.4)	22.4	100.0 %
Other income/(expense), net	(0.3)	(0.3)	—	— %
Commercial Real Estate operating profit (loss)	$58.5	$34.4	$24.1	70.1 %
Operating profit (loss) margin	41.7 %	25.1 %		
Cash Net Operating Income ("Cash NOI")[2]				
Hawai`i	$85.2	$74.0		
Mainland	1.5	10.9		
Total	$86.7	$84.9		
Same-Store Cash Net Operating Income ("Same-Store Cash NOI")[2]	$74.2	$71.6		
Gross Leasable Area ("GLA") (million sq. ft.) - Improved (at year end)				
Hawai`i	3.5	3.0		
Mainland	—	1.0		
Total improved	3.5	4.0		
Hawai`i ground leases (acres at end of period)	108.7	117.0		

[1] Intersegment operating revenue, net for Commercial Real Estate is primarily from the Materials & Construction segment and is eliminated in the consolidated results of operations.
[2] Refer to page 42 for a discussion of management's use of a non-GAAP financial measure and the required reconciliation of non-GAAP measures to GAAP measures.

Commercial Real Estate operating revenue for 2018 increased 2.5%, or $3.4 million, to $140.3 million, primarily due to increases in Hawai`i same-store rents. "Same-store" refers to properties that were owned and operated for the entirety of the prior calendar year. The same-store pool excludes properties under development or redevelopment, properties held for sale and also excludes properties acquired or sold during the comparable reporting periods, including stabilized properties. New developments and redevelopments are moved into the same-store pool upon one full calendar year of stabilized operation. New developments and redevelopments are generally considered stabilized upon the initial attainment of 90% occupancy.

Commercial Real Estate Operating profit (loss) for 2018 increased 70.1%, or $24.1 million, to $58.5 million, primarily due to aggregate impairment charges of $22.4 million recognized in 2017 related to certain U.S. Mainland properties that were classified as held for sale as of December 31, 2017.

39

Occupancy represents the percentage of square footage leased and commenced to gross leasable space at the end of the period reported. The Company's commercial portfolio's occupancy and same-store occupancy percentage summarized by property type at December 31, 2018 and 2017 was as follows:

Occupancy

	December 31, 2018	December 31, 2017	Percentage Point Change
Retail	93.4%	93.1%	0.3
Industrial	90.1%	95.1%	(5.0)
Office	93.8%	89.1%	4.7
Total	92.4%	93.5%	(1.1)

Same-Store Occupancy

	December 31, 2018	December 31, 2017	Percentage Point Change
Retail	93.0%	93.3%	(0.3)
Industrial	89.3%	95.3%	(6.0)
Office	93.8%	89.8%	4.0
Total	91.9%	93.7%	(1.8)

In 2018, the Company signed or renewed 240 leases or 825,239 square feet, at an average spread of 8.4%, and the change in average annual rental income on renewals as compared to the prior rental income was approximately 9.3%. Total expenditures for tenant improvement costs and leasing commissions were $11.9 million in 2018 and $10.6 million in 2017.

GLA was 3.5 million square feet at December 31, 2018, compared to 4.0 million square feet at of December 31, 2017, as a result of the following activity:

Dispositions			Acquisitions		
Date	Property	GLA (SF)	Date	Property	GLA (SF)
11/18	Lahaina Square	44,800	12/18	Opule Street Industrial	151,500
3/18	Sparks Business Center	396,100	7/18	The Collection	12,000
3/18	Preston Park	198,800	2/18	Laulani Village	175,600
3/18	Little Cottonwood Center	141,500	2/18	Hokulei Village	119,200
3/18	Royal MacArthur Center	44,900	2/18	Pu`unene Shopping Center	120,400
3/18	Stangenwald Building	27,100			
3/18	Judd Building	20,200			
3/18	Kaiser Permanente Ground Lease	N/A			
2/18	Deer Valley Financial Center	126,600			
1/18	Concorde Commerce Center	138,700			
	Total improved dispositions	1,138,700		Total improved acquisitions	578,700

2017 vs. 2016

Operating profit (loss) margin, cash and same store net operating income for the years ended December 31, 2017 and 2016 and number of Hawai`i ground leases at December 31, 2017 and 2016 were as follows:

(dollars in millions, unaudited)	2017	2016	$ Change	Change
Commercial Real Estate operating revenue	$136.9	$134.7	$2.2	1.6 %
Commercial Real Estate operating costs and expenses	(75.5)	(79.0)	3.5	4.4 %
Selling, general and administrative	(6.8)	(2.5)	(4.3)	(172.0)%
Intersegment operating revenue, net[1]	2.5	2.0	0.5	25.0 %
Impairment of assets	(22.4)	—	(22.4)	NM
Other income/(expense), net	(0.3)	(0.4)	0.1	25.0 %
Commercial Real Estate operating profit (loss)	$34.4	$54.8	$(20.4)	(37.2)%
Operating profit (loss) margin	25.1 %	40.7 %		
Cash Net Operating Income ("Cash NOI")[2]				
Hawai`i	$74.0	69.8		
Mainland	10.9	13.2		
Total	$84.9	$83.0		
Same-Store Cash Net Operating Income ("Same-Store Cash NOI")[2]	$71.6	$72.2		
Gross Leasable Area ("GLA") (million sq. ft.) - Improved (at year end)				
Hawai`i	3.0	2.9		
Mainland	1.0	1.8		
Total improved	4.0	4.7		
Hawai`i ground leases (acres at end of period)	117.0	106.0		

[1] Intersegment operating revenue, net for Commercial Real Estate is primarily from the Materials & Construction segment and is eliminated in the consolidated results of operations.

[2] Refer to page 42 for a discussion of management's use of a non-GAAP financial measure and the required reconciliation of non-GAAP measures to GAAP measures.

Commercial Real Estate operating revenue for 2017 was 1.6% higher than 2016, primarily attributable to the increases in Hawai`i same-store rents. Results reflect increases in Hawai`i same-store rents. "Same-store" refers to properties that were owned and operated for the entirety of the prior calendar year. The same-store pool excludes properties under development or redevelopment, properties held for sale and also excludes properties acquired or sold during the comparable reporting periods, including stabilized properties. New developments and redevelopments are moved into the same-store pool upon one full calendar year of stabilized operation. New developments and redevelopments are generally considered stabilized upon the initial attainment of 90% occupancy.

Operating profit was 37.2% lower in 2017, compared with 2016, primarily due to aggregate impairment charges of $22.4 million related to certain of its U.S. Mainland properties that were classified as held for sale as of December 31, 2017.

GLA was 4.0 million square feet at December 31, 2017, compared to 4.7 million square feet at December 31, 2016 as a result of the following activity:

Dispositions			Acquisitions		
Date	Property	GLA	Date	Property	GLA
1/17	The Maui Clinic Building	16,600	6/17	Honokohau Industrial	73,200
11/17	Midstate 99 Distribution Center	790,200			
	Total dispositions	806,800		Total improved	73,200

acquisitions

41

Use of Non-GAAP Financial Measures

The Company uses non-GAAP measures when evaluating operating performance because management believes that they provide additional insight into the Company's and segments' core operating results, and/or the underlying business trends affecting performance on a consistent and comparable basis from period to period. These measures generally are provided to investors as an additional means of evaluating the performance of ongoing core operations.

Cash Net Operating Income ("Cash NOI") is a non-GAAP measure used internally in evaluating the unlevered performance of the Company's Commercial Real Estate portfolio. The Company believes Cash NOI provides useful information to investors regarding the Company's financial condition and results of operations because it reflects only those cash income and expense items that are incurred at the property level, and when compared across periods, can be used to determine trends in earnings of the Company's properties as this measure is not affected by non-cash revenue and expense recognition items, the impact of depreciation and amortization expenses or other gains or losses that relate to the Company's ownership of properties. The Company believes the exclusion of these items from operating profit (loss) is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the Company's Commercial Real Estate portfolio as well as trends in occupancy rates, rental rates, and operating costs. Cash NOI should not be viewed as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

Cash NOI is calculated as total Commercial Real Estate operating revenues less direct property-related operating expenses. Cash NOI excludes straight-line lease adjustments, amortization of favorable/unfavorable leases, amortization of lease incentives, selling, general and administrative expenses, impairment of commercial real estate assets, lease termination income, and depreciation and amortization (including amortization of maintenance capital, tenant improvements and leasing commissions).

The Company's methods of calculating non-GAAP measures may differ from methods employed by other companies and thus may not be comparable to such other companies.

A reconciliation of Commercial Real Estate operating profit (loss) to Commercial Real Estate Cash NOI for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

(dollars in millions, unaudited)	2018	2017	2016
Commercial Real Estate Operating Profit (Loss)	$58.5	$34.4	$54.8
Plus: Depreciation and amortization	28.0	26.0	28.4
Less: Straight-line lease adjustments	(4.0)	(1.6)	(2.1)
Plus: Lease incentive amortization	—	—	0.1
Less: Favorable/(unfavorable) lease amortization	(1.9)	(2.9)	(3.3)
Less: Termination income	(1.1)	(1.7)	(0.1)
Plus: Other (income)/expense, net	0.3	0.3	0.4
Plus: Impairment of assets	—	22.4	—
Plus: Selling, general, administrative and other expenses	6.9	7.9	4.8
Commercial Real Estate Cash NOI	$86.7	$84.8	$83.0

Land Operations

2018 vs. 2017 vs. 2016

Direct year-over-year comparison of the Land Operations segment results may not provide a consistent, measurable indicator of future performance because results from period to period are significantly affected by the mix and timing of property sales. Operating results, by virtue of each project's asset class, geography and timing are inherently variable. Earnings from joint venture investments are not included in segment revenue, but are included in operating profit. The mix of real estate sales in any year or quarter can be diverse and can include developed residential real estate, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawai`i generally provides higher margins than does the sale of developed property, due to the low historical cost basis of the Company's land owned in Hawai`i. Consequently, Land Operations revenue trends, cash flows from the sales of real estate, and the amount of real estate held for sale on the Company's balance sheet do not necessarily indicate future profitability trends for this segment. Additionally, the operating profit reported in each quarter does not necessarily follow a percentage of sales trend because the cost basis of property sold can differ significantly between transactions.

42

Land Operations operating profit (loss) for the years ended December 31, 2018, 2017 and 2016 were as follows:

(in millions, unaudited)	2018	2017	2016
Development sales revenue	$54.3	$35.0	$12.5
Unimproved/other property sales revenue	210.5	25.6	28.7
Other operating revenues[1]	24.7	23.9	20.7
Total Land Operations operating revenue	289.5	84.5	61.9
Land operations costs and operating expenses	(124.0)	(73.9)	(46.3)
Impairment of assets	(1.6)	—	(11.7)
Impairment of equity method investment	(188.6)	—	—
Earnings (loss) from joint ventures	(4.7)	3.3	15.1
Reductions in solar investments, net	(0.5)	(2.6)	(9.8)
Interest and other income (expense), net	3.2	2.9	(2.2)
Total Land Operations operating profit (loss)	$(26.7)	$14.2	$7.0

[1] Other operating revenues includes revenue related to trucking, renewable energy and diversified agriculture.

2018: Land Operations revenue of $289.5 million was significantly impacted in 2018 by the bulk sale of approximately 41,000 of our Maui agricultural lands and certain ownership interests to Mahi Pono, LLC ("Agricultural Land Sale"). Land Operations revenue also included sales of 91 units for the Company's Kamalani project in Kihei, Maui, the sale of one Kahala Avenue parcel, the sale of 313 acres to the State of Hawai`i for the expansion of the Kahului airport on Maui, the sale of 262 acres to the County of Maui for the expansion of the Kula Agricultural Park on Maui, and trucking service and power sales revenues.

Operating loss for the year ended December 31, 2018 was $26.7 million and included the gross profit of $162.2 million related to the Agricultural Land Sale, the sale of a 313 acre land parcel in Kahului, Maui, and a decrease in earnings from the Company's real estate development-related joint ventures and investments. The segment results also included equity method investment impairments of $188.6 million, primarily related to the Company's Kukui`ula joint venture. During the fourth quarter, the Company changed its strategy and will no longer hold its investment in Kukui`ula long-term, although it remains committed to positioning the project for longer term success and transition. As a result of the change in intent, the Company concluded that its investment in Kukui`ula was other-than-temporarily impaired and recognized a non-cash impairment of $186.8 million during the fourth quarter of 2018. Operating profit also includes interest and other income (expense), net, of $3.2 million, primarily related to a gain on the sale of a real estate development joint venture.

2017: Land Operations revenue was $84.5 million and included sales of one Kahala Avenue parcel, 35 units on Maui, a 293-acre parcel in Haiku, Maui, a 273-acre parcel on the island of Kauai, six lots at Maui Business Park, a 146-acre parcel in Kihei, Maui, a three-acre parcel in Wailea, Maui, and a 0.8-acre vacant, urban parcel on Maui, along with trucking service and power sales revenues.

Operating profit for the year ended December 31, 2017 was $14.2 million and included earnings from the Company's real estate development-related joint ventures and investments. The segment results also included a $2.6 million non-cash reduction in the carrying value of the Company's Solar Investment and $2.9 million of interest and other income primarily related to notes receivable on a third-party development-for-sale project that was repaid during the fourth quarter of 2017.

2016: Land Operations revenue was $61.9 million, principally related to the sales of three vacant parcels of $27.7 million on Maui, two residential lots on Oahu of $6.9 million, The Collection developer fee of $4.4 million, 0.5 acres at Maui Business Park II of $1.0 million, trucking service revenue, and power sales revenue.

Operating profit for the year ended December 31, 2016 and included joint venture residential sales of 451 residential units at The Collection, 14 units at Kukui`ula on Kauai and 10 units at Ka Milo on the Island of Hawai`i. The margin on these sales was partially offset by joint venture expenses. During the fourth quarter of 2016, as a result of a change in its strategy for development activities, the Company recorded non-cash impairment charges of $11.7 million related to certain non-active, long-term development projects. The impairment loss recorded reduced the carrying amounts to the estimated fair value, reflecting the change to the Company’s development-for-sale strategy to de-risk its portfolio by not pursuing certain long-term projects that were not in active development and instead focus on projects with a shorter-term investment period, generally 3 to 5 years. Operating profit includes the reduction of the Company's solar energy investments of $9.8 million in 2016.

Discontinued Operations

2018 vs. 2017 vs. 2016

The revenue, operating income (loss), and after-tax effects of discontinued operations for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

(dollars in millions, unaudited)	2018	2017	2016
Sugar operations revenue	$—	$22.9	$98.4
Cost of discontinued sugar operations	—	22.5	87.5
Operating income (loss) from sugar operations	—	0.4	10.9
Sugar operations cessation costs	(0.6)	(2.7)	(77.6)
Gain (loss) on asset dispositions	—	6.0	—
Income (loss) from discontinued operations before income taxes	(0.6)	3.7	(66.7)
Income tax benefit (expense)	—	(1.3)	25.6
Income (loss) from discontinued operations, net of income taxes	$(0.6)	$2.4	$(41.1)

2018: Loss from discontinued operations, net of income taxes was $0.6 million during the year ended December 31, 2018; see Note 18 "Cessation of Sugar Operations".

2017: Income from discontinued operations of $2.4 million for 2017 reflected gains realized on asset dispositions during the year, as well as the results of operations related to the final sugar voyage that was completed in January 2017 and other exit related costs related to the cessation of the sugar operations. See Note 18, "Cessation of Sugar Operations" for further discussion regarding the cessation and the related costs associated with such exit and disposal activities.

2016: Loss from discontinued operations of $41.1 million for 2016 reflected sugar cessation charges of $77.6 million related to the cessation of the Hawaiian Commercial & Sugar Company ("HC&S") sugar operation. The cessation charges included asset write-offs and accelerated depreciation, employee severance benefits and related costs, and property removal, restoration and other exit-related costs. See Note 18, "Cessation of Sugar Operations" for further discussion regarding the cessation and the related costs associated with such exit and disposal activities.

Materials & Construction

2018 vs. 2017

Selected financial data for Materials & Construction for the years ended December 31, 2018 and 2017 and backlog at December 31, 2018 and 2017 were as follows:

(dollars in millions, unaudited)	2018	2017	$ Change	Change
Materials & Construction operating revenue	$214.6	$204.1	10.5	5.1%
Operating Profit (Loss)	$(73.2)	$22.0	(95.2)	(432.7)%
Operating margin percentage	(34.1)%	10.8 %		
Depreciation and amortization	$12.1	$12.2	0.1	0.8%
Aggregate tons delivered (tons in thousands)	718.2	691.6	26.6	3.8%
Asphalt tons delivered (tons in thousands)	498.2	553.8	(55.6)	(10.0)%
Backlog[1,2] at period end	128.7	202.1	(73.4)	(36.3)%

[1] Backlog represents the total amount of revenue that Grace Pacific and Maui Paving, LLC, a 50-percent-owned unconsolidated affiliate, expect to realize on contracts awarded. Backlog primarily consists of asphalt paving and, to a lesser extent, Grace Pacific's consolidated revenue from its prestress and construction-and traffic control-related products. Backlog includes estimated revenue from the remaining portion of contracts not yet completed, as well as revenue from approved change orders. The length of time that projects remain in backlog can span from a few days for a small volume of work to 36 months for large paving contracts and contracts performed in phases. At December 31, 2018 and 2017, these amounts include $10.7 million and $17.2 million of opportunity backlog consisting of government contracts in which Grace Pacific has been confirmed to be the lowest bidder and formal communication of the award is deemed perfunctory at the time of this disclosure. Circumstances outside the Company's control such as procurement or technical protests may arise that prevent the finalization of such contracts. Maui Paving's backlog at December 31, 2018 and 2017 was $4.1 million and $10.6 million, respectively.

[2] At December 31, 2018 and 2017, the backlog included contractual revenue with related parties of $2.1 million and $1.0 million, respectively.

44

Materials & Construction revenue was $214.6 million for the year ended December 31, 2018, compared to $204.1 million for the year ended December 31, 2017.

Operating loss was $73.2 million for the year ended December 31, 2018, compared to operating profit of $22.0 million for the year ended December 31, 2017. Operating loss included non-cash impairment charges of approximately $77.8 million related to goodwill and long-lived assets in the quarry and paving operations. Materials & Construction segment operating loss was also impacted by lower margins due to reduced quarry production and paving volumes, lower pricing margins, lower joint venture earnings and higher general and administrative expenses related to process improvement initiatives and personnel transition costs. Earnings from joint venture investments are not included in segment revenue but are included in operating loss.

A change in the way local government entities are contracting for paving services has reduced the amount of paving work that meets the definition of backlog. Certain counties are now awarding "maintenance contracts" under which a contractor can secure all paving work within a certain geographic area, but jobs are not identified in advance, meeting the requirement for inclusion in backlog. This contributes, in part, to the year-over-year declines shown here in backlog.

2017 vs. 2016

Selected financial data for Materials & Construction for the years ended December 31, 2017 and 2016 and back log at December 31, 2017 and 2016 were as follows:

(dollars in millions, unaudited)	2017	2016	$ Change	Change
Materials & Construction operating revenue	$204.1	$190.9	13.2	6.9%
Operating Profit (Loss)	$22.0	$23.3	(1.3)	(5.6)%
Operating margin percentage	10.8 %	12.2 %		
Depreciation and amortization	$12.2	$11.7	(0.5)	(4.3)%
Aggregate tons delivered (tons in thousands)	691.6	696.1	(4.5)	(0.6)%
Asphalt tons delivered (tons in thousands)	553.8	444.9	108.9	24.5%
Backlog at period end	$202.1	$242.9	(40.8)	(16.8)%

Materials & Construction revenue was $204.1 million in 2017, compared to $190.9 million in 2016. Revenue increased 6.9% primarily due to higher overall net material and construction volumes. Backlog at the end of December 31, 2017 was $202.1 million, compared to $242.9 million at December 31, 2016.

Operating profit was $22.0 million for 2017, compared to $23.3 million for 2016, primarily due to lower paving margins as a result of competitive market pressures, as well as lower earnings from a materials joint venture. Earnings from joint venture investments are not included in segment revenue but are included in operating profit.

LIQUIDITY AND CAPITAL RESOURCES

Overview: A&B's primary liquidity needs have historically been to support working capital requirements and fund capital expenditures, commercial real estate acquisitions and real estate developments. A&B's principal sources of liquidity have been cash flows provided by operating activities, available cash and cash equivalent balances, and borrowing capacity under its various credit facilities.

A&B's operating income (loss) is generated by its subsidiaries. There are no material restrictions on the ability of A&B's wholly owned subsidiaries to pay dividends or make other distributions to A&B. A&B regularly evaluates investment opportunities, including development projects, commercial real estate acquisitions, joint venture investments, share repurchases, business acquisitions and other strategic transactions to increase shareholder value. A&B cannot predict whether or when it may make investments or what impact any such transactions could have on A&B's results of operations, cash flows or financial condition. A&B’s cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the section entitled "Risk Factors" beginning on page 11.

Cash Flows: Cash flows from operations was $309.9 million for the year ended December 31, 2018, while cash flows used in operations for the year ended December 31, 2017 was $1.3 million and cash flows from operations for the year ended December 31, 2016 was $111.2 million. The change in cash flows from operating activities is primarily attributable to an increase in cash and restricted cash received from the Agricultural Land Sale and the Company's real estate development sales, as well as a decrease in cash outlays related to the Company's pension and postretirement plans and severance payments for cessation related liabilities during the year ended December 31, 2018 as compared to prior year.

Cash flows used in investing activities was $104.7 million, $3.9 million, and $33.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. During the year ended December 31, 2018, the net cash used in investing activities included cash outlays of $296.1 million related to capital expenditures, including cash outlays of $241.7 million due to the Company's acquisitions of Laulani Village Shopping Center ("Laulani Village"), Hokulei Village Shopping Center, and Pu`unene Shopping Center (collectively, "TRC Acquisition"), cash outlays of $6.9 million due to the Company's acquisition of the five commercial units at The Collection high-rise residential condominium project on Oahu from its joint venture partners, and cash outlays of $40.1 million due to the Company's acquisition of Class A industrial warehouse buildings on Oahu. Cash outlays for investing activities during the year ended December 31, 2018 also included contributions of $22.6 million related to investments in unconsolidated affiliates. Cash inflows from investing activities during the year ended December 31, 2018 included proceeds of $171.7 million resulting from the sales of nine improved properties and a ground lease in 2018. Other investing cash flow activity during the year ended December 31, 2018 included $42.3 million of proceeds from joint ventures and other investments.

Net cash flows used in investing activities for capital expenditures were as follows:

(dollars in millions)	2018	2017	Change
Commercial real estate property acquisitions/improvements	$274.0	$26.7	9X
Tenant improvements	8.7	6.1	42.6%
Quarrying and paving	11.0	6.3	74.6%
Agribusiness and other	2.4	3.4	(29.4)%
Total capital expenditures[1]	$296.1	$42.5	6X

[1] Excludes capital expenditures for real estate developments to be held and sold as real estate development inventory, which are classified in the consolidated statement of cash flows as operating activities and are excluded from the tables above.

In 2019, A&B expects that its required capital expenditures for growth, maintenance and acquisition capital will be approximately $260-$270 million for the Commercial Real Estate portfolio, which is primarily related to acquisition capital and includes the use of tax deferred sales and condemnation proceeds. An additional $9-$13 million and $25-30 million have been projected for Materials & Construction and Land Operations, respectively. Should investment opportunities in excess of the amounts budgeted arise, A&B believes it has adequate sources of liquidity to fund these investments.

Net cash flows used in financing activities was $73.5 million for the year ended December 31, 2018, as compared to net cash from financing activities for the year ended December 31, 2017 of $96.1 million and net cash used in financing activities for the year ended December 31, 2016 of $84.7 million. The change in cash flows used in financing activities in 2018 as compared to 2017 was primarily due to $156.6 million of cash dividends paid to the Company's shareholders in January 2018 related to the Company's conversion to a REIT, offset by the net impact of proceeds from the issuance and payments of long-term debt.

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

Other Sources of Liquidity: Additional sources of liquidity for the Company consisted of cash and cash equivalents, trade and income tax receivables, contracts retention, and inventories, totaling $122.9 million at December 31, 2018, a decrease of $51.2 million from December 31, 2017. The decrease is primarily due to a reduction in cash from capital expenditures and asset acquisitions during the year ended December 31, 2018.

The Company also has revolving credit and term facilities that provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. At December 31, 2018, the Company had $136.6 million of revolving credit borrowings outstanding, $11.3 million in letters of credit had been issued against the facility, and $302.1 million remained unused.

Balance Sheet: The Company had working capital of $51.3 million at December 31, 2018, which is an increase of $703.3 million, from a $652.0 million working capital deficit at December 31, 2017. The change in the working capital is primarily due to cash dividends of $156.6 million paid reducing the dividends payable liability and stock dividends of $626.4 million issued in January 2018, offset by a decrease in cash due primarily to capital expenditures and asset acquisitions.

46

Tax-Deferred Real Estate Exchanges:
Sales: During the year ended December 31, 2018, sales and condemnation proceeds that qualified for potential tax-deferral treatment under Code §1031 and §1033 totaled approximately $432.3 million from the sales of U.S. Mainland commercial properties, four Hawai`i commercial properties, and land parcels on Maui.
Purchases: During the year ended December 31, 2018, the Company utilized $214.3 million from tax-deferred sales or condemnations for the TRC Acquisition, the acquisition of five commercial units at The Collection, and the acquisition of Class A industrial warehouse buildings on Oahu.
Proceeds from §1031 tax-deferred sales are held in escrow pending future use to purchase new real estate assets. The proceeds from §1033 condemnations are held by the Company until the funds are redeployed. As of December 31, 2018, there were approximately $237.7 million from tax-deferred sales or condemnations that had not yet been reinvested.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS
Contractual Obligations: At December 31, 2018, the Company had the following estimated contractual obligations (in millions):

			Payment due by period			
Contractual Obligations		Total	2019	2020-2021	2022-2023	Thereafter
Debt obligations	(a)	$779.2	$29.9	$ 81.7	$ 249.5	$ 418.1
Estimated interest on debt	(b)	196.9	35.1	65.4	49.7	46.7
Purchase obligations	(c)	37.0	37.0	—	—	—
Pension benefits		128.2	13.2	26.1	26.0	62.9
Post-retirement obligations	(d)	7.1	0.8	1.6	1.4	3.3
Non-qualified benefit obligations	(e)	3.5	0.3	1.2	—	2.0
Operating lease obligations	(f)	39.9	5.5	10.7	9.8	13.9
Total		$1,191.8	$121.8	$ 186.7	$ 336.4	$ 546.9

(a) Long-term debt obligations (including current portion, but excluding debt premium or discount) include principal repayments of short-term and long-term debt for the respective period(s) described (see Note 8 to the Consolidated Financial Statements for principal repayments for each of the next five years). Long-term debt includes amounts borrowed under revolving credit facilities, which have been reflected as payments due in 2022. This amount does not include the debt issuance cost.
(b) Estimated cash paid for interest on debt is determined based on (1) the stated interest rate for fixed debt and (2) the rate in effect at December 31, 2018 for variable rate debt. Because the Company's variable rate debt may be rolled over, actual interest may be greater or less than the amounts indicated. Estimated interest on debt also includes swap payments on the Company's interest rate swaps.
(c) Purchase obligations include only non-cancelable contractual obligations for the purchases of goods and services. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Any amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.
(d) Post-retirement obligations include expected payments to medical service providers in connection with providing benefits to the Company's employees and retirees. The $3.3 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2024 through 2028. Post-retirement obligations are described further in Note 11 to the Consolidated Financial Statements. The obligation for pensions reflected on the Company's consolidated balance sheet is excluded from the table above because the Company is unable to reliably estimate the timing and amount of contributions.
(e) Non-qualified benefit obligations include estimated payments to executives and directors under the Company's non-qualified plans. The $2.0 million noted in the column labeled "Thereafter" comprises estimated benefit payments for 2024 through 2028. Additional information about the Company's non-qualified plans is included in Note 11 to the

Consolidated Financial Statements.
(f) Operating lease obligations primarily include land, office space and equipment under non-cancelable, long-term lease arrangements that do not transfer the rights and risks of ownership to A&B. These amounts are further described in Note 9 to the Consolidated Financial Statements.
Commitments, Contingencies and Off-balance Sheet Arrangements: A description of other commitments, contingencies, and off-balance sheet arrangements at December 31, 2018, and herein incorporated by reference, is included in Note 14 to the consolidated financial statements of Item 8 in this Form 10-K.

47

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A&B is exposed to changes in interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. In order to manage its exposure to changes in interest rates, A&B utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. The nature and amount of A&B's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions, and other factors.

A&B's fixed rate debt, excluding debt premium or discount and debt issuance costs, consists of $582.8 million in principal term notes. A&B's variable rate debt consists of $137.0 million under its revolving credit facilities, $50.0 million under a bank syndicated loan, and $9.4 million under a term loan. Other than in default, A&B does not have an obligation, nor the option in some cases, to prepay its fixed-rate debt prior to maturity and, as a result, interest rate fluctuations and the resulting changes in fair value would not have an impact on A&B's financial condition or results of operations unless A&B was required to refinance such debt. For A&B's variable rate debt, a one percent increase in interest rates would have approximately a $1.2 million impact on A&B's results of operations for 2018, assuming the December 31, 2018 balance of the variable rate debt was outstanding throughout 2018.

The following table summarizes A&B's debt obligations at December 31, 2018, presenting principal cash flows and related interest rates by the expected fiscal year of repayment.

	Expected Fiscal Year of Repayment at December 31, 2018							Fair Value at December 31, 2018
(dollars in millions)	2019	2020	2021	2022	2023	Thereafter	Total	
Liabilities								
Fixed rate	$29.9	$29.7	$42.2	$29.1	$33.8	$418.1	$582.8	$ 561.6
Average interest rate	4.51 %	4.56 %	4.48 %	4.37 %	4.32 %	3.82 %	4.34 %	
Variable rate	$—	$0.4	$9.4	$136.6	$50.0	$—	$196.4	$ 196.4
Average interest rate*	4.47 %	4.47 %	4.48 %	4.60 %	4.30 %	— %	4.46 %	

*Estimated interest rates on variable debt are determined based on the rate in effect on December 31, 2018. Actual interest rates may be greater or less than the amounts indicated when variable rate debt is rolled over.

From time to time, the Company may invest its excess cash in short-term money market funds that purchase government securities or corporate debt securities. At December 31, 2018, the amount invested in money market funds was immaterial. These money market funds maintain a weighted average maturity of less than 60 days, and accordingly, a one percent change in interest rates is not expected to have a material impact on the fair value of these investments or on interest income.

A&B has no material exposure to foreign currency risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statement

We have audited the accompanying consolidated balance sheets of Alexander & Baldwin, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Honolulu, Hawai`i
February 28, 2019

We have served as the Company's auditor since 1950.

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

	Year Ended December 31,		
	2018	2017	2016
Operating Revenue:			
Commercial Real Estate	$140.3	$136.9	$134.7
Land Operations	289.5	84.5	61.9
Materials & Construction	214.6	204.1	190.9
Total operating revenue	644.4	425.5	387.5
Operating Costs and Expenses:			
Cost of Commercial Real Estate	77.2	75.5	79.0
Cost of Land Operations	117.1	60.4	35.0
Cost of Materials & Construction	188.1	166.1	154.5
Selling, general and administrative	61.2	66.4	52.0
REIT evaluation/conversion costs	—	15.2	9.5
Impairment of assets	79.4	22.4	11.7
Total operating costs and expenses	523.0	406.0	341.7
Gain (loss) on the sale of commercial real estate properties	51.4	9.3	8.1
Operating Income (Loss)	172.8	28.8	53.9
Other Income and (Expenses):			
Income (loss) related to joint ventures	(4.1)	7.2	19.2
Impairment of equity method investment	(188.6)	—	—
Interest and other income (expense), net (Note 2)	2.8	2.1	(1.7)
Reductions in solar investments, net	(0.5)	(2.6)	(9.8)
Interest expense	(35.3)	(25.6)	(26.3)
Income (Loss) from Continuing Operations Before Income Taxes	(52.9)	9.9	35.3
Income tax benefit (expense)	(16.3)	218.2	(2.6)
Income (Loss) from Continuing Operations	(69.2)	228.1	32.7
Income (loss) from discontinued operations, net of income taxes (Note 4)	(0.6)	2.4	(41.1)
Net Income (Loss)	(69.8)	230.5	(8.4)
Income attributable to noncontrolling interest	(2.2)	(2.2)	(1.8)
Net Income (Loss) Attributable to A&B Shareholders	$(72.0)	$228.3	$(10.2)
Earnings (Loss) Per Share Available to A&B Shareholders:			
Basic Earnings (Loss) Per Share of Common Stock:			
Continuing operations available to A&B shareholders	$(1.01)	$4.63	$0.66
Discontinued operations available to A&B shareholders	(0.01)	0.05	(0.84)
Net income (loss) available to A&B shareholders	$(1.02)	$4.68	$(0.18)
Diluted Earnings (Loss) Per Share of Common Stock:			
Continuing operations available to A&B shareholders	$(1.01)	$4.30	$0.65
Discontinued operations available to A&B shareholders	(0.01)	0.04	(0.83)
Net income (loss) available to A&B shareholders	$(1.02)	$4.34	$(0.18)
Weighted-Average Number of Shares Outstanding:			
Basic	70.6	49.2	49.0
Diluted	70.6	53.0	49.4
Amounts Available to A&B Shareholders (Note 16):			

Continuing operations available to A&B shareholders	$(71.4)	$227.7	$32.2
Discontinued operations available to A&B shareholders	(0.6)	2.4	(41.1)
Net income (loss) available to A&B shareholders	$(72.0)	$230.1	$(8.9)

See Notes to Consolidated Financial Statements.

51

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2018	2017	2016
Net Income (Loss)	$(69.8)	$230.5	$(8.4)
Other Comprehensive Income (Loss), net of tax:			
Unrealized interest rate hedging gain (loss)	1.0	(0.4)	2.6
Reclassification adjustment for interest expense included in net income (loss)	—	0.5	0.4
Defined benefit pension plans:			
Actuarial loss	(4.9)	(3.2)	(4.5)
Amortization of net loss included in net periodic pension cost	4.6	4.3	7.5
Amortization of prior service credit included in net periodic pension cost	(0.7)	(0.8)	(1.0)
Amortization of curtailment (gain)/loss	(0.6)	(0.3)	(1.5)
Amortization of settlement (gain)/loss	0.1	1.4	—
Income taxes related to other comprehensive income (loss)	—	(0.6)	(1.4)
Other comprehensive income (loss), net of tax	(0.5)	0.9	2.1
Comprehensive Income (Loss)	(70.3)	231.4	(6.3)
Comprehensive income (loss) attributable to noncontrolling interest	(2.2)	(2.2)	(1.8)
Comprehensive Income (Loss) Attributable to A&B Shareholders	$(72.5)	$229.2	$(8.1)

See Notes to Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED BALANCE SHEETS
(In millions)

	December 31, 2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$11.4	$68.9
Accounts receivable, net	49.6	34.1
Contracts retention	11.6	13.2
Costs and estimated earnings in excess of billings on uncompleted contracts	9.2	20.2
Inventories	26.5	31.9
Real estate development inventory and property held for sale	31.1	67.4
Income tax receivable	25.4	27.7
Prepaid expenses and other assets	15.9	11.4
Total current assets	180.7	274.8
Investments in Affiliates	171.4	401.7
Real Estate Developments	124.1	151.0
Property – Net	1,322.0	1,147.5
Intangible Assets – Net	68.4	46.9
Deferred Income Taxes	—	16.5
Goodwill	65.1	102.3
Restricted Cash	223.5	34.3
Other Assets	70.0	56.2
Total assets	$2,225.2	$2,231.2
LIABILITIES AND EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	$39.0	$46.0
Accounts payable	34.2	43.3
Billings in excess of costs and estimated earnings on uncompleted contracts	5.9	5.7
Indemnity holdback related to Grace acquisition	8.8	9.3
Accrued dividends	—	783.0
Accrued and other liabilities	41.5	39.5
Total current liabilities	129.4	926.8
Long-term Liabilities:		
Long-term debt	739.1	585.2
Accrued retirement benefits	28.3	22.7
Deferred revenue	63.1	2.5
Other non-current liabilities	49.1	34.9
Total long-term liabilities	879.6	645.3
Total liabilities	1,009.0	1,572.1
Redeemable Noncontrolling Interest (Note 17)	7.9	8.0
Equity:		
Common stock - no par value; authorized, 150 million shares; outstanding, 72.0 million and 49.3 million shares at December 31, 2018 and December 31, 2017, respectively	1,793.4	1,161.7
Accumulated other comprehensive income (loss)	(51.9)	(42.3)
(Distribution in excess of accumulated earnings) Earnings surplus	(538.9)	(473.0)
Total A&B shareholders' equity	1,202.6	646.4

Noncontrolling interest	5.7	4.7
Total equity	1,208.3	651.1
Total liabilities and equity	$2,225.2	$2,231.2

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities:			
Net income (loss)	$(69.8)	$230.5	$(8.4)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Depreciation and amortization	42.8	41.4	119.5
Deferred income taxes	16.6	(199.0)	(20.1)
Gains on asset transactions, net	(54.0)	(35.1)	(23.3)
Impairment of assets and equity method investments	268.0	22.4	11.7
Share-based compensation expense	4.7	4.4	4.1
Income (loss) from affiliates, net of distributions of income	12.9	5.5	1.4
Changes in operating assets and liabilities:			
Trade, contracts retention, and other contract receivables	(4.2)	(2.4)	5.0
Inventories	5.5	11.4	12.7
Prepaid expenses, income tax receivable and other assets	(13.2)	(23.0)	(0.1)
Accrued pension and post-retirement benefits	3.6	(47.4)	6.3
Accounts payable	(9.0)	3.3	(0.4)
Accrued and other liabilities	74.2	(40.1)	10.7
Real estate inventory sales (real estate developments held for sale)	58.4	47.6	7.4
Expenditures for real estate inventory (real estate developments held for sale)	(26.6)	(20.8)	(15.3)
Net cash provided by (used in) operations	309.9	(1.3)	111.2
Cash Flows from Investing Activities:			
Capital expenditures for acquisitions	(241.7)	(10.1)	(82.4)
Capital expenditures for property, plant and equipment	(54.4)	(32.4)	(33.7)
Proceeds from disposal of property and other assets	171.7	47.2	88.8
Payments for purchases of investments in affiliates and other	(22.6)	(41.9)	(47.2)
Distributions of capital from investments in affiliates and other investments	42.3	33.3	41.3
Net cash provided by (used in) investing activities	(104.7)	(3.9)	(33.2)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	548.4	292.5	272.0
Payments of long-term debt and deferred financing costs	(467.8)	(181.0)	(334.3)
Borrowings (payments) on line-of-credit agreement, net	4.7	2.6	(9.9)
Distribution to noncontrolling interests	(0.7)	(0.5)	(1.4)
Cash dividends paid	(156.6)	(10.3)	(12.3)
Proceeds from issuance (repurchase) of capital stock and other, net	(1.5)	(7.2)	1.2
Net cash provided by (used in) financing activities	(73.5)	96.1	(84.7)
Cash, Cash Equivalents and Restricted Cash			
Net increase (decrease) in cash, cash equivalents and restricted cash	131.7	90.9	(6.7)
Balance, beginning of period	103.2	12.3	19.0
Balance, end of period	$234.9	$103.2	$12.3

54

	Year Ended December 31,		
	2018	2017	2016
Other Cash Flow Information:			
Interest paid, net of capitalized interest	$(34.4)	$(24.9)	$(26.2)
Income tax (payments)/refunds, net	$2.6	$(4.0)	$—
Noncash Investing and Financing Activities:			
Issuance of shares for stock dividend	$626.4	$—	$—
Fair value of loan assumed in connection with acquisition	$61.0	$—	$—
Capital expenditures included in accounts payable and accrued expenses	$1.4	$4.5	$1.3
Dividends declared	$—	$783.0	$—
Uncollected proceeds from disposal of equipment	$—	$1.9	$—
Real estate exchanged for note receivable	$—	$2.5	$—
Declared distribution from investment in affiliate	$—	$—	$8.0
Declared distribution to noncontrolling interest	$—	$—	$0.9
Asset retirement obligations	$—	$—	$5.4
Reconciliation of cash, cash equivalents and restricted cash:			
Beginning of the period:			
Cash and cash equivalents	$68.9	$2.2	$1.3
Restricted cash	34.3	10.1	17.7
Cash, cash equivalents and restricted cash	$103.2	$12.3	$19.0
End of the period:			
Cash and cash equivalents	$11.4	$68.9	$2.2
Restricted cash	223.5	34.3	10.1
Cash, cash equivalents and restricted cash	$234.9	$103.2	$12.3

See Notes to Consolidated Financial Statements.

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

	Total Equity Common Stock		Accumulated Other Compre-hensive Income (Loss)	(Distribution in Excess of Accumulated Earnings) Earnings Surplus	Non-Controlling Interest	Total	Redeem-able Non-Controlling Interest
	Shares	Stated Value					
Balance, January 1, 2016	48.9	$1,151.7	$ (45.3)	$ 117.2	$ 3.5	$1,227.1	$ 11.6
Net income (loss)	—	—	—	(10.2)	0.4	(9.8)	1.4
Other comprehensive income (loss), net of tax	—	—	2.1	—	—	2.1	—
Dividends on common stock ($0.25 per share)	—	—	—	(12.3)	—	(12.3)	—
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.9)
Adjustments to redemption value of redeemable noncontrolling interest (Note 17)	—	—	—	1.3	—	1.3	(1.3)
Share-based compensation	—	4.1	—	—	—	4.1	—
Shares issued or repurchased, net	0.1	1.5	—	(0.8)	—	0.7	—
Balance, December 31, 2016	49.0	$1,157.3	$ (43.2)	$ 95.2	$ 3.9	$1,213.2	$ 10.8
Net income (loss)	—	—	—	228.3	1.0	229.3	1.2
Other comprehensive income (loss), net of tax	—	—	0.9	—	—	0.9	—
Dividends on common stock ($16.13 per share)	—	—	—	(793.3)	—	(793.3)	—
Distributions to noncontrolling interest	—	—	—	—	(0.2)	(0.2)	(0.3)
Adjustments to redemption value of redeemable noncontrolling interest (Note 17)	—	—	—	3.7	—	3.7	(3.7)
Share-based compensation	—	4.4	—	—	—	4.4	—
Shares issued or repurchased, net	0.3		—	(6.9)	—	(6.9)	—
Balance, December 31, 2017	49.3	$1,161.7	$ (42.3)	$ (473.0)	$ 4.7	$651.1	$ 8.0
Net income (loss)	—	—	—	(72.0)	1.5	(70.5)	0.7
Impact of adoption of new accounting standards	—	—	(9.1)	7.7	—	(1.4)	—
Other comprehensive income (loss), net of tax	—	—	(0.5)	—	—	(0.5)	—
Stock dividend ($11.65 per share)	22.6	626.4	—	—	—	626.4	—
Distributions to noncontrolling interest	—	—	—	—	(0.5)	(0.5)	(0.2)
Adjustments to redemption value of redeemable noncontrolling interest (Note 17)	—	0.6	—	—	—	0.6	(0.6)
Share-based compensation	—	4.7	—	—	—	4.7	—

Shares issued or repurchased, net	0.1	—	—		(1.6	)	—		(1.6	)	—	
Balance, December 31, 2018	72.0	$1,793.4	$	(51.9	)	$ (538.9	)	$	5.7	$1,208.3	$	7.9

See Notes to Consolidated Financial Statements.

56

Alexander & Baldwin, Inc.
Notes to Consolidated Financial Statements
1. BACKGROUND AND BASIS OF PRESENTATION
Description of Business: Alexander & Baldwin, Inc. ("A&B" or the "Company") is headquartered in Honolulu, Hawai`i and operates three segments: Commercial Real Estate; Land Operations; and Materials & Construction.

- Commercial Real Estate ("CRE"): includes leasing, property management, redevelopment and development-for-hold activities. Significant assets include improved commercial real estate and urban ground leases. Income from this segment is principally generated by leasing and operating real estate assets.
- Land Operations: involves the management and optimization of A&B's land and related assets primarily through the following activities: planning, zoning, financing, constructing, selling, and investing in real property; leasing agricultural land; and renewable energy. Primary assets include landholdings, renewable energy assets (investments in hydroelectric and solar facilities and power purchase agreements) and development-for-sale projects and investments. Financial results from this segment are principally derived from renewable energy operations, income/loss from real estate joint ventures, real estate development sales and fees, and land parcel sales.
- Materials & Construction ("M&C"): performs asphalt paving as prime contractor and subcontractor; imports and sells liquid asphalt; mines, processes and sells basalt aggregate; produces and sells asphaltic concrete; provides and sells various construction- and traffic-control-related products; and manufactures and sells precast concrete products. Assets include two grade A (prime) rock quarries, an asphalt storage terminal, hot mix asphalt plants and quarry and paving equipment. Income is generated principally by materials supply and paving construction.

On October 15, 2018, the Company filed its tax return with the IRS, including the 2017 Form 1120-REIT with which it elected to be treated as a REIT for U.S. federal income tax purposes commencing with its 2017 taxable year. At December 31, 2018, the Company had 72.0 million shares outstanding.
Reclassifications: In November 2018, the Securities and Exchange Commission (SEC) finalized the Disclosure Update Simplification Project, which eliminated Rule 3-15(a)(1) reporting of Gain or Loss on Sale of Properties by REITs. To conform with ASC 360 and the SEC rule change, the Company has classified the gain on dispositions of real estate assets in operating income in the Company’s consolidated statements of operations. The Company reclassified the prior periods to conform to the current year presentation. This change resulted in an increase in operating income of $9.3 million and $8.1 million during the years ended December 31, 2017 and 2016, respectively. The Company also reclassified $2.5 million to deferred revenue from other long-term liabilities on the consolidated balance sheet as of December 31, 2017 to conform to the current year presentation.
Rounding: Amounts in the consolidated financial statements and notes are rounded to the nearest tenth of a million. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may result in differences.
2. SIGNIFICANT ACCOUNTING POLICIES
Principles of Consolidation: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly owned and controlled subsidiaries, after elimination of intercompany amounts. Significant investments in businesses, partnerships and limited liability companies in which the Company does not have a controlling financial interest, but has the ability to exercise significant influence, are accounted for under the equity method. A controlling financial interest is one in which the Company has a majority voting interest or one in which the Company is the primary beneficiary of a variable interest entity. In determining whether the Company is the primary beneficiary of a variable interest entity in which it has an interest, the Company is required to make significant judgments with respect to various factors including, but not limited to, the Company’s ability to direct the activities that most significantly impact the entity’s economic performance, the rights and ability of other investors to participate in decisions affecting the economic performance of the entity, and kick-out rights, among others. Activities that significantly affect the economic performance of the entities in which the Company has an interest include, but are not limited to, establishing and modifying detailed business, development, marketing and sales plans, approving and modifying the project budget, approving design changes and associated overruns, if any, and approving project financing, among others. The Company has not consolidated any variable interest entity in which the Company does not also have voting control because it has determined that it is not the primary beneficiary since decisions to direct the activities

that most significantly impact the entity’s performance are shared by the joint venture partners.
The consolidated financial statements include the results of GP/RM, a supplier in the precast concrete industry, and GLP Asphalt, LLC ("GLP"), an importer and distributor of liquid asphalt, which are owned 51% and 70%, respectively. These entities

57

are consolidated because the Company holds a controlling financial interest through its majority ownership of the voting interests of the entities. The remaining interest in these entities is reported as noncontrolling interest in the consolidated financial statements. Profits, losses and cash distributions are allocated in accordance with the respective operating agreements.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Estimates and assumptions are used for, but not limited to: (i) asset impairments, including intangible assets and goodwill, (ii) litigation and contingencies, (iii) revenue recognition for long-term real estate developments and construction contracts, (iv) pension and postretirement estimates, and (v) income taxes. Future results could be materially affected if actual results differ from these estimates and assumptions.

Customer Concentration: For the year ended December 31, 2018, the Land Operations segment recognized $162.2 million of gross profit from the sale of agricultural land on Maui to Mahi Pono Holdings, LLC. Grace derives a significant portion of Materials & Construction revenues from a limited customer base. For the years ended December 31, 2018, 2017 and 2016, billings of approximately $53.0 million, $67.7 million, and $52.0 million, respectively, were generated directly and indirectly from projects administered by the City and County of Honolulu. For the years ended December 31, 2018, 2017 and 2016, billings of approximately $40.4 million, $60.2 million, $50.1 million, respectively, were generated directly and indirectly from the State of Hawai`i, where Grace served as general contractor or subcontractor.

Fair Value Measurements: The fair value of the Company's cash and cash equivalents, accounts receivable and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The Company records long term notes receivables and interest rate swaps at fair value.

FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), as amended, establishes a fair value hierarchy, which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and assigns the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs within the hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

If the technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy, the lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Company carries its interest rate swaps at fair value. The fair values of the Company's interest rate swaps (Level 2 measurements) are based on the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. See Note 15, for fair value information regarding the Company's derivative instruments.

The fair value of the Company's long-term notes receivable notes approximates the carrying amount of $16.3 million at December 31, 2018. The fair value and carrying amount of these notes was immaterial at December 31, 2017. The fair value of these notes is estimated using a discounted cash flow analysis in which the Company uses unobservable inputs such as market interest rates determined by the loan to value and market capitalization rates related to the underlying collateral at which management believes similar loans would be made and classified as a Level 3 measurement in the fair value hierarchy.

The carrying amount and fair value of the Company's debt at December 31, 2018 was $778.1 million and $758.0 million, respectively, and $631.2 million and $642.3 million at December 31, 2017 respectively. The fair value of debt is calculated by discounting the future cash flows of the debt at rates based on instruments with similar risk, terms and maturities as compared to the Company's existing debt arrangements (Level 2 measurement).

During year ended 2018, 2017 and 2016, the Company recorded aggregate impairment charges of $79.4 million, $22.4 million and $11.7 million related to goodwill and long lived assets and an other than temporary impairment charges of $188.6 million related to equity method investments, see further discussion in the respective sections below. The Company has classified

58

the fair value measurements as a Level 3 measurement in the fair value hierarchy because they involve significant unobservable inputs such as cash flow projections, discount rates and management assumptions.

Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with a maturity of three months or less at the date of purchase. The Company carries these investments at cost, which approximates fair value. There were no outstanding checks in excess of funds on deposit at December 31, 2018 and 2017.

Allowance for Doubtful Accounts: Allowances for doubtful accounts are established by management based on estimates of collectability. Estimates of collectability are principally based on an evaluation of the current financial condition of the Company’s customers and their payment history, which are regularly monitored by the Company. The changes in the allowance for doubtful accounts, included on the consolidated balance sheets as an offset to Accounts receivable, net for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	Balance at Beginning of Year	Provision for Bad Debt	Write-offs and Other	Balance at End of Year
2018	$1.4	$1.3	$(0.7)	$2.0
2017	$1.0	$1.0	$(0.6)	$1.4
2016	$1.7	$0.8	$(1.5)	$1.0

Operating Cycle: The Company uses the duration of the construction contracts that range from one year to three years as its operating cycle for purposes of classifying assets and liabilities related to contracts. Accounts receivable and contracts retention collectible after one year related to the Materials & Construction segment are included in current assets in the consolidated balance sheets and amounted to $7.7 million and $8.0 million at December 31, 2018 and 2017, respectively. Accounts and contracts payable related to the Materials & Construction segment payable after one year are included in current liabilities in the consolidated balance sheets and amounted to $0.7 million and $0.4 million at December 31, 2018 and 2017, respectively.

Long-term notes receivable: The Company's long-term notes receivable are recorded at cost within Other assets on the consolidated balance sheet. Generally, a loans allowance is established when the Company determines that it will be unable to collect any remaining amounts due under the agreement.

Inventories: Materials & supplies and Materials & Construction segment inventory are stated at the lower of cost (principally average cost, first-in, first-out basis) or market value. Inventories at December 31, 2018 and 2017 were as follows (in millions):

	2018	2017
Asphalt	$9.4	$12.2
Processed rock and sand	9.5	13.5
Work in progress	4.0	2.8
Retail merchandise	2.0	1.7
Parts, materials and supplies inventories	1.6	1.7
Total	$26.5	$31.9

Property: Property is stated at cost, net of accumulated depreciation and amortization. Expenditures for major renewals and betterments are capitalized. Replacements, maintenance, and repairs that do not improve or extend asset lives are charged to expense as incurred. Upon acquiring commercial real estate that is deemed a business, the Company records land, buildings, leases above and below market, and other intangible assets based on their fair values. Costs related to due diligence are expensed as incurred.

Depreciation: Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets or the units-of-production method for quarry production-related assets. Estimated useful lives of property are as follows:

Classification	Range of Life (in years)
Building and improvements	10 to 40
Leasehold improvements	5 to 10 (lesser of useful life or lease term)
Water, power and sewer systems	5 to 50
Rock crushing and asphalt plants	25 to 35
Machinery and equipment	2 to 35
Other property improvements	3 to 35

Restricted Cash: The Company's restricted cash balance primarily consists of proceeds from §1031 tax-deferred sales held in escrow pending future use to purchase new real estate assets and the proceeds from §1033 condemnations.
Real Estate Developments: Expenditures for real estate developments are capitalized during construction and are classified as real estate developments on the consolidated balance sheets. When construction is substantially complete, the costs are reclassified as Real Estate Development Inventory and Property Held for Sale, based upon the Company's intent to either sell the completed asset or to hold it as an investment property, respectively. Cash flows related to real estate developments inventory are classified as operating activities. Cash flows related to the development of properties that the Company expects to retain ownership of are classified as investing activities.
For development projects, capitalized costs are allocated using the direct method for expenditures that are specifically associated with the unit being sold and the relative-sales-value method for expenditures that benefit the entire project. Capitalized development costs typically include costs related to land acquisition, grading, roads, water and sewage systems, landscaping, capitalized interest, and project amenities. Direct overhead costs incurred after the development project is substantially complete, such as utilities, maintenance and real estate taxes, are charged to selling, general and administrative expense as incurred. All indirect overhead costs are charged to selling, general and administrative costs as incurred.
Capitalized Interest: Interest costs on developments and major redevelopments are capitalized as part of real estate development and redevelopment projects that have not yet been placed into service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use. Total interest cost incurred was $35.9 million, $26.4 million, $28.3 million in 2018, 2017 and 2016, respectively. Capitalized interest costs related to development activities were $0.6 million, $0.8 million and $2.0 million in 2018, 2017 and 2016, respectively.
Real Estate Development Inventory and Property Held for Sale: The Company separately classifies real estate development inventory and assets held for sale in its consolidated financial statements. Real estate investments to be disposed of are reported at the lower of carrying amounts or estimated fair value, less costs to sell. The following table summarizes the assets held for sale at December 31, 2018 (in millions):

	2018	2017
Commercial Real Estate Assets	$—	$68.7
Impairment of real estate assets	—	(22.4)
Real Estate Assets held for sale	—	46.3
Real Estate development-for-sale inventory	31.1	21.1
Real estate development inventory and property held for sale	$31.1	$67.4

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets: Long-lived assets, including finite-lived intangible assets, are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such an evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. These asset impairment analyses are highly subjective because they require management to make assumptions and apply considerable judgments to, among other things, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets and ongoing costs of maintenance and

improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, A&B’s financial condition or its future financial results could be materially impacted.
During the fourth quarter of 2018, the Company concluded that the carrying values of certain paving and quarry assets in its Materials & Construction segment were not recoverable due primarily to persisting, competitive market pressures that have negatively affected sales and margins. As a result, the Company recorded impairment charges of $40.6 million during the fourth quarter of 2018 to reduce the carrying amounts to the estimated fair value. The Company classified these fair value measurements as Level 3. The weighted average discount rate used in the intangible valuation was 13.5%. Changes to Materials & Construction fixed assets and intangible assets for the year ended December 31, 2018 consisted of the following (in millions):

Intangible Assets	Materials & Construction	Fixed Assets	Materials & Construction
		Balance, January 1, 2018	$ 139.5
Balance, January 1, 2018	$ 16.5	Additions to fixed assets	11.1
Amortization	(0.9)	Depreciation	(11.2)
Intangible impairment	(7.0)	Fixed asset impairment	(33.6)
Balance, December 31, 2018	$ 8.6	Balance, December 31, 2018	$ 105.8

During the year ended December 31, 2017, the Company recorded aggregate impairment charges of $22.4 million related to certain of the Company's U.S. Mainland commercial properties that were classified as held for sale. The impaired assets were measured at fair value on a nonrecurring basis subsequent to their initial recognition. The Company estimated the fair values of these long-lived assets based on the Company’s own judgments about the assumptions that market participants would use in pricing the real estate assets and available, observable market data. The Company classified these fair value measurements as Level 3.
During the year ended December 31, 2016, as a result of a change in its strategy for development activities, the Company recorded non-cash impairment charges of $11.7 million related to certain non-active, long-term development-for-sale projects.
Impairment of Investments in Unconsolidated Affiliates: The Company's investments in unconsolidated affiliates are reviewed for impairment whenever there is evidence that fair value may be below carrying cost. An investment is written down to fair value if fair value is below carrying cost and the impairment is believed to be other-than-temporary. In evaluating the fair value of an investment and whether any identified impairment is other-than-temporary, significant estimates and considerable judgments are involved. These estimates and judgments are based, in part, on the Company’s current and future evaluation of economic conditions in general, as well as a joint venture’s current and future plans. Additionally, these impairment calculations are highly subjective because they require management to make assumptions and apply judgments to estimates regarding the timing and amount of future cash flows that may consider various factors, including sales prices, development costs, market conditions and absorption rates, probabilities related to various cash flow scenarios, and appropriate discount rates based on the perceived risks, among others. In evaluating whether an impairment is other-than-temporary, the Company considers all available information, including the length of time and extent of the impairment, the financial condition and near-term prospects of the affiliate, the Company’s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, and projected industry and economic trends, among others. Changes in these and other assumptions could affect the projected operational results and fair value of the unconsolidated affiliates, and accordingly, may require valuation adjustments to the Company’s investments that may materially impact the Company’s financial condition or its future operating results.
Weakness in particular real estate markets, difficulty in obtaining or renewing project-level financing or development approvals, and changes in the Company’s development strategy, among other factors, may affect the value or feasibility of certain development projects owned by the Company or by its joint ventures and could lead to additional impairment charges in the future.
During the fourth quarter of 2018, the Company determined that its investment in Kukui`ula was other-than-temporarily impaired as a result of changing its strategy and no longer intending to hold its investment

through the duration of the project. As a result, the Company estimated the fair value of its investment in Kukui`ula using a discounted cash flow model and recorded a non-cash, other-than-temporary impairment of $186.8 million. The Company classified the fair value measurement as Level 3. The weighted average discount rate used in the valuation was 18.0%.

The Company made investments of $23.8 million in 2014 and $15.4 million in 2016 in tax equity investments related to the construction and operation of (1) a 12-megawatt solar farm on Kauai and (2) two photovoltaic facilities with a combined capacity of 6.5 megawatts on Oahu, respectively. The Company recovers its investments primarily through tax credits and tax benefits, which are recorded in the Income tax expense (benefit) line item in the consolidated statements of operations. As these tax benefits were received and recognized, the Company recorded non-cash reductions of the investments' carrying value. For the years ended December 31, 2018, 2017 and 2016, the Company recorded net, non-cash reductions of the investments' carrying value of $0.5 million, $2.6 million, and $9.8 million, respectively, as Reductions in solar investments, net on the consolidated statements of operations.

Intangible Assets: Intangible assets are recorded on the consolidated balance sheets as other non-current assets and are generally related to the acquisition of commercial properties. Intangible assets acquired in 2018 and 2017 were as follows:

	2018		2017	
	Amount	Weighted Average Life (Years)	Amount	Weighted Average Life (Years)
In-place/favorable leases	$38.7	11.9	$0.3	1.6

Intangible assets for the years ended December 31, 2018 and 2017 included the following (in millions):

	2018	2017
In-place leases	$102.1	$70.2
Favorable leases	24.6	17.9
Permitted quarry rights	8.0	18.0
Trade name/customer relationships	2.2	2.2
Amortization of in-place leases	(53.2)	(45.6)
Amortization of favorable leases	(13.7)	(12.1)
Amortization of permitted quarry rights	(0.1)	(2.5)
Amortization of trade name/customer relationships	(1.5)	(1.2)
Intangible assets, net	$68.4	$46.9

Aggregate intangible asset amortization was $8.7 million, $6.0 million, and $9.2 million for 2018, 2017 and 2016, respectively. Estimated amortization expenses related to intangible assets over the next five years are as follows (in millions):

	Estimated Amortization
2019	$ 6.8
2020	5.6
2021	5.0
2022	4.5
2023	3.9

Goodwill: The Company reviews goodwill for impairment at the reporting unit level annually and whenever events or changes in circumstances indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The goodwill impairment test estimates the fair value of a reporting unit using various methodologies, including an income approach that is based on a discounted cash flow analysis and a market approach that involves the application of market-derived multiples. The discounted cash flow approach relies on a number of assumptions, including future macroeconomic conditions, market factors specific to the reporting unit, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, and a discount rate that considers the risks related to the amount and timing of the cash flows, among others. Under the market multiple methodology, the estimate of fair value is based on market multiples of EBITDA (earnings before interest, taxes, depreciation and amortization) or revenues. When using market multiples of EBITDA or revenues, the Company must make judgments about the comparability of those multiples in closed and proposed transactions and comparability of multiples for similar companies.

If the results of the Company's test indicates that a reporting unit's estimated fair value is less than its carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company's goodwill balance primarily relates to the acquisition of Grace Pacific in 2013. Grace Pacific has three reporting units in the Materials & Construction segment: GPC (primarily consisting of the Grace Pacific’s quarry, paving, and liquid asphalt operations), GPRS (primarily consisting of Grace Pacific’s roadway and maintenance solutions operations) and GPRM (primarily consisting of Grace Pacific’s prestressed and precast concrete operations).

The valuation that was performed

of each reporting unit assumes that each is an unrelated business to be sold separately and independently from the other reporting units.
Based upon the results of the valuation, the GPC and GPRS reporting unit's carrying values exceeded their estimated fair values and goodwill was determined to be impaired. The decline in fair value was due primarily to persisting, competitive market pressures that have negatively affected sales and margins. Therefore, the Company recorded a non-cash charge of $37.2 million during the fourth quarter of 2018. The Company classified these fair value measurements as Level 3. The weighted average discount rate used in the valuation was 13.6%. As of December 31, 2018, the Company's goodwill balance totaled $65.1 million of which, $56.4 million related to Grace Pacific.
The changes in the carrying amount of goodwill allocated to the Company's reportable segments for the years ended December 31, 2018 and 2017 were as follows (in millions):

	Materials & Construction	Commercial Real Estate	Total
Balance, January 1, 2017	$ 93.6	$ 8.7	$ 102.3
Changes to goodwill	—	—	—
Balance, December 31, 2017	93.6	8.7	102.3
Goodwill impairment	(37.2)	—	(37.2)
Balance, December 31, 2018	$ 56.4	$ 8.7	$ 65.1

There was no goodwill allocated to the Land Operations segment.
Discontinued Operations: On December 31, 2015, due to continuing and significant operating losses stemming from low sugar prices and poor production levels, the Company determined it would cease sugar operations at its HC&S division on Maui upon completion of its final harvest in 2016. HC&S completed its harvest in December 2016, and the Company ceased its sugar operations (the "Cessation"). As a result, the Company concluded that its sugar operations met the requirements to be reported as discontinued operations for all periods presented. See Note 4, "Discontinued Operations" and Note 18 "Cessation of Sugar Operations" for additional detail.
Revenue recognition: Sources of revenue for the Company primarily include commercial property rentals, sales of real estate, real estate development projects, material sales and paving construction projects. The Company generates revenue from three distinct business segments:
Commercial Real Estate: The Commercial Real Estate segment owns, operates, leases, and manages a portfolio of retail, office, and industrial properties in Hawai`i; it also leases urban land in Hawai`i to third-party lessees. Commercial Real Estate revenue is recognized on a straight-line basis over the term of the corresponding lease. Also included in rental revenues are certain tenant reimbursements and percentage rents determined in accordance with the terms of the lease. The Company records revenue for real estate taxes paid by its tenants for commercial properties with an offsetting expense in Cost of Commercial Real Estate in the accompanying consolidated statement of operations, as the Company has concluded it is the primary obligor.
Land Operations: Revenues from sales of real estate are recognized at the point in time when control of the underlying goods is transferred to the customer and the payment is due (generally on the closing date). For certain development projects the Company will use a percentage of completion for revenue recognition. Under this method, the amount of revenue recognized is based on the development costs that have been incurred throughout the reporting period as a percentage of total expected developments associated with the development project.
Materials & Construction: Revenue from the Materials & Construction segment is primarily generated from material sales and paving and construction contracts. The recognition of revenue is based on the underlying terms of the transactions.
Materials: Revenues from material sales, which include basalt aggregate, liquid asphalt and hot mix asphalt, are usually recognized at a point in time when control of the underlying goods is transferred to the customers (generally this occurs when materials are picked up by customers or their agents) and when the Company has a present right to payment for materials sold.
Construction: The Company's construction contracts generally contain a single performance obligation as the promise to transfer individual goods or services are not separately identifiable from other promises in the contracts and is, therefore, not distinct. Revenue is earned from construction contracts over a period of time as control is continuously

transferred to customers.

Construction contracts can generally be categorized into two types of contracts with customers based on the respective payment terms; either lump sum or unit priced. Lump sum contracts require the total amount of work be performed under a single

63

fixed price irrespective of actual quantities or actual costs. Earnings on both unit price contracts and lump sum fixed-price paving contracts are recognized using the percentage of completion, cost-to-cost, input method, as it is able to faithfully depict the transfer of control of the underlying assets to the customer. Certain construction contracts include retainage provisions. The balances billed but not paid by customers pursuant to these provisions generally become due upon completion and acceptance of the project work or products by the owners.

The Company deems its contract prices reflective of the standalone selling prices of the underlying goods and services since the contracts are required to go through a competitive bidding process.

Employee Benefit Plans: The Company provides a wide range of benefits to existing employees and retired employees, including single-employer defined benefit plans, postretirement, defined contribution plans, post-employment and health care benefits. The Company records amounts relating to these plans based on various actuarial assumptions, including discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current economic conditions and trends. The Company believes that the assumptions utilized in recording obligations under the Company’s plans, which are presented in Note 11, “Employee Benefit Plans,” are reasonable based on its experience and on advice from its independent actuaries; however, differences in actual experience or changes in the assumptions may materially affect the Company’s financial position or results of operations.

Certain amounts in the Company's prior period consolidated financial statements have been reclassified to conform to the current period presentation. Specifically, the Company disaggregated and separately presented long-term costs of its employee benefit plans within Accrued retirement benefits in its consolidated balance sheet. In connection with such presentation, the Company reclassified $2.8 million of accrued costs related to its non-qualified benefit plans from Other non-current liabilities and $19.9 million of accrued costs related to its qualified pension and post-retirement benefit plans from Accrued pension and post-retirement benefits in its consolidated balance sheet at December 31, 2017.

Share-Based Compensation: The Company records compensation expense for all share-based payment awards made to employees and directors. The Company’s various equity plans are more fully described in Note 13, "Share-Based Awards."

Redeemable Non-controlling Interest: Non-controlling interests in subsidiaries that are redeemable for cash or other assets outside of the Company’s control are classified as mezzanine equity, outside of equity and liabilities, and are adjusted to fair value on each annual balance sheet date. The resulting changes in fair value of the estimated redemption amount, increases or decreases, are recorded with corresponding adjustments against earnings surplus or, in the absence of earnings surplus, common stock.

Earnings Per Share (“EPS”): Basic and diluted earnings per share are computed and disclosed in accordance with FASB Accounting Standards Codification Topic 260, Earnings Per Share. The Company utilizes the two-class method to compute earnings available to common shareholders. Under the two-class method, earnings are adjusted by accretion amounts to redeemable noncontrolling interests recorded at redemption value. The adjustments represent in-substance dividend distributions to the noncontrolling interest holder as the holder has a contractual right to receive a specified amount upon redemption. As a result, earnings are adjusted to reflect this in-substance distribution that is different from other common shareholders. In addition, the Company allocates net earnings to each class of common stock and participating security as if all of the net earnings for the period had been distributed. The Company's participating securities consist of time-based restricted unit awards that contain a non-forfeitable right to receive dividends and, therefore, are considered to participate in earnings with common shareholders. Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocated to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period, as adjusted for the potential dilutive effect of non-participating share-based awards.

Income Taxes: The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of tax credits, tax benefits and deductions, and in the calculation of certain deferred tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the accompanying consolidated statements of operations.

The Company believes that it is more likely than not that the benefit from its state nonrefundable energy tax credit carryforward will not be realized. Consequently, in 2017 the Company recorded a valuation allowance of $6.9 million on the deferred tax asset relating to this credit carryforward. If our assumptions change and the Company determines that it will be able to realize the credit, the tax benefits relating to any reversal of the valuation allowance on the deferred tax assets will be recognized as a reduction in Income tax benefit (expense) on the consolidated statements of operations. As a result of tax losses incurred in the TRS for the past three years, primarily related to the Materials & Construction segment, the Company recorded an additional non-cash valuation allowance against the deferred tax assets of approximately $84.6 million in December 2018, of which $16.5 million related to deferred tax assets recorded prior to 2018 and resulted in deferred tax expense for the year ended December 31, 2018.

The Company also records a liability for uncertain tax positions not deemed to meet the more-likely-than-not threshold. The Company did not have material uncertain tax positions at December 31, 2018 and 2017.

The Company accounts for tax credits related to its investments in KRS II and Waihonu using the flow-through method, which reduces the provision for income taxes in the year the tax credits first become available.

Comprehensive Income (Loss): Other comprehensive income (loss) principally includes amortization of deferred pension and postretirement costs. The components of accumulated other comprehensive loss, net of taxes, were as follows for the years ended December 31, 2018 and 2017 (in millions):

	2018	2017
Unrealized components of benefit plans:		
Pension plans	$(54.8)	$(43.1)
Post-retirement plans	—	(1.0)
Non-qualified benefit plans	(0.4)	(0.1)
Interest rate swap	3.3	1.9
Accumulated other comprehensive income (loss)	$(51.9)	$(42.3)

The changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions, net of tax):

	Employee Benefit Plans	Interest Rate Swap	Total
Balance, January 1, 2016	$ (45.3)	$ —	$(45.3)
Other comprehensive income (loss) before reclassifications, net of taxes of $2.1 and $1.0 for employee benefit plans and interest rate swap, respectively	(3.4)	1.6	(1.8)
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes of $2.3 and $0.2 for employee benefit plans and interest rate swap, respectively	3.7	0.2	3.9
Balance, December 31, 2016	$ (45.0)	$ 1.8	$(43.2)
Other comprehensive income (loss) before reclassifications, net of taxes of $1.2 and $0.2 for employee benefit plans and interest rate swap, respectively	(2.0)	(0.2)	(2.2)
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes of $1.8 and $0.2 for employee benefit plans and interest rate swap, respectively	2.8	0.3	3.1
Balance, December 31, 2017	$ (44.2)	$ 1.9	$(42.3)
Other comprehensive income (loss) before reclassifications, net of taxes of $0 for interest rate swap	—	1.0	1.0
Other comprehensive income (loss) before reclassifications, net of taxes of $0 for employee benefit plans	(4.9)	—	(4.9)
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes of $0 for employee benefit plans	3.4	—	3.4
Impact of adoption of ASU 2018-02	(9.5)	0.4	(9.1)
Balance, December 31, 2018	$ (55.2)	$ 3.3	$(51.9)

The reclassifications of other comprehensive income (loss) components out of accumulated other comprehensive income (loss) for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Unrealized interest rate hedging gain (loss)	$1.0	$(0.4)	$2.6
Actuarial loss	(4.9)	(3.2)	(4.5)
Reclassification adjustment for interest expense included in net income (loss)	—	0.5	0.4
Amortization of defined benefit pension items reclassified to net periodic pension cost:			
Net loss*	4.6	4.3	7.5
Prior service credit*	(0.7)	(0.8)	(1.0)
Curtailment (gain)/loss*	(0.6)	(0.3)	(1.5)
Settlement (gain)/loss*	0.1	1.4	—
Total before income tax	(0.5)	1.5	3.5
Income taxes	—	(0.6)	(1.4)
Other comprehensive income (loss), net of tax	$(0.5)	$0.9	$2.1

* This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (see Note 11 for additional details).

Self-Insured Liabilities: The Company is self-insured for certain losses that include, but are not limited to, employee health, workers' compensation, general liability, real and personal property, and real estate construction warranty and defect claims. When feasible, the Company obtains third-party insurance coverage to limit its exposure to these claims. When estimating its self-insured liabilities, the Company considers a number of factors, including historical claims experience, demographic factors, and valuations provided by independent third-parties.

Interest and other income (expense), net is primarily comprised of a net gain on the sale of the Company's joint venture interest in the Ka Milo real estate development-for-sale project, the non-service cost components of pension and postretirement benefit expense and interest income. For the years ended December 31, 2018, 2017 and 2016, Interest and other income (expense), net included the following (in millions):

	2018	2017	2016
Pension and postretirement benefit (expense)	$(3.0)	$(3.8)	$(4.2)
Interest income	1.5	5.3	1.8
Sale of Ka Milo joint venture interest	4.2	—	—
Other income (expense)	0.1	0.6	0.7
Interest and other income (expense), net	$2.8	$2.1	$(1.7)

Recently adopted accounting pronouncements

In May 2014, Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") to provide guidance for revenue recognition and has superseded the revenue recognition requirements in FASB Accounting Standards Codification ("ASC") 605, as well as most industry-specific guidance. Under ASU 2014-09, revenue is recognized when a customer obtains control of the promised goods or services in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Company adopted the provisions of ASU 2014-09 as of January 1, 2018 using the modified retrospective transition method and applied ASU 2014-09 to those contracts that were not completed as of January 1, 2018 and whose revenue was historically accounted for under ASC 605. The cumulative impact of the adoption was a net reduction to Other assets and Distributions in excess of accumulated earnings of $1.4 million at January 1, 2018.

In accordance with ASU 2014-09, the impact of adoption to our consolidated balance sheet was as follows (in millions):

	Balance at December 31, 2017	Impact of adoption	Balance at January 1, 2018
Other Assets	$ 56.2	$ (1.4)	$ 54.8
(Distribution in excess of accumulated earnings) Earnings surplus	$ (473.0)	$ (1.4)	$ (474.4)

The adoption of ASU 2014-09 did not significantly impact the Company's revenue recognition treatment for its Materials & Construction business segment due to the short term duration of the Company's construction contracts. The Company's Commercial Real Estate business segment recognizes its revenue under the accounting framework of ASC 840, Leases and is therefore excluded from the scope of ASU 2014-09.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. The guidance clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The adoption of this standard did not have an impact on the Company's financial position or results of operations.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") of 2017 was signed into law. The Act made significant changes, including lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. As the Company only operates in the U.S., the international provisions of the Act are not currently relevant to the Company.

ASC 740, Income Taxes, requires companies to recognize the effect of the tax law changes in the period of enactment. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") which allowed companies to record provisional amounts during a measurement period not extending beyond one year from the Act's enactment date. As of December 31, 2017, the Company recorded a provisional amount of $3.0 million due to a remeasurement of its deferred tax assets and liabilities. As of December 31, 2018, the Company has not made a material adjustment to the provisional amount and has completed the accounting for all impacts of the Act.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Act. The amendments allow the Company to reclassify the stranded tax effects resulting from the Act, the difference between the historical federal corporate income tax rate of 35% and the newly enacted corporate income tax rate of 21%. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including adoption in any interim period. The Company adopted the standard effective December 31, 2018, and reclassified $9.1 million of stranded tax effects from Accumulated other comprehensive income (loss) to Distributions in excess of accumulated earnings related to the Company's pension and post-retirement liability and interest rate swap.

Recently issued accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. The guidance replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. This ASU is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, lease arrangements exceeding a twelve month term must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use ("ROU") asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2018. The FASB has subsequently issued other related ASU, which amend ASU 2016-02 to provide transition practical expedients that an entity may elect to apply and other guidance. In July 2018, the FASB issued ASU 2018-11, Leases: Targeted Improvements, which provides companies with an additional transition option that would permit the application of ASU 2016-02 as of the adoption date rather than to all periods presented. The Company expects to use this transition option upon adoption of the new standard on January 1, 2019 and use the effective date as the date of initial application. Consequently financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

Under ASU 2016-02, the guidance allows lessors to make an accounting policy election, by class of underlying asset, to not separate non-lease components from lease components if certain requirements are met but requires lessors to recognize real estate tax expense and recovery income for tenants that self-pay real estate taxes. In addition, initial direct costs for both lessees and lessors would include only those costs that are incremental to the arrangement and would not have been incurred if the lease had not been obtained. The new standard provides a number of optional practical expedients in transition. The Company expects to elect the 'package of practical expedients,' which permits the Company to not reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs.

The Company has finalized its assessment of the inventory of its leases that will be impacted by the adoption. While the Company does not expect the adoption of the new guidance to have a significant change in the accounting treatment and disclosures of the Company's leases, the Company expects to recognize new ROU assets and lease liabilities on the consolidated balance sheet for equipment, office, and real estate leases and to provide new disclosures about the Company's leasing activities as a lessee. On adoption, the Company currently expects to recognize additional operating liabilities of approximately $31.0 million, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. For leases with a term of 12 months or less, the Company expects to make an accounting policy election by class of underlying asset to not recognize lease liabilities and lease assets. For leases where it is the lessor, the Company expects that accounting for lease components will largely be unchanged from existing GAAP and to elect the practical expedient to not separate non-lease components from lease components. The Company does not expect the guidance regarding the capitalization of leasing costs to have a significant change in its leasing activities as a lessor between now and adoption.

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The guidance amends the hedge accounting model in ASC 815 to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The amendments expand an entity's ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest rate risk. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period or fiscal year before the effective date. For cash flow and net investment hedges existing at the date of adoption, entities will apply the new guidance using a modified retrospective approach (i.e., with a cumulative effect adjustment recorded to the opening balance of retained earnings as of the initial application date). The guidance provides transition relief to make it easier for entities to apply certain amendments to existing hedges (including fair value hedges) where the hedge documentation needs to be modified. The presentation and disclosure requirements apply prospectively. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting. The guidance expands the scope of ASC 718 to include share-based payment transactions with the exception of specific guidance related to the attribution of compensation cost. The guidance also clarifies that any share-based payment awards granted in conjunction with selling goods or services to customers should be evaluated under ASC 606. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

In August 2018, the FASB issued ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement. The guidance amends and removes several disclosure requirements including the valuation processes for Level 3 fair value measurements. This ASU also modifies some disclosure requirements and requires additional disclosures for changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and requires the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans. The guidance clarifies current disclosures and removes several disclosure requirements including accumulated other comprehensive income expected to be recognized over the next fiscal year and amount and timing of plan assets expected to be returned to the employer. This ASU also requires additional disclosures for the weighted-average interest crediting rates for cash balance plans and explanations for significant gains and losses related to changes in the benefit plan obligation. This ASU is effective for fiscal years beginning after December 15, 2020. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. The guidance changes the guidance for determining whether a decision-making fee is a variable interest. Under the new ASU, indirect interests held through related parties under common control will now be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. Such indirect interests were previously treated the same as direct interests. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements and footnote disclosures.

3. RELATED PARTY TRANSACTIONS

Construction Contracts and Material Sales. The Company entered into contracts in the ordinary course of business, as a supplier, with affiliates that are members in entities in which the Company also is a member. Revenues earned from transactions with affiliates were $16.6 million, $21.1 million, and $12.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. Receivables from these affiliates were $2.2 million and $2.9 million at December 31, 2018 and 2017. Amounts due to these affiliates were $0.6 million and immaterial at December 31, 2018 and 2017, respectively.

Commercial Real Estate. The Company entered into contracts in the ordinary course of business, as a lessor of property, with unconsolidated affiliates in which the Company has an interest, as well as with certain entities that are partially owned by a director of the Company. Revenues earned from these transactions were $4.3 million, $5.2 million and $6.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. Receivables from these affiliates were immaterial at December 31, 2018 and 2017, respectively.

Land Operations. During the year ended December 31, 2018, the Company recorded $1.1 million in developer fee revenues related to management and administrative services provided to certain unconsolidated investments in affiliates and interest earned on notes receivable from related parties. Developer fee revenues recorded for the years ended 2017, and 2016 were $2.4 million and $4.6 million, respectively. Receivables from these affiliates were immaterial at December 31, 2018 and 2017.

During the year ended December 31, 2018, the Company completed the acquisition of five commercial units at The Collection high-rise residential condominium project on Oahu from its joint venture partners for $6.9 million paid in cash.

During the year ended December 31, 2017, the Company extended a five-year construction loan secured by a mortgage on real property to one of its joint ventures. Receivables from this affiliate were $13.5 million and $6.8 million at December 31, 2018 and 2017, respectively.

4. DISCONTINUED OPERATIONS

In December 2016, the Company completed its final sugar harvest and ceased its sugar operations.

The historical results of operations have been presented as discontinued operations in the consolidated financial statements and prior periods have been recast.

The revenue, operating income (loss), gain on asset dispositions, income tax benefit (expense) and after-tax effects of these transactions for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Sugar operations revenue	$—	$22.9	$98.4
Cost of discontinued sugar operations	—	22.5	87.5
Operating income (loss) from sugar operations	—	0.4	10.9
Sugar operations cessation costs	(0.6)	(2.7)	(77.6)
Gain (loss) on asset dispositions	—	6.0	—
Income (loss) from discontinued operations before income taxes	(0.6)	3.7	(66.7)
Income tax benefit (expense)	—	(1.3)	25.6
Income (loss) from discontinued operations, net of income taxes	$(0.6)	$2.4	$(41.1)
Basic earnings (loss) per share	$(0.01)	$0.05	$(0.84)
Diluted earnings (loss) per share	$(0.01)	$0.04	$(0.83)

There was no depreciation and amortization related to discontinued operations for the years ended December 31, 2018 and 2017. Depreciation and amortization related to discontinued operations was $70.9 million for the year ended December 31, 2016.

5. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates consist principally of equity investments in limited liability companies in which the Company has the ability to exercise significant influence over the operating and financial policies of these investments. Accordingly, the Company accounts for its investments using the equity method of accounting. The Company’s investments in affiliates totaled $171.4 million and $401.7 million at December 31, 2018 and 2017, respectively. The amounts of the Company’s investment at December 31, 2018 and 2017 that represent undistributed earnings of investments in affiliates were approximately $7.8 million and $8.2 million, respectively. Dividends and distributions from unconsolidated affiliates totaled $51.1 million in 2018, $10.4 million in 2017 and $71.6 million in 2016.

Operating results include the Company's proportionate share of net income (loss) from its equity method investments. A summary of combined financial information related to the Company's equity method investments at December 31, 2018 and 2017 were as follows (in millions):

	2018	2017
Current assets	$71.1	$153.1
Non-current assets	755.8	754.9
Total assets	$826.9	$908.0
Current liabilities	$26.8	$52.5
Non-current liabilities	149.2	192.8
Total liabilities	$176.0	$245.3

A summary of the net income (loss) information related to the Company's equity method investments for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Revenues	$243.6	$200.5	$489.3
Operating costs and expenses	209.7	166.3	449.8
Gross profit (loss)	$33.9	$34.2	$39.5
Income (loss) from Continuing Operations*	$17.4	$16.0	$31.7
Net Income (loss)*	$16.5	$15.5	$31.7

* Includes earnings from equity method investments held by the investee.

During the fourth quarter of 2018, the Company determined that its investment in Kukui`ula was other-than-temporarily impaired due to changing its strategy and no longer intending to hold its investment through the duration of the project. As a result, the Company estimated the fair value of its investment in Kukui`ula using a discounted cash flow model and recorded a non-cash impairment charge of $186.8 million to reduce the carrying value of the investment. The carrying value of the Company's investment in Kukui`ula, which includes capital contributed by A&B to the joint venture and the value of land initially contributed, net of joint venture earnings and losses and impairments was $115.4 million and $302.6 million at December 31, 2018 and 2017, respectively. The total capital contributed to the joint venture by the Company as a percent of total committed was approximately 60% at December 31, 2018. The Company does not have a controlling financial interest in the joint venture, but exercises significant influence over the operating and financial policies of the venture, and therefore, accounts for its investment using the equity method. Due to the complex nature of cash distributions to the members, net income of the joint venture is allocated to the members, including the Company, using the Hypothetical Liquidation at Book Value ("HLBV") method. Under the HLBV method, joint venture income or loss is allocated to the members based on the period change in each member's claim on the book value of net assets of the venture, excluding capital contributions and distributions made during the period.

In 2014, the Company also contributed land, pre-paid development assets and cash to The Collection LLC, a joint venture formed to develop a 464-unit high-rise residential condominium project on Oahu, consisting of a 396-saleable unit high-rise condominium tower, 14 three-bedroom townhomes, and a 54-unit mid-rise building. In addition to the Company's initial contribution, the Company also secured equity partners that contributed an additional $16.8 million in cash. The Company's total agreed upon contribution, which includes the land and pre-paid development assets already contributed, was $50.3 million. The Company's investment at December 31, 2018 and 2017 was $0.8 million and $18.5 million, respectively. The Company accounts for its investment under the equity method. At December 31, 2018, the joint venture has closed out on the sales of all tower units, loft units and townhomes in the project.

In 2016, the Company invested $15.4 million in Waihonu, an entity that operates two photovoltaic facilities with a combined capacity of 6.5 megawatts in Mililani, Oahu. The Company does not have a controlling financial interest in Waihonu, but exercises significant influence over the operating and financial policies of the venture, and therefore, accounts for its investment under the equity method. Due to the complex nature of cash distributions, net income of the joint venture is allocated to the Company using the HLBV method, as described in the above paragraph. During the years ended December 31, 2018, 2017 and 2016, the Company recorded a net, non-cash reduction of $0.5 million, $2.4 million, and $8.7 million, respectively, in Reductions in solar investments, net on the consolidated statement of operations. At December 31, 2018 and 2017, the Company's investment was $0.9 million and $1.4 million, respectively.

The Company also has investments in various other joint ventures that operate or develop real estate and joint ventures that engage in materials and construction-related activities and renewable energy. The Company does not have a controlling financial interest, but has the ability to exercise significant influence over the operating and financial policies of these joint ventures and, accordingly, accounts for its investments in these ventures using the equity method of accounting.

6. REVENUE AND CONTRACT BALANCES

The Company recognizes revenue when control of promised goods or services is transferred to the customer at an amount that reflects the consideration which the Company expects to be entitled to in exchange for those goods or services.

The Company disaggregates revenue from contracts with customers by revenue type as the Company believes it best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Revenue by type for the year ended December 31, 2018 was as follows (in millions):

	2018
Revenues:	
Commercial Real Estate[1]	$140.3
Land Operations:	
Development sales revenue	54.3
Unimproved/other property sales revenue	210.5
Other operating revenue	24.7
Total Land Operations	289.5
Materials & Construction[2]	214.6
Total revenues	$644.4

[1]As discussed in Note 2, Commercial Real Estate revenue is not in scope under ASU 2014-09 however is presented here for completeness.
[2]Materials & Construction included $18.5 million of revenue not in scope under ASU 2014-09 for the year ended December 31, 2018.

The total amount of contract consideration allocated to either wholly unsatisfied or partially satisfied performance obligations was $128.7 million at December 31, 2018. The Company expects to recognize as revenue approximately 60% to 65% of the remaining contract consideration allocated to either wholly unsatisfied or partially satisfied performance obligations in 2019, with the remaining recognized thereafter.

The Company has elected the practical expedient provided in ASU 2014-09 to not disclose information about remaining performance obligations that have original expected durations of one year or less. In addition, the Company has elected the transition practical expedient in ASU 2014-09 to not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognize that amount as revenue for the year ended December 31, 2018. The Company has elected these practical expedients as the majority of its wholly, or partially, unfulfilled performance obligations are expected to be recognized in less than one year.

Timing of revenue recognition may differ from the timing of invoicing to customers.

Costs and estimated earnings in excess of billings represent amounts earned and reimbursable under contracts but have a conditional right for billing and payment such as achievement of milestones or completion of the project. When events or conditions indicate that it is probable that the amounts outstanding become unbillable, the transaction price and associated contract asset is reduced.

Billings in excess of costs and estimated earnings are billings to customers on contracts in advance of work performed, including advance payments negotiated as a contract condition. Generally, unearned project-related costs will be earned over the next twelve months.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers at December 31, 2018 and 2017:

(in millions)	2018	2017
Accounts receivable, net	$49.6	$34.1
Contracts retention	11.6	13.2
Costs and estimated earnings in excess of billings on uncompleted contracts	9.2	20.2
Current deferred revenue	0.1	0.9
Billings in excess of costs and estimated earnings on uncompleted contracts	5.9	5.7
Variable consideration(1)	62.0	—
Other long term deferred revenue	1.1	2.5

(1) Variable consideration recorded in connection with the disposal of agricultural land on Maui. See Note 21.

For the year ended December 31, 2018, the Company recognized revenue of approximately $4.2 million related to the Company's contract liabilities reported at December 31, 2017. The amount of revenue recognized from performance obligations satisfied in prior periods was not material.

Information related to uncompleted contracts as of December 31, 2018 and 2017 is as follows (in millions):

(in millions)	2018	2017
Costs incurred on uncompleted contracts	$218.0	$137.5
Estimated earnings	30.3	35.8
Subtotal	248.3	173.3
Billings to date	(245.0)	(158.8)
Total	$3.3	$14.5

7. PROPERTY

Property on the consolidated balance sheets at December 31, 2018 and 2017 includes the following (in millions):

	2018	2017
Buildings	$604.6	$471.6
Land	680.5	613.3
Machinery and equipment	68.3	74.7
Asphalt plants and quarry assets	49.6	80.2
Water, power and sewer systems	37.1	109.9
Other property improvements	74.1	70.5
Subtotal	1,514.2	1,420.2
Accumulated depreciation	(192.2)	(272.7)
Property - net	$1,322.0	$1,147.5

Depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $32.5 million, $32.3 million and $106.1 million, respectively.

8. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 2018 and 2017, notes payable and long-term debt consisted of the following (in millions):

Debt	Stated Rate (%)	Maturity Date	Principal Outstanding 2018	2017
Secured:				
GLP Asphalt Plant	(a)	2021	—	$4.8
Kailua Town Center	(b)	2021	$10.5	$10.8
Kailua Town Center #2	3.15%	2021	4.7	4.9
Laulani Village	3.93%	2024	62.0	—
Pearl Highlands	4.15%	2024	85.3	87.0
Manoa Marketplace	(c)	2029	60.0	60.0
Subtotal			$222.5	$167.5
Unsecured:				
Term Loan 1	2.00%	2018	—	0.1
Term Loan 2	3.31%	2018	—	1.0
Term Loan 3	5.19%	2019	2.3	4.4
Series D Note	6.90%	2020	32.5	48.8
Term Loan 4	(d)	2021	9.4	9.4
Bank Syndicated Loan	(e)	2023	50.0	—
Series A Note	5.73%	2024	28.5	28.5
Series E Note	3.90%	2024	—	62.6
Series J Note	4.66%	2025	10.0	—
Series B Note	5.55%	2026	46.0	46.0
Series C Note	5.56%	2026	24.0	25.0
Series F Note	4.35%	2026	22.0	22.0
Series H Note	4.04%	2026	50.0	50.0
Series K Note	4.81%	2027	34.5	—
Series G Note	3.88%	2027	42.5	50.0
Series L Note	4.89%	2028	18.0	—
Series I Note	4.16%	2028	25.0	25.0
Term Loan 5	4.30%	2029	25.0	25.0
Subtotal			$419.7	$397.8
Revolving Credit Facilities:				
GLP Asphalt Revolving Credit Facility	(f)	2020	0.4	0.5
Revolving credit facility	(g)	2022	136.6	66.0
Subtotal			137.0	66.5
Total Debt (contractual)			$779.2	$631.8
Unamortized debt premium (discount)			(0.2)	0.5
Unamortized debt issuance costs			(0.9)	(1.1)
Total debt (carrying value)			778.1	631.2
Less current portion			(39.0)	(46.0)
Long-term debt			$739.1	$585.2

(a) Loan has a stated interest rate of LIBOR

plus 1.00%.
(b) Loan has a stated interest rate of LIBOR plus 1.50% and is swapped through maturity to a 5.95% fixed rate.
(c) Loan has a stated interest rate of LIBOR plus 1.35% and is swapped through maturity to a 3.14% fixed rate.
(d) Loan has a stated interest rate of LIBOR plus 2.00% and is secured by a letter of credit.
(e) Loan has a stated interest

rate of LIBOR plus 1.80%, based on pricing grid.
(f) Loan has a stated interest rate of LIBOR plus 1.25%.
(g) Loan has a stated interest rate of LIBOR plus 1.85%, based on pricing grid.
Revolving Credit Facilities: The Company had a revolving senior credit facility that provided for an aggregate $350.0 million, 5-year unsecured commitment ("Revolving Credit Facility"), with an uncommitted $100.0 million increase option. The Revolving Credit Facility also provides for a $100.0 million sub-limit for the issuance of standby and commercial letters of credit and an $80.0 million sub-limit for swing line loans. Amounts drawn under the facilities bear interest at a stated rate, as defined,

plus a margin that is determined based on a pricing grid using the ratio of debt to total adjusted asset value, as defined. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of minimum shareholders' equity levels, minimum EBITDA to fixed charges ratio, maximum debt to total assets ratio, minimum unencumbered income-producing asset value to unencumbered debt ratio, and limitations on priority debt, as defined in the agreement. In December 2015, the Revolving Credit Facility was amended to extend the maturity date to December 2020.

In September 2017, the Company entered into a Second Amended and Restated Credit Agreement ("A&B Revolver") with Bank of America N.A., as administrative agent, First Hawaiian Bank, and other lenders party thereto, which amended and restated its existing $350.0 million committed Revolving Credit Facility. The A&B Revolver increased the total revolving commitments to $450.0 million, extended the term of the Revolving Credit Facility to September 15, 2022, amended certain covenants (see below), and reduced the interest rates and fees charged under the Revolving Credit Facility. All other terms of the Revolving Credit Facility remain substantially unchanged.

At December 31, 2018, the Company had $136.6 million of revolving credit borrowings outstanding, $11.3 million in letters of credit had been issued against the facility, and $302.1 million remained available.

At December 31, 2017, the Company had, at one of its subsidiaries, GLP, a $30.0 million line of credit with a maturity date in October 2018. The credit line is collateralized by the subsidiary's accounts receivable, inventory and equipment and may only be used for asphalt purchase. The Company and the noncontrolling interest holders are guarantors, on a several basis, for their pro rata shares (based on membership interests) of borrowings under the line of credit. In September 2018, GLP entered into a Third Amended Credit Agreement with Wells Fargo Bank, National Association, which amended and extended its existing $30 million committed revolving credit facility ("GLP Asphalt Revolving Credit Facility"). The GLP Asphalt Revolving Credit Facility maturity was extended to October 5, 2020. Additionally, the interest rate was reduced by 25 basis points and a fee of 20 basis points on the unused amount of the GLP Asphalt Revolving Credit Facility has been added. All other terms of the GLP Asphalt Revolving Credit Facility remain substantially unchanged.

Unsecured Term Loans: On September 24, 2013, KDC LLC ("KDC"), a wholly owned subsidiary of A&B and a 50% member of Kukui`ula Village LLC ("Village"), entered into an Amended and Restated Limited Liability Company Agreement of Kukui`ula Village ("Agreement") with DMB Kukui`ula Village LLC, a Delaware limited liability company, as a member, and KKV Management LLC, a Hawai`i limited liability company, as the manager and a member. Under the Agreement, KDC assumed control of Village and accordingly, A&B consolidated Village's assets and liabilities at fair value, which including a $9.4 million loan ("Term Loan 4") secured by a letter of credit. The Term Loan 4 is interest only and bears interest at LIBOR plus 2.0%. At December 31, 2018, the outstanding balance of the Term Loan 4 was $9.4 million.

In December 2015, the Company entered into an agreement (the "Prudential Agreement") with Prudential Investment Management, Inc. and its affiliates (collectively, "Prudential") for an unsecured note purchase and private shelf facility that enables the Company to issue notes in an aggregate amount up to $450.0 million ("Prudential Shelf Facility"), less the sum of all principal amounts then outstanding on any notes issued by the Company or any of its subsidiaries to Prudential and the amounts of any notes that are committed under the Prudential Agreement. The Prudential Agreement, as amended, expired in December 2018 and contained certain restrictive covenants that are substantially the same as the covenants contained in the Revolving Credit Facility, as amended. Borrowings under the uncommitted shelf facility bear interest at rates that are determined at the time of the borrowing.

Changes to Revolver Amendment and Pru Amendment Covenants: The principal amendments under the A&B Revolver and the Pru Amendment are as follows:

- An increase in the maximum ratio of debt to total adjusted asset value from 0.5:1.0 to 0.6:1.0.
- An increase in the aggregate maximum amount of priority debt at any time from 20% to 25%.
- Allows the Company to consummate the holding company merger to adopt certain governance changes and facilitate the Company's ongoing compliance with REIT requirements.
- Sets the minimum shareholders' equity amount to be $850.6 million plus 75% of the net proceeds received from equity issuances, less non-recurring costs related to the REIT conversion, among other additions and subtractions.
-

- Allows for the payment of minimum dividends required to maintain REIT status and other dividends in any amount so long as no event of default shall then exist or would exist after giving effect to such dividends.

As a result of the special distribution that was declared on November 16, 2017 and settled on January 23, 2018 related to the Company's REIT conversion (See Note 13), the Company received waivers related to the impact of the Special Distribution (as defined below) on the minimum shareholder’s equity computation for its Revolving Credit Facility and its unsecured term loan agreements.

In September 2017, the Company entered into an amendment (the "Pru Amendment") of its Second Amended and Restated Note Purchase and Private Shelf Agreement, dated as of December 10, 2015, which amended certain covenants (see below). Additionally, the Pru Amendment included a provision for a contingent incremental interest rate increase of 20 basis points on all outstanding notes unless, following the Company's planned earnings and profits purge, the maximum ratio of debt to total adjusted asset value is equal to or less than 0.35 to 1.00 with respect to any fiscal quarter ending on or before September 30, 2018. The contingent interest rate adjustment, if triggered, will continue until such time that the Company's ratio of debt to total adjusted asset value declines to 0.35 to 1.00 or below. If the contingent interest rate adjustment is not triggered on September 30, 2018, or if triggered, but subsequently the Company's ratio of debt to total adjusted asset value declines to 0.35 to 1.00 or below, the contingent interest rate adjustment shall have no further force or effect. In October 2018 the interest rates for all Prudential Notes and the AIG Note increased by 20 basis points based on a leverage based ratio maximum requirement. The 20 basis point increase shall be in effect until the leverage based ratio hurdle has been achieved.

In October 2017, the Company entered into a rate lock commitment to draw $50.0 million under its Prudential Shelf Facility, pursuant to which the Company drew $50.0 million in November 2017. The note bears interest at 4.04% and matures on November 21, 2026. Interest only is paid semi-annually and the principal balance is due at maturity.

In October 2017, the Company entered into a second rate lock commitment to draw $25.0 million under its Prudential Shelf Facility, pursuant to which the Company drew $25.0 million in December 2017. The note bears interest at 4.16% and matures on December 8, 2028. Interest only is paid semi-annually and the principal balance is due at maturity.

In November 2017, the Company entered into a rate lock commitment to draw $25.0 million under its Note Purchase and Private Shelf Agreement with AIG Asset Management (U.S.), LLC. Under the commitment, the Company drew $25.0 million in December 2017. The note bears interest at 4.30% and matures on December 20, 2029. Interest only is paid semi-annually and the principal balance is due at maturity.

In February 2018, the Company entered into an agreement with Wells Fargo Bank, National Association and a syndicate of other financial institutions that provides for a $50.0 million term loan facility ("Wells Fargo Term Facility" or "Bank Syndicated Loan"). The Company also drew $50.0 million under the Wells Fargo Term Facility in February 2018 and used such term loan proceeds to repay amounts that were borrowed under the Company's Revolving Credit Facility. Borrowings under the Wells Fargo Term Facility bear interest at a stated rate, as defined, plus a margin that is determined using a leverage based pricing grid.

In April 2018, the Company completed an agreement with Prudential to refinance its previously existing term loan of $62.5 million that bore interest at 3.90% and matured in 2024, which resulted in three separate term loans: $10.0 million at a fixed interest rate of 4.66% maturing in 2025; $34.5 million at a fixed interest rate of 4.81% maturing in 2027; and $18.0 million at a fixed interest rate of 4.89% maturing in 2028.

As a result of the special distribution that was declared on November 16, 2017 and settled on January 23, 2018 related to the Company's REIT conversion (See Note 13), the Company received waivers related to the impact of the Special Distribution (as defined below) on the minimum shareholder’s equity computation for its Revolving Credit Facility and its unsecured term loan agreements.

Real Estate Secured Term Debt: On December 20, 2013, the Company consummated the acquisition of the Kailua Portfolio, a collection of retail assets on Oahu. In connection with the acquisition of the Kailua Portfolio, the Company assumed a $12.0 million mortgage note, which matures in September 2021, and an interest rate swap that effectively converts the floating rate debt to a fixed rate of 5.95%. At December 31, 2018, the balance of the mortgage note was $10.5 million. The Company also secured a $5.0 million second mortgage on the Kailua Portfolio during the first quarter of 2017, which bears interest at 3.15% and matures in 2021. The second mortgage has an outstanding balance at December 31, 2018 of $4.7 million.

On September 17, 2013, the Company closed the purchase of Pearl Highlands Center, a 415,400-square-foot, fee simple retail center in Pearl City, Oahu (the “Property”), for $82.2 million in cash and the assumption of a $59.3 million mortgage loan (the “Pearl Loan”), pursuant to the terms of the Real Estate Purchase and Sale Agreement, dated April 9, 2013, between PHSC Holdings, LLC and A&B Properties. On December 1, 2014, the Company refinanced and increased the amount of the loan secured by the Property. The new loan ("Refinanced Loan") was increased to $92.0

million and bears interest at 4.15%. The Refinanced Loan matures in December 2024, and requires monthly principal and interest payments of approximately $0.4 million. A final principal payment of approximately $73.0 million is due on December 8, 2024. The Refinanced Loan is secured by the Property under a Mortgage and Security Agreement between the Company and The Northwestern Mutual Life Insurance Company.

In 2016, ABL Manoa Marketplace LF LLC, A&B Manoa LLC, ABL Manoa Marketplace LH LLC, and ABP Manoa Marketplace LH LLC (the "Borrowers"), wholly owned subsidiaries of the Company, entered into a $60.0 million mortgage loan agreement ("Loan") with First Hawaiian Bank ("FHB"). The Loan bears interest at LIBOR plus 1.35% and matures on August 1,

2029. The Loan requires interest-only payments for the first 36 months and principal and interest payments for the remaining 120 months using a 25 years amortization period. A final principal payment of $41.7 million is due on August 1, 2029. The Company had previously entered into an interest rate swap with a notional amount of $60.0 million to fix the variable interest rate on the Company's debt at an effective rate of 3.14% (see Note 15). The Loan is secured by Manoa Marketplace under a Mortgage, Security Agreement and Fixture Filing between the Borrowers and FHB, dated August 1, 2016.

The approximate book values of assets used in the Commercial Real Estate segment pledged as collateral under the foregoing credit agreements at December 31, 2018 was $369.2 million. The approximate book values of assets used in the Materials & Construction segment pledged as collateral under the foregoing credit agreements at December 31, 2018 was $23.9 million. There were no assets used in the Land Operations segment that were pledged as collateral.

In connection with the TRC Acquisition, the Company assumed a $62.0 million mortgage secured by Laulani Village that matures on May 1, 2024. The note bears interest at 3.93% and requires monthly interest payments of approximately $0.2 million until May 2020 and principal and interest payments of approximately $0.3 million thereafter.

Current portion of long term debt: The Company expects to pay the current portion of long term debt due in 2019 with cash flows provided from operations.

Debt Maturities: At December 31, 2018, debt maturities during the next five years and thereafter, excluding amortization of debt discount or premium, are $29.9 million in 2019, $30.1 million in 2020, $51.6 million in 2021, $165.7 million for 2022, $83.8 million in 2023, and $418.1 million thereafter.

9. LEASES - THE COMPANY AS LESSEE

Principal non-cancelable operating leases include land, office space, harbors and equipment leased for periods that expire through 2031. Management expects that in the normal course of business, most operating leases will be renewed or replaced by other similar leases. Rental expense under operating leases totaled $6.1 million, $6.1 million, and $6.8 million for 2018, 2017, and 2016, respectively. Rental expense for operating leases that provide for future escalations are accounted for on a straight-line basis.

Future minimum payments under non-cancelable operating leases were as follows (in millions):

	Minimum Lease Payments
2019	$ 5.5
2020	5.4
2021	5.3
2022	5.3
2023	4.5
Thereafter	13.9
Total	$ 39.9

10. LEASES - THE COMPANY AS LESSOR

The Company leases to third-parties land and buildings under operating leases. The historical cost of, and accumulated depreciation on, leased property at December 31, 2018 and 2017 were as follows (in millions):

	2018	2017
Leased property - real estate	$1,263.0	$1,089.0
Less accumulated depreciation	(104.4)	(104.0)
Property under operating leases - net	$1,158.6	$985.0

Total rental income, excluding tenant reimbursements (which totaled $35.6 million, $33.0 million and $31.8 million for the years ended December 31, 2018, 2017 and 2016, respectively), under these operating leases were as follows (in millions):

	2018	2017	2016
Minimum rentals	$93.0	$95.4	$95.2
Contingent rentals (based on sales volume)	4.7	4.4	5.4
Total	$97.7	$99.8	$100.6

Future minimum rentals on non-cancelable operating leases at December 31, 2018 were as follows (in millions):

	Operating Leases
2019	$ 97.6
2020	96.2
2021	78.2
2022	69.3
2023	59.9
Thereafter	407.8
Total	$ 809.0

11. EMPLOYEE BENEFIT PLANS

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

Plan Administration, Investments and Asset Allocations: As the plan sponsor for its defined benefit pension plan, the Company is responsible for the investment and management of the pension plan assets. The Company manages the pension plan assets based upon a liability-driven investment strategy, which seeks to increase the correlation of the pension plan assets and liabilities to reduce the volatility of the plan's funded status and, over time, improve the funded status of the plan. As a result, the asset allocation of the defined benefit pension plan is weighted toward fixed income investments, which reduces investment volatility but also reduces investment returns over time. In connection with the liability-driven investment strategy, the Company appointed an investment adviser that directs investments and selects investment options, based on established guidelines.

The Company's weighted-average asset allocations at December 31, 2018 and 2017, and 2018 year-end target allocation, by asset category, were as follows:

	Target	2018	2017
Fixed income securities	100 %	99 %	98 %
Cash and cash equivalents	— %	1 %	2 %
Total	100 %	100%	100%

Fixed income debt securities include investment-grade corporate bonds from diversified industries and U.S. Treasuries.

The expected return on plan assets assumption (4.30% for 2018) is principally based on the long-term outlook for various asset class returns, asset mix, the historical performance of the plan assets under the liability-driven investment strategy, and a comparison of the estimated long-term return calculated to the distribution of assumptions adopted by other plans with similar asset mixes. For the years ended December 31, 2018 and 2017, the plan assets experienced a negative return of 5.10% and a positive return of 3.90%, respectively. Over the long-term, the actual returns have generally exceeded the benchmark returns used by the Company to evaluate performance of its fund managers.

The Company's pension plan assets are held in a master trust and stated at estimated fair value, which is based on the fair values of the underlying investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The fair values of the Company’s defined benefit pension plan assets at December 31, 2018 and 2017, by asset category, are as follows (in millions):

	Fair Value Measurements at December 31, 2018			December 31, 2017		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
Asset Category						
Cash and cash equivalents	$1.4	$ 1.4	$ —	$4.5	$ 4.5	$ —
Fixed income securities						
U.S. Treasury obligations	—	—	—	81.2	81.2	—
Domestic corporate bonds and notes	—	—	—	102.3	—	102.3
Foreign corporate bonds	—	—	—	9.6	—	9.6
Assets measured at NAV	172.2	—	—	—	—	—
Total	$173.6	$ 1.4	$ —	$197.6	$ 85.7	$ 111.9

Investments in funds that are measured at fair value using the NAV per share practical expedient in accordance with ASC 820 have not been classified in the fair value hierarchy tables above. The NAV is based on the fair value of the underlying assets owned by the fund and is determined by the investment manager or custodian of the fund. The fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the fair value of plan assets. These investments primarily include other fixed income investments and securities.

The fixed income securities in 2017, primarily consisting of corporate bonds and U.S. government treasury and agency securities, were valued based upon the closing price reported in the market in which the security is traded. U.S. government agency, corporate asset-backed securities, and mortgage securities may utilize models, such as a matrix pricing model, that incorporate other observable inputs such as cash flow, security structure, or market information, when broker/dealer quotes are not available.

The table below presents a reconciliation of all pension plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2017 (in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Real Estate	Private Equity	Insurance	Total
Beginning balance, January 1, 2017	$—	$ 0.1	$ 0.1	$0.2
Actual return on plan assets:				
Assets held at the reporting date	—	(0.1)	(0.1)	(0.2)
Ending balance, December 31, 2017	$—	$ —	$ —	$—

Contributions are determined annually for each plan by the Company’s pension Administrative Committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended, the Pension Protection Act of 2006, and the maximum deductible contribution allowed for tax purposes. In 2018, the Company made no contributions to its defined benefit pension plans. In 2017 and 2016, the Company contributed approximately $49.2 million, and $0.5 million, respectively, to its defined benefit pension plans. The Company’s funding policy is to contribute cash to its pension plans so that it meets at least the minimum contribution requirements.

For the plans covering employees who are members of collective bargaining units, the benefit formulas are determined according to the collective bargaining agreements, either using career average pay as the base or a flat

dollar amount per year of service.
In 2007, the Company changed the traditional defined benefit pension plan formula for new non-bargaining unit employees hired after January 1, 2008 and, replaced it with a cash balance defined benefit pension plan formula. Subsequently, effective January 1, 2012, the Company changed the benefits under its traditional defined benefit plans for non-bargaining unit employees hired before January 1, 2008 and, replaced the benefit with the same cash balance defined benefit pension plan formula provided to those employees hired after January 1, 2008. Retirement benefits under the cash balance pension plan formula are based on a

fixed percentage of eligible compensation, plus interest. The plan interest credit rate will vary from year-to-year based on the 10-year U.S. Treasury rate.

Benefit Plan Assets and Obligations: The measurement date for the Company's benefit plan disclosures is December 31 of each year. The status of the funded defined benefit pension plan and the unfunded accumulated post-retirement benefit plans at December 31, 2018 and 2017 and are shown below (in millions):

	Pension Benefits		Other Post-retirement Benefits		Non-qualified Plan Benefits	
	2018	2017	2018	2017	2018	2017
Change in Benefit Obligation						
Benefit obligation at beginning of year	$206.1	$197.0	$12.3	$11.9	$3.4	$7.3
Service cost	1.8	2.8	0.1	0.1	0.1	0.1
Interest cost	7.4	8.0	0.4	0.4	0.1	0.2
Plan participants' contributions	—	—	0.8	1.0	—	—
Actuarial (gain) loss	(11.8)	12.3	(1.4)	0.7	(0.2)	0.1
Benefits paid	(13.9)	(14.0)	(1.6)	(1.8)	(0.1)	(0.1)
Settlement	—	—	—	—	(0.6)	(4.2)
Benefit obligation at end of year	$189.6	$206.1	$10.6	$12.3	$2.7	$3.4
Change in Plan Assets						
Fair value of plan assets at beginning of year	$197.6	$143.1	$—	$—	$—	$—
Actual return on plan assets	(10.1)	19.3	—	—	—	—
Employer contributions	—	49.2	0.8	0.8	0.7	4.3
Participant contributions	—	—	0.8	1.0	—	—
Benefits paid	(13.9)	(14.0)	(1.6)	(1.8)	(0.1)	(0.1)
Settlement	—	—	—	—	(0.6)	(4.2)
Fair value of plan assets at end of year	$173.6	$197.6	$—	$—	$—	$—
Funded Status and Recognized Liability	$(16.0)	$(8.5)	$(10.6)	$(12.3)	$(2.7)	$(3.4)

The accumulated benefit obligation for the Company's qualified pension plans was $189.6 million and $206.1 million at December 31, 2018 and 2017, respectively. Amounts recognized on the consolidated balance sheets and in accumulated other comprehensive income (loss) at December 31, 2018 and 2017 were as follows (in millions):

	Pension Benefits		Other Post-retirement Benefits		Non-qualified Plan Benefits	
	2018	2017	2018	2017	2018	2017
Non-current assets	$—	$—	$—	$—	$—	$—
Current liabilities	—	—	(0.8)	(0.8)	(0.2)	(0.8)
Non-current liabilities	(16.0)	(8.5)	(9.8)	(11.5)	(2.5)	(2.6)
Total	$(16.0)	$(8.5)	$(10.6)	$(12.3)	$(2.7)	$(3.4)
Net loss (gain) (net of taxes)	$56.2	$44.6	$—	$1.0	$0.5	$0.6
Unrecognized prior service credit (net of taxes)	(1.4)	(1.5)	—	—	(0.1)	(0.6)
Total	$54.8	$43.1	$—	$1.0	$0.4	$—

The information for qualified pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2018 and 2017 are shown below (in millions):

	2018	2017
Projected benefit obligation	$189.6	$206.1
Accumulated benefit obligation	$189.6	$206.1

Fair value of plan assets	$173.6	$197.6

The estimated prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2019 is $0.6 million. The estimated net loss that will be recognized

80

in net periodic pension cost for the defined benefit pension plans in 2019 is $4.1 million. The estimated net loss for the other defined benefit post-retirement plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost in 2019 is negligible. The estimated prior service cost for the other defined benefit post-retirement plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost in 2019 is negligible.

Unrecognized gains and losses of the post-retirement benefit plans are amortized over 5 years. Although current health costs are expected to increase, the Company attempts to mitigate these increases by maintaining caps on certain of its benefit plans, using lower cost health care plan options where possible, requiring that certain groups of employees pay a portion of their benefit costs, self-insuring for certain insurance plans, encouraging wellness programs for employees, and implementing measures to mitigate future benefit cost increases.

Components of the net periodic benefit cost and other amounts recognized in other comprehensive income (loss) for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 2018, 2017, and 2016, are shown below (in millions):

	Pension Benefits			Post-retirement Benefits			Non-qualified Plan Benefits		
Components of Net Periodic Benefit Cost	2018	2017	2016	2018	2017	2016	2018	2017	2016
Service cost	$1.8	$2.8	$3.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Interest cost	7.4	8.0	8.5	0.4	0.4	0.5	0.1	0.2	0.2
Expected return on plan assets	(8.2)	(9.4)	(10.0)	—	—	—	—	—	—
Amortization of net loss	4.2	4.1	7.1	0.3	—	0.2	0.1	0.2	0.2
Amortization of prior service cost	(0.5)	(0.5)	(0.5)	—	—	—	(0.2)	(0.3)	(0.5)
Amortization of curtailment (gain)/loss	—	—	(0.9)	—	—	—	(0.6)	(0.3)	(0.6)
Amortization of settlement (gain)/loss	—	—	—	—	—	—	0.1	1.4	—
Net periodic benefit cost	$4.7	$5.0	$7.3	$0.8	$0.5	$0.8	$(0.4)	$1.3	$(0.6)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss)									
Net loss (gain)	$6.5	$2.4	$4.4	$(1.4)	$0.7	$—	$(0.2)	$0.1	$0.1
Amortization of unrecognized gain (loss)	(4.2)	(4.1)	(7.1)	(0.3)	—	(0.2)	(0.1)	(0.2)	(0.2)
Amortization of prior service credit	0.5	0.5	0.5	—	—	—	0.2	0.3	0.5
Amortization of curtailment (gain)/loss	—	—	0.9	—	—	—	0.6	0.3	0.6
Amortization of settlement (gain)/loss	—	—	—	—	—	—	(0.1)	(1.4)	—
Total recognized in other comprehensive income (loss)	2.8	(1.2)	(1.3)	(1.7)	0.7	(0.2)	0.4	(0.9)	1.0
Total recognized in net periodic benefit cost and Other comprehensive income (loss)	$7.5	$3.8	$6.0	$(0.9)	$1.2	$0.6	$—	$0.4	$0.4

The weighted average assumptions used to determine benefit information during 2018, 2017, and 2016 were as follows:

	Pension Benefits			Post-retirement Benefits			Non-qualified Plan Benefits		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Weighted Average Assumptions									
Discount rate	4.33 %	3.70 %	4.20 %	4.38 %	3.70 %	4.20 %	3.78%	3.50%	3.90%
Expected return on plan assets	4.30 %	6.80 %	7.10 %	— %	— %	— %	N/A	N/A	N/A
Rate of compensation increase	0.5%-3%	0.5%-3%	0.5%-3%	0.5%-3%	0.5%-3%	0.5%-3%	N/A	N/A	N/A
	N/A	N/A	N/A	6.20 %	6.50 %	6.80 %	N/A	N/A	N/A

Initial health care cost trend rate									
Ultimate rate	N/A	N/A	N/A	4.50 %	4.50 %	4.50 %	N/A	N/A	N/A
Year ultimate rate is reached	N/A	N/A	N/A	2037	2037	2037	N/A	N/A	N/A

81

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, at December 31, 2018, 2017, and 2016 and the net periodic post-retirement benefit cost for 2018, 2017, and 2016 would have increased or decreased as follows (in millions):

	Other Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2018	2017	2016	2018	2017	2016
Effect on total of service and interest cost components	$0.1	$0.1	$0.1	$(0.1)	$—	$—
Effect on post-retirement benefit obligation	$1.0	$1.3	$1.0	$(0.8)	$(1.0)	$(0.9)

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

	2019	2020	2021	2022	2023	2024-2028
Estimated Benefit Payments						
Pension	13.2	13.1	13.0	13.1	12.9	62.9
Post-retirement Benefits	0.8	0.8	0.8	0.7	0.7	3.3
Non-qualified Plan Benefits	0.3	1.2	—	—	—	2.0

Multiemployer Plans: Grace and certain subsidiaries contribute to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover their union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the year ended December 31, 2018, is outlined in the table below. The "EIN Pension Plan Number" column provides the Employee Identification Number (EIN) and the 3-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2018 is for the plan's year-end at December 31, 2017, for the Pension Trust Fund for Operating Engineers Pension Plan and Laborer's National (Industrial) Pension Fund. The zone status available for 2018 for the Hawai`i Laborers Trust Funds is for the plan year-end at February 28, 2018. GP Roadway Solutions, Inc. and GP/RM Prestress, LLC have separate contracts and different expiration dates with the Hawai`i Laborers Trust Fund. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans that are less than 65% funded are "red zone" plans in need of reorganization; plans between 65% and 80% funded or that have an accumulated funding deficiency or are expected to have a deficiency in any of the next six years are "yellow zone" plans; plans that meet both of the "yellow zone" criteria are "orange zone" plans; and if the plan is funded more than 80%, it is a "green zone" plan. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject.

There were no plans to which the Company contributed more than 5% of the total contributions.

Fund	EIN Plan No.	Pension Protection Act Zone Status 2018 and 2017	FIP/RP Status Pending/Implemented	Contribution by Entity Jan. 1 - Dec. 31, 2018	Contribution by Entity Jan. 1 - Dec. 31, 2017	Contribution by Entity Jan. 1 - Dec. 31, 2016	Surcharge Imposed	Expiration Date	Current Plan Year End
Operating Engineers	94-6090764; 001	Yellow	Yes	$ 4.7	$ 4.9	$ 4.7	No	9/2/19	12/31/18
Laborers National	52-6074345; 001	Yellow	Yes	0.2	0.2	0.1	No	8/31/21	12/31/18
Hawai`i Laborers	99-6025107; 001	Green	No	0.9	0.8	0.7	No	8/31/19	2/28/18
Hawai`i Laborers	99-6025107; 001	Green	No	0.2	0.2	0.2	No	9/30/19	2/28/18
Total				$ 6.0	$ 6.1	$ 5.7			

Defined Contribution Plans: The Company sponsors defined contribution plans that qualify under Section 401(k) of the Code and provides matching contributions of up to 3% of eligible compensation. The Company’s matching contributions expensed under these plans totaled $0.6 million in each of the years ended December 31, 2018 and 2017. The Company also maintains profit sharing plans and, if a minimum threshold of Company performance is achieved, provides contributions of 1 to 5%, depending upon Company performance above the minimum threshold. There were $0.4 million of profit sharing contribution expenses recognized in 2018, and no profit sharing contribution expenses in 2017 and 2016.

Grace 401(k) Plans: The Company allows for discretionary non-elective employer contributions up to the sum of 10% of each eligible employee's compensation for the 12 months in the plan year, subject to certain limitations. Management revenue sharing bonuses can be deferred to the employee's 401(k) account, but will be subject to the IRS' annual limit on employee elective deferrals. Grace recognized discretionary employer contribution and revenue sharing expense of $1.8 million in 2018, and $2.0 million of contribution and revenue sharing expense for 2017 and 2016.

12. INCOME TAXES

For the taxable years prior to 2017, the Company filed a consolidated federal income tax return, which included all of its wholly owned subsidiaries. On October 15, 2018, the Company filed its 2017 Form 1120-REIT with the IRS. The Company's TRS filed separately as a C corporation. The Company also files separate income tax returns in various states. The Company completed the necessary preparatory work such that the Company believes it has been organized and operating in a manner that enables it to qualify, and continue to qualify, as a REIT for federal income tax purposes commencing with its taxable year ended December 31, 2017.

As a REIT, the Company will generally be allowed a deduction for dividends that it pays, and therefore, will not be subject to United States federal corporate income tax on its taxable income that is currently distributed to shareholders. The Company may be subject to certain state gross income and franchise taxes, as well as taxes on any undistributed income and federal and state corporate taxes on any income earned by its TRS. In addition, the Company could be subject to corporate income taxes related to assets held by the REIT that are sold during the 5-year period following the date of conversion, to the extent such sold assets had a built-in gain as of January 1, 2017. The Company does not intend to dispose of any REIT assets after the REIT conversion within the 5-year period, unless various tax planning strategies, including Code Section 1031 like-kind exchanges or other deferred tax structures, are available to defer the built-in gain tax liability.

Distributions with respect to the Company's common stock can be characterized for federal income tax purposes by a shareholder of the Company as ordinary income, capital gains, unrecaptured section 1250 gains, return of capital, or a combination thereof, depending on the circumstances. Taxable distributions paid for the years ended December 31, 2017 and 2016 were classified as ordinary income (however, distributions paid for the year ended December 31, 2016 to U.S. shareholders who were individuals, trusts and estates may have been "qualified dividends" eligible for the reduced 20% tax rate). Distributions for the year ended December 31, 2018 included taxable ordinary income and, depending on a particular holder's basis in its stock of the Company, a non-taxable return of capital, gain from the sale or exchange of property, or a combination thereof.

The income tax expense (benefit) on income (loss) from continuing operations for the years ended December 31, 2018, 2017 and 2016 consisted of the following (in millions):

	2018	2017	2016
Current:			
Federal	$(0.3)	$(2.6)	$2.9
State	—	(0.5)	0.9
Current	$(0.3)	$(3.1)	$3.8
Deferred:			
Federal	$14.0	$(200.7)	$(1.4)
State	2.6	(14.4)	0.2
Deferred	$16.6	$(215.1)	$(1.2)
Income tax expense (benefit)	$16.3	$(218.2)	$2.6

Income tax expense (benefit) for the years ended December 31, 2018, 2017, and 2016 differs from amounts computed by applying the statutory federal rate to income from continuing operations before income taxes for the following reasons (in millions):

	2018	2017	2016
Computed federal income tax expense	$(11.1)	$3.3	$12.3
State income taxes	(15.6)	0.1	0.6
Valuation allowance	84.4	6.9	—
REIT rate differential	(51.5)	(2.2)	—
Nondeductible transaction costs	—	—	2.4
Tax credits, including solar	—	(0.3)	(8.7)
Return to provision	—	(1.1)	0.1
Amended return	0.6	(0.1)	(0.2)
Share-based compensation	—	(4.0)	(1.5)
Noncontrolling interest	(0.6)	(0.7)	(0.7)
Rate change effect related to REIT conversion	—	(223.0)	—
Rate change effect related to Tax Cuts and Jobs Act of 2017	—	3.0	—
Impairments	10.7	—	—
Other—net	(0.6)	(0.1)	(1.7)
Income tax expense (benefit)	$16.3	$(218.2)	$2.6

The Company's effective tax rate was higher for the year ended 2018 compared to the same period in 2017 primarily due to the Company recording a valuation allowance in 2018 on their net deferred tax assets. In addition, the Company generated a substantial deferred tax benefit in 2017 from the de-recognition of deferred tax assets and liability associated with the conversion to a REIT.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2018 and 2017 were as follows (in millions):

	2018	2017
Deferred tax assets:		
Employee benefits	$10.6	$9.1
Capitalized costs	9.7	10.7
Joint ventures and other investments	55.7	2.8
Impairment and amortization	0.8	0.7
Solar investment benefits	16.7	16.6
Insurance and other reserves	2.6	2.9
Disallowed interest expense	4.4	—
Net operating losses	8.3	7.7
Other	1.5	1.4
Total deferred tax assets	$110.3	$51.9
Valuation allowance	(91.5)	(6.9)
Total net deferred tax assets	$18.8	$45.0
Deferred tax liabilities:		
Property (including tax-deferred gains on real estate transactions)	$17.0	$25.7
Interest rate swap	1.0	0.7
Other	0.8	2.1
Total deferred tax liabilities	$18.8	$28.5
Net deferred tax assets (liabilities)	$—	$16.5

Federal tax credit carryforwards at December 31, 2018 totaled $8.7 million and will expire in 2036. State tax credit carryforwards at December 31, 2018 totaled $6.9 million and may be carried forward indefinitely under state law. At December 31, 2018 the Company had federal net operating loss carryforwards of $6.0 million, $3.4 million of which expire in 2037, with the remaining being carried forward indefinitely under federal law. At December 31, 2018 the Company had state net operating loss carryforwards of $2.2 million, of which $1.5 million will expire in 2037, $0.1 million expiring in 2038, and $0.6 million carrying forward indefinitely.

A valuation allowance must be provided if it is more likely than not that some portion of all of the deferred tax assets will not be realized, based upon consideration of all positive and negative evidence. Sources of evidence include, among other things, a history of pretax earnings or losses, expectations of future results, tax planning opportunities and appropriate tax law.

Due to the recent losses the Company has generated in its TRS, the Company believes that it is more likely than not that its U.S. and state deferred tax assets will not be realized as of December 31, 2018. Therefore, the Company established a valuation allowance of $84.6 million on its net U.S. and state deferred tax assets. Should the Company determine that it would be able to realize its deferred tax assets in the foreseeable future, an adjustment to the deferred tax assets may cause a material increase to income in the period such determination is made. Significant management judgment is required in determining the period in which reversal of a valuation allowance should occur.

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
2018	$ 6.9	$ 84.6	$ —	$ 91.5
2017	$ —	$ 6.9	$ —	$ 6.9

The Company's income taxes receivable has been increased by the tax benefits from share-based compensation. The Company receives an income tax benefit for exercised stock options calculated as the difference between the fair market value of the stock issued at the time of exercise and the option exercise price, tax-effected. The Company also receives an income tax benefit for restricted stock units when they vest, measured as the fair market value of the stock issued at the time of vesting, tax effected. There were no net tax benefits from share-based transactions for 2018. The net tax benefits from share-based payment award transactions totaled $5.3 million for 2017.

For the years ended December 31, 2018 and 2017, the Company recorded a reduction of $0.5 million and $2.6 million, respectively, in Reductions in Solar Investments, net in the accompanying consolidated statements of operations.

The Company recognizes accrued interest and penalties on income taxes as a component of income tax expense. At December 31, 2018, accrued interest and penalties were not material. At December 31, 2018, the Company has not identified any material unrecognized tax positions.

The federal audit of the 2013, 2014, 2015 and 2016 tax years has concluded. There were no material adjustments to the income statement resulting from the completion of this audit. At December 31, 2018, the Company does not have any open income tax examinations.

13. SHARE-BASED PAYMENT AWARDS

The 2012 Incentive Compensation Plan ("2012 Plan") allows for the granting of stock options, restricted stock units and common stock. During 2018, the Company retroactively approved an increase to the shares of common stock reserved for issuance at January 1, 2018 from 4.3 million shares to 5.3 million shares. At December 31, 2018 there were 1.9 million remaining shares available for grants. The shares of common stock authorized to be issued under the 2012 Plan may be drawn from the shares of the Company's authorized but unissued common stock or from shares of its common stock that the Company acquires, including shares purchased on the open market or private transactions.

The 2012 Plan consists of four separate incentive compensation programs: (i) the discretionary grant program, (ii) the stock issuance program, (iii) the incentive bonus program and (iv) the automatic grant program for the non-employee members of the Company’s Board of Directors. Share-based compensation is generally awarded under three of the four programs, as more fully described below.

Discretionary Grant Program: Under the Discretionary Grant Program, stock options may be granted with an exercise price no less than 100% of the fair market value (defined as the closing market price) of the Company’s common stock on the date of the grant. Options generally become exercisable ratably over three years and have a maximum contractual term of 10 years. There were no option grants in 2018 and 2017, and the Company currently has no plans to issue options in the future.

Stock Issuance Program: Under the Stock Issuance Program, shares of common stock or restricted stock units may be granted. Equity awards granted may be designated as time-based awards or market-based performance awards.

Automatic Grant Program: At each annual shareholder meeting, non-employee directors will receive an award of restricted stock units that entitle the holder to an equivalent number of shares of common stock upon vesting.

The following table summarizes the Company's stock option activity for the year ended December 31, 2018 (in thousands, except weighted-average exercise price and weighted-average contractual life):

	2012 Plan Stock Options	Weighted-Average Exercise Price	Weighted-Average Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1, 2018	630.5	$ 12.58		
Exercised	(48.8)	$ 8.62		
Canceled	(1.6)	$ 13.11		
Outstanding, December 31, 2018	580.1	$ 12.91	2.0 years	$ 3,232
Vested or expected to vest	580.1	$ 12.91	2.0 years	$ 3,232
Exercisable, December 31, 2018	580.1	$ 12.91	2.0 years	$ 3,232

On November 16, 2017, the Company declared a special distribution to its shareholders in the aggregate amount of $783.0 million (approximately $15.92 per share) (the "Special Distribution") in connection with its conversion to a REIT. On January 23, 2018, the Company completed the Special Distribution to shareholders in the form of $156.6 million of cash dividends and issuance of $626.4 million of common shares. On October 15, 2018 the Company filed its tax return including the 2017 Form 1120-REIT with the IRS. As of December 31, 2018, the Company had approximately 72.0 million shares outstanding.

86

The following table summarizes non-vested restricted stock unit activity for the year ended December 31, 2018 (in thousands, except weighted-average grant-date fair value amounts):

	2012 Plan Restricted Stock Units	Weighted-Average Grant-date Fair Value
Outstanding, January 1, 2018	318.9	$ 36.66
Anti-dilutive adjustment for Special Distribution	182.9	
Granted	248.4	$ 28.76
Vested	(181.4)	$ 22.59
Canceled	(147.5)	$ 25.30
Outstanding, December 31, 2018	421.3	$ 25.91

The time-based restricted stock units granted to employees vest ratably over a period of three years. The time-based restricted stock units granted to non-employee directors prior to 2018 vest ratably over a period of three years, and the time-based restricted stock units granted to non-employee directors during 2018 vest over one year. The market-based performance share units cliff vest over three years, provided that the total shareholder return of the Company's common stock over the relevant period meets or exceeds pre-defined levels of total shareholder returns relative to indices, as defined.

At December 31, 2018, there was $5.5 million of total unrecognized compensation cost related to non-vested restricted stock units granted under the 2012 plan; that cost is expected to be recognized over a period of three years.

The fair value of the Company's time-based awards is determined using the Company's stock price on the date of grant. The fair value of the Company's market-based awards for 2018 and 2017 was estimated using the Company's stock price on the date of grant and the probability of vesting using a Monte Carlo simulation with the following weighted-average assumptions:

	2018 Grants	2017 Grants
Volatility of A&B common stock	22.7 %	24.1 %
Average volatility of peer companies	21.6 %	25.6 %
Risk-free interest rate	2.3 %	1.6 %

The weighted average fair value of the time-based restricted units and market-based performance share units was $28.76 in 2018 and $42.85 in 2017. No compensation cost is recognized for actual forfeitures of time-based or market-based awards if an employee is terminated prior to rendering the requisite service period. There was no tax benefit realized upon vesting for the year ended December 31, 2018. Tax benefit realized upon vesting were $1.0 million and $0.9 million for December 31, 2017 and 2016, respectively.

The Company recognizes compensation cost net of actual forfeitures of time-based or market-based awards. A summary of compensation cost related to share-based payments is as follows for the years ended December 31, 2018, 2017 and 2016 (in millions):

	2018	2017	2016
Share-based expense:			
Time-based and market-based restricted stock units	$4.7	$4.4	$4.1
Total share-based expense	4.7	4.4	4.1
Total recognized tax benefit	—	(0.5)	(1.4)
Share-based expense (net of tax)	$4.7	$3.9	$2.7
Cash received upon option exercise	$0.4	$8.1	$4.6
Intrinsic value of options exercised	$0.4	$13.2	$2.6
Tax benefit realized upon option exercise	$—	$4.2	$1.0
Fair value of stock vested	$4.0	$3.7	$2.2

87

14. COMMITMENTS AND CONTINGENCIES

Commitments, Guarantees and Contingencies: Commitments and financial arrangements not recorded on the Company's consolidated balance sheet, excluding lease commitments that are disclosed in Note 9, included the following (in millions) at December 31, 2018:

Standby letters of credit[a]	$11.3
Bonds[b]	$475.2

[a] Consists of standby letters of credit, issued by the Company’s lenders under the Company’s revolving credit facilities, and relate primarily to the Company’s real estate activities. In the event the letters of credit are drawn upon, the Company would be obligated to reimburse the issuer of the letter of credit.

[b] Represents bonds related to construction and real estate activities in Hawai`i. Approximately $403.8 million represents the face value of construction bonds issued by third party sureties (bid, performance and payment bonds) and the remainder is related to commercial bonds issued by third party sureties (permit, subdivision, license and notary bonds). In the event the bonds are drawn upon, the Company would be obligated to reimburse the surety that issued the bond for the amount of the bond, reduced for the work completed to date. As of December 31, 2018, the Company's estimated remaining exposure assuming defaults on all existing contractual construction obligations was approximately $108.5 million.

Indemnity Agreements: For certain real estate joint ventures, the Company may be obligated under bond indemnities to complete construction of the real estate development if the joint venture does not perform. These indemnities are designed to protect the surety in exchange for the issuance of surety bonds that cover joint venture construction activities, such as project amenities, roads, utilities, and other infrastructure, at its joint ventures. Under the indemnities, the Company and its joint venture partners agree to indemnify the surety bond issuer from all losses and expenses arising from the failure of the joint venture to complete the specified bonded construction. The maximum potential amount of aggregate future payments is a function of the amount covered by outstanding bonds at the time of default by the joint venture, reduced by the amount of work completed to date. The recorded amounts of the indemnity liabilities were not material individually or in the aggregate.

The Company is a guarantor of indebtedness for certain of its unconsolidated joint ventures' borrowings with third party lenders, relating to the repayment of construction loans and performance of construction for the underlying project. At December 31, 2018, the Company's limited guarantees on indebtedness related to one of its unconsolidated joint ventures totaled $3.1 million.

Other than obligations described above and those described in Note 5 and Note 8, obligations of the Company's joint ventures do not have recourse to the Company and the Company's "at-risk" amounts are limited to its investment.

Legal Proceedings and Other Contingencies: Prior to the sale of approximately 41,000 acres of agricultural land on Maui to Mahi Pono Holdings, LLC (“Mahi Pono”) in December 2018, A&B, through East Maui Irrigation Company, LLC (“EMI”), also owned approximately 16,000 acres of watershed lands in East Maui and also held four water licenses to approximately 30,000 acres owned by the State of Hawai`i in East Maui. The sale to Mahi Pono includes the sale of a 50% interest in EMI (which closed February 1, 2019), and provides for A&B and Mahi Pono, through EMI, to jointly continue the existing process to secure long-term leases from the State for delivery of irrigation water to Mahi Pono for use in Central Maui.

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 completion by the BLNR of a contested case hearing it ordered to be held on the request for the long-term lease, the BLNR has kept the existing permits on a holdover basis. Three parties filed a lawsuit on April 10, 2015 (the "4/10/15 Lawsuit") alleging that the BLNR has been renewing the revocable permits annually rather than keeping them in holdover status. The lawsuit asks the court to void the revocable permits and to declare that the renewals were illegally issued without preparation of an environmental assessment ("EA"). In December 2015, the BLNR decided to reaffirm its prior decisions to keep the permits in holdover status. This decision by the BLNR is being challenged by the three parties. In January 2016, the court ruled in the 4/10/15 Lawsuit that the renewals were not subject to the EA requirement, but that the BLNR lacked legal authority to keep the revocable permits in holdover status beyond one year. The court has allowed the parties to make an immediate appeal of this ruling, which appeal remains pending. In May 2016, the Hawai`i State Legislature passed House Bill 2501, which specified that the BLNR has the legal authority to issue holdover revocable permits for the disposition of water rights for a period not to exceed three years. The governor signed this bill into law State Legislature passed House Bill 2501, which specified that the BLNR has the legal authority to issue holdover revocable permits for the disposition of water rights for a period not to exceed three years. The governor signed this bill into law as Act 126 in June 2016. Pursuant to Act 126, the annual authorization of the existing holdover permits was sought and granted by the BLNR in December 2016, November 2017 and November 2018.

On December 7, 2018, a contested case request filed by the Sierra Club was denied by the BLNR. On January 7, 2019, Sierra Club filed a lawsuit in the circuit court of the first circuit in Hawai`i against BLNR, A&B, and EMI, seeking to invalidate the extension of the revocable permits for, among other things, failure to perform an EA. It also seeks to enjoin the diversion by EMI of more than 25 million gallons a day pending completion of an EA. In connection with A&B’s obligation to continue the existing process to secure long-term water leases from the State, A&B and EMI will defend against the claims made by the Sierra Club.

A&B is a party to, or may be contingently liable in connection with, other legal actions arising in the normal conduct of its businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on A&B's consolidated financial statements as a whole.

15. DERIVATIVE INSTRUMENTS

The Company is exposed to interest rate risk related to its floating rate interest debt. The Company balances its cost of debt and exposure to interest rates primarily through its mix of fixed and floating rate debt. From time to time, the Company may use interest rate swaps to manage its exposure to interest rate risk.

Cash Flow Hedges of Interest Rate Risk

During 2016, the Company entered into an interest rate swap agreement with a notional amount of $60.0 million which was designated as a cash flow hedge. The Company structured the interest rate swap agreement to hedge the variability of future interest payments due to changes in interest rates with regards to the Company's long-term debt. A summary of the key terms related to the Company's outstanding cash flow hedge at December 31, 2018, is as follows (dollars in millions):

Effective Date	Maturity Date	Fixed Interest Rate	Notional Amount at December 31, 2018	Fair Value at December 31, 2018	Fair Value at December 31, 2017	Classification on Balance Sheet
4/7/2016	8/1/2029	3.14%	$ 60.0	$ 3.9	$ 2.8	Other assets

The Company assessed the effectiveness of the cash flow hedge at inception and will continue to do so on an ongoing basis. The effective portion of the changes in fair value of the cash flow hedge is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into interest expense as interest is incurred on the related-variable rate debt. When ineffectiveness exists, the ineffective portion of changes in fair value of the cash flow hedge is recognized in earnings in the period affected.

Non-designated Hedges

At December 31, 2018, the Company has one interest rate swap that has not been designated as a cash flow hedge whose key terms are as follows (dollars in millions):

Effective Date	Maturity Date	Fixed Interest Rate	Notional Amount at December 31, 2018	Fair Value at December 31, 2018	Fair Value at December 31, 2017	Classification on Balance Sheet
1/1/2014	9/1/2021	5.95%	$ 10.5	$(0.5)	$ (0.9)	Other non-current liabilities

During the year ended December 31, 2018, the Company terminated an interest rate swap that was not designated as a cash flow hedge. The interest rate swap was classified as Other non-current liabilities on the consolidated balance sheet and had a fair value of $0.3 million at December 31, 2017.

The following table represents the pre-tax effect of the derivative instruments in the Company's consolidated statement of comprehensive income (loss) during the years ended December 31, 2018 and 2017 (in millions):

	2018		2017	
Derivatives in Designated Cash Flow Hedging Relationships:				
Amount of (gain) loss recognized in OCI on derivatives (effective portion)	$	(1.0)	$	0.4
Amounts of (gain) loss reclassified from accumulated OCI into earnings under Interest expense (ineffective portion and amount excluded from effectiveness testing)	$	—	$	(0.5)
Derivatives Not Designated as Cash Flow Hedges:				
Amount of gain (loss) realized and unrealized loss on derivatives recognized in earnings under Interest income and other	$	0.4	$	0.6

The Company recorded $0.4 million and $0.6 million of income related to the change in fair value of the interest rate swaps not designated as cash flow hedges during 2018 and 2017 in Interest and other income (loss) in the accompanying consolidated statements of operations.
The Company measures all of its interest rate swaps at fair value. The fair values of the Company's interest rate swaps (Level 2) are based on the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs.

16. EARNINGS PER SHARE ("EPS")

Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocated to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocated to common shares by the weighted-average number of common shares outstanding for the period, as adjusted for the potential dilutive effect of non-participating share-based awards as well as adjusted by the number of additional shares, if any, that would have been outstanding had the potentially dilutive common shares been issued.
The following table provides a reconciliation of income (loss) from continuing operations to income (loss) from continuing operations available to A&B shareholders and net income (loss) available to A&B shareholders for the years ended December 31, 2018, 2017 and 2016 (in millions):

	2018	2017	2016
Income (Loss) from Continuing Operations	$(69.2)	$228.1	$32.7
Loss (income) attributable to noncontrolling interest	(2.2)	(2.2)	(1.8)
Income (loss) from continuing operations attributable to A&B shareholders	(71.4)	225.9	30.9
Undistributed earnings allocated to redeemable noncontrolling interest	—	1.8	1.3
Income (loss) from continuing operations available to A&B shareholders	(71.4)	227.7	32.2

Income (loss) from discontinued operations available to A&B shareholders	(0.6)	2.4	(41.1)
Net income (loss) available to A&B shareholders	$(72.0)	$230.1	$(8.9)

The number of shares used to compute basic and diluted earnings per share for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Denominator for basic EPS - weighted average shares outstanding	70.6	49.2	49.0
Effect of dilutive securities:			
Non-participating stock options and restricted stock unit awards	—	0.8	0.4
Special Distribution	—	3.0	—
Denominator for diluted EPS - weighted average shares outstanding	70.6	53.0	49.4

There were no shares of anti-dilutive securities outstanding during the years ended December 31, 2018, 2017 and 2016.

17. REDEEMABLE NONCONTROLLING INTEREST

The Company has a 70% ownership interest in GLP that was acquired in connection with the acquisition of Grace Pacific LLC. The redeemable noncontrolling interest of GLP is recorded at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and distributions or (ii) the redemption value, which is derived from a specified formula. These adjustments are reflected in the computation of earnings per share using the two-class method.

18. CESSATION OF SUGAR OPERATIONS

A summary of the pre-tax costs and remaining costs associated with the Cessation were as follows (in millions):

	For the Year Ended December 31, 2018			
	Charges	Cumulative Amount	Remaining	Total
Employee severance benefits and related costs	$—	$ 22.1	$ —	$22.1
Asset write-offs and accelerated depreciation	—	71.3	—	71.3
Property removal, restoration and other exit-related costs	0.6	10.1	0.3	10.4
Total Cessation-related costs	$0.6	$ 103.5	$ 0.3	$103.8

Activity of the Cessation-related liabilities during the year ended December 31, 2018 were as follows (in millions):

	Other Exit Costs[1]
Balance at December 31, 2017	$ 4.6
Expense	0.6
Cash payments	(1.1)
Balance at December 31, 2018	$ 4.1

[1] Includes asset retirement obligations.

Cessation-related liabilities are presented within Accrued and other liabilities in the accompanying consolidated balance sheets at December 31, 2018 and 2017.

19. SEGMENT RESULTS

Operating segments are components of an enterprise that engage in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company operates three segments: Commercial Real Estate; Land Operations; and Materials & Construction.

The Commercial Real Estate segment owns, operates, and manages a portfolio of retail, office and industrial properties in Hawai`i and on the Mainland totaling 3.5 million square feet of GLA. The Company also leases approximately 109 acres of commercial land in Hawai`i to third-party lessees.
The Land Operations segment generates its revenues and creates value through an active and comprehensive program of land stewardship, planning, entitlement, development, real estate investment and sale of land and commercial and residential properties, principally in Hawai`i.
The Materials & Construction segment performs asphalt paving as prime contractor and subcontractor; imports and sells liquid asphalt; mines, processes and sells rock and sand aggregates; produces and sells asphaltic concrete; provides and sells various construction- and traffic-control-related products and manufactures and sells precast concrete products.
The accounting policies of the operating segments are described in Note 2 Significant Accounting Policies. Reportable segments are measured based on operating profit, exclusive of interest expense, general corporate expenses and income taxes. Revenues related to transactions between reportable segments have been eliminated in consolidation. Transactions between reportable segments are accounted for on the same basis as transactions with unrelated third parties.
General contractor and subcontractor revenues for the years ended December 31, 2018, 2017 and 2016 were derived directly and indirectly from the State of Hawai`i in the amounts of $40.4 million, $60.2 million, and $50.1 million, respectively. In addition, for the years ended December 31, 2018, 2017 and 2016, amounts were derived directly and indirectly from the City and County of Honolulu in the amounts of $53.0 million, $67.7 million and $52.0 million respectively.

Operating segment information for the years ended December 31, 2018, 2017 and 2016 is summarized below (in millions):

	2018	2017	2016
Operating Revenue:			
Commercial Real Estate	$140.3	$136.9	$134.7
Land Operations	289.5	84.5	61.9
Materials & Construction	214.6	204.1	190.9
Total operating revenue	644.4	425.5	387.5
Operating Profit (Loss):			
Commercial Real Estate[1]	58.5	34.4	54.8
Land Operations[2,6]	(26.7)	14.2	7.0
Materials & Construction[7]	(73.2)	22.0	23.3
Total operating profit (loss)	(41.4)	70.6	85.1
Gain (loss) on the sale of commercial real estate properties	51.4	9.3	8.1
Interest expense	(35.3)	(25.6)	(26.3)
General corporate expenses	(27.6)	(29.2)	(22.1)
REIT evaluation/conversion costs	—	(15.2)	(9.5)
Income (Loss) from Continuing Operations Before Income Taxes	$(52.9)	$9.9	$35.3
Identifiable Assets:			
Commercial Real Estate	$1,530.4	$1,128.1	$1,119.5
Land Operations[3]	350.0	604.2	632.8
Materials & Construction	297.1	379.2	371.8
Other	47.7	119.7	32.2
Total assets	$2,225.2	$2,231.2	$2,156.3
Capital Expenditures:			
Commercial Real Estate[4]	$282.7	$32.8	$98.7
Land Operations[5]	1.4	1.4	5.3
Materials & Construction	11.0	6.3	9.3
Other	1.0	0.2	0.3
Total capital expenditures	$296.1	$40.7	$113.6
Depreciation and Amortization:			
Commercial Real Estate	$28.0	$26.0	$28.4
Land Operations	1.9	1.6	6.7
Materials & Construction	12.1	12.2	11.7
Other	0.8	1.6	1.8
Total depreciation and amortization	$42.8	$41.4	$48.6

[1] Commercial Real Estate segment operating profit (loss) includes intersegment operating revenue, primarily from the Materials & Construction segment, and is eliminated in the consolidated results of operations.
[2] Land Operations segment operating profit (loss) includes equity in earnings (losses) from the Company's various real estate joint ventures and non-cash reductions related to the Company's solar tax equity investments.
[3] The Land Operations segment includes assets related to its investment in various real estate joint ventures.
[4] Represents gross capital additions to the commercial real estate portfolio, including gross tax deferred property purchases but excluding the assumption of debt, that are reflected as non-cash transactions in the consolidated statements of cash flows.
[5] Excludes expenditures for real estate developments held for sale, which are classified as cash flows from operating activities within the consolidated statements of cash flows, and excludes investment in joint ventures classified as cash

flows from investing activities.

[6] Land Operations segment operating profit (loss) for the year ended December 31, 2018 includes impairments related to its long-term developments and equity method investments of $1.6 million and $188.6 million, respectively, in addition to a margin on the bulk sale of 41,000 acres of diversified agricultural land of $162.2 million.

[7] Materials & Construction segment operating profit (loss) for the year ended December 31, 2018 includes impairments related to its goodwill, fixed assets, and intangible assets of $37.2 million, $33.6 million, and $7.0 million, respectively.

20. REAL ESTATE ACQUISITIONS

During the year ended December 31, 2018, the Company acquired five commercial properties for an aggregate purchase price of $303.7 million that were accounted for as asset acquisitions. The aggregate purchase price included a mortgage with a contractual principal amount of $62.0 million that is secured by one of the properties and $2.7 million of capitalized and acquisition-related costs paid to third parties.

The allocation of purchase price to assets acquired and liabilities assumed were as follows (in millions):

Fair value of assets acquired and liabilities assumed	
Assets acquired:	
Land	$92.8
Property and improvements	173.9
In-place/favorable leases	38.7
Total assets acquired	$305.4
Liabilities assumed:	
Unfavorable leases	$2.7
Long term debt*	61.0
Total liabilities assumed	63.7
Net assets acquired	$241.7

*Includes a fair value adjustment of $1.0 million.

As of the acquisition date, the weighted-average remaining lives of both the in-place/favorable leases and unfavorable leases were approximately 12 years.

21. LAND SALE

On December 17, 2018, A&B entered into a Purchase and Sale Agreement and Escrow Instructions (the "PSA") with Mahi Pono Holdings, LLC (the "Buyer"). Pursuant to the terms of the PSA, A&B sold approximately 41,000 acres of agricultural land located on the island of Maui and 100% of the Company's ownership interest in Central Maui Feedstocks LLC and Kulolio Ranch LLC (collectively, "Agricultural Land Sale") in exchange for cash consideration of approximately $261.6 million, less customary closing costs and fees, subject to certain contingencies and reserves of approximately $19.5 million. The Agricultural Land Sale closed on December 20, 2018, with the exception of approximately 800 acres that were delivered to the Buyer in February 2019. In connection with the Agricultural Land Sale, the Company recognized gross profit of approximately $162.2 million during the year ended December 31, 2018. The Company also deferred approximately $62.0 million of revenue related to certain performance obligations involving leases with the State of Hawai`i to provide rights to draw water ("State Water Leases"), as well as ensuring that the Buyer has continued access to water prior to the issuance of the State Water Leases. Under the terms of the PSA, the Company may be required to remit amounts up to $62.0 million to the Buyer to the extent performance obligations are not met.

The Agricultural Land Sale was deemed an asset sale and represents normal recurring activity for the Land Operations segment. Revenue and the cost of the land sold were presented within Operating Revenue: Land Operations and Cost of Land Operations, respectively, in the accompanying consolidated statements of operations.

The disposition of the Agricultural Land Sale did not qualify to be reported as discontinued operations since the disposition did not represent a strategic shift in the Company's operations. Accordingly, the operating results of the assets are reflected in the Company's results from continuing operations for all periods presented through the date of disposition.

In addition to the Agricultural Land Sale, in February 2019, the Company sold 50% of its interest in East Maui Irrigation Company, LLC ("EMI") to the Buyer in exchange for cash proceeds of $2.7 million and concurrently entered into a joint venture operating agreement that governs the operation and management of EMI.

22. SUBSEQUENT EVENTS

In February 2019, the Company closed on the sale of real property comprised of approximately 42 acres of land and land improvements, residential workforce housing credits, and associated developer rights in Wailea, Maui to Ledcor Properties

Corporation, a construction and development company, for cash consideration of approximately $23.6 million, less customary closing costs and fees.

On February 26, 2019, the Company's Board of Directors declared a cash dividend of $0.145 per share of outstanding common stock, payable on March 26, 2019 to shareholders of record as of the close of business on March 11, 2019.

23. UNAUDITED SUMMARIZED QUARTERLY INFORMATION

Unaudited quarterly results for the years ended December 31, 2018 and 2017 were as follows (in millions, except per share amounts):

	2018			
	Q1	Q2	Q3	Q4
Revenue	$113.3	$112.1	$119.4	$299.6
Total operating profit (loss)	10.3	18.8	32.4	(102.9)
Income (Loss) from Continuing Operations Before Income Taxes	44.8	2.8	16.8	(117.3)
Net Income (Loss) Attributable to A&B Shareholders	$47.3	$2.5	$14.8	$(136.6)
Net income (loss) Available to A&B shareholders	47.3	2.5	14.8	(136.6)
Basic Earnings (Loss) Per Share	$0.71	$0.03	$0.21	$(1.90)
Diluted Earnings (Loss) Per Share	$0.66	$0.03	$0.20	$(1.90)
Weighted-Average Number of Shares Outstanding:				
Basic	66.4	72.0	72.0	72.0
Diluted	72.2	72.3	72.4	72.0

	2017			
	Q1	Q2	Q3	Q4
Revenue	$93.2	$98.1	$111.5	$122.7
Total operating profit (loss)[1]	17.5	21.8	30.7	0.6
Income (Loss) from Continuing Operations Before Income Taxes	3.8	7.5	11.3	(12.7)
Net Income (Loss) Attributable to A&B Shareholders	$6.3	$4.3	$6.1	$211.6
Net income (loss) Available to A&B shareholders	6.8	4.5	6.6	212.2
Basic Earnings (Loss) Per Share	$0.14	$0.10	$0.13	$4.31
Diluted Earnings (Loss) Per Share	$0.14	$0.09	$0.13	$3.42
Weighted-Average Number of Shares Outstanding:				
Basic	49.1	49.2	49.2	49.2
Diluted	49.6	49.6	49.6	62.0

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Interim Chief Financial Officer have concluded that, as of December 31, 2018, the Company’s disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Because of its inherent limitations, internal control over financial reporting only provides reasonable assurance with respect to financial statement presentation and preparation and cannot provide absolute assurance that all control issues and instances of fraud, if any, will be detected. Management does not expect that the Company's internal controls will prevent or detect all errors and all fraud. Additionally, the design of a control system must consider the benefits of the controls relative to their costs. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its assessment, management believes that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company's internal control over financial reporting. That report appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the shareholders and the Board of Directors of Alexander & Baldwin, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Alexander & Baldwin, Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated February 28, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte &Touche LLP

Honolulu, Hawai`i
February 28, 2019

97

ITEM 9B. OTHER INFORMATION

During the fourth quarter of 2018, the Company determined that its investment in Kukui`ula was other-than-temporarily impaired due to the Company changing its strategy and no longer intending to hold its investment through the duration of the project. As a result, the Company wrote down the carrying value of the investment to fair value which resulted in the Company recognizing a non-cash, other-than-temporary impairment charge of $186.8 million. The fair value assessment was completed on February 26, 2019.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A. Directors

For information about the directors of A&B, see the section captioned “Election of Directors” in A&B’s proxy statement for the 2019 Annual Meeting of Shareholders (“A&B’s 2019 Proxy Statement”), which section is incorporated herein by reference.

B. Executive Officers

As of February 15, 2019, the name of each executive officer of A&B (in alphabetical order), age (in parentheses), and present and prior positions with A&B and business experience for the past five years are given below.

Generally, the term of office of executive officers is at the pleasure of the Board of Directors. For a discussion of compliance with Section 16(a) of the Exchange Act by A&B’s directors and executive officers, see the subsection captioned “Section 16(a) Beneficial Ownership Reporting Compliance” in A&B’s 2018 Proxy Statement, which subsection is incorporated herein by reference. For a discussion of change in control agreements between A&B and certain of A&B’s executive officers, and the Executive Severance Plan, see the subsections captioned “Other Potential Post-Employment Payments” in A&B’s 2019 Proxy Statement, which subsections are incorporated herein by reference.

References within this section to A&B include the Company and Alexander & Baldwin, Inc. prior to the Holding Company Merger, which was completed on November 8, 2017 in order to facilitate the Company's conversion to a REIT. Also, references to “A&B Predecessor” are to Alexander & Baldwin, Inc. prior to its separation from Matson, Inc. on June 29, 2012.

Christopher J. Benjamin (55)

Chief Executive Officer of A&B, 1/16-present; President of A&B, 6/12-present; Chief Operating Officer of A&B, 6/12-12/15; President of Land Group of A&B Predecessor, 9/11-6/12; President of A & B Properties Inc., 9/11-8/15; Senior Vice President of A&B Predecessor, 7/05-8/11; Chief Financial Officer of A&B Predecessor, 2/04-8/11; Treasurer of A&B Predecessor, 5/06-8/11; Plantation General Manager, Hawaiian Commercial & Sugar Company, 3/09-3/11; first joined A&B Predecessor in 2001.

Meredith J. Ching (62)

Executive Vice President, External Affairs, of A&B, 3/18-present; Senior Vice President, External Affairs, of A&B, 6/12-3/18; Senior Vice President, Government & Community Relations, of A&B Predecessor, 6/07-6/12; first joined A&B Predecessor in 1982.

Clayton K. Y. Chun (41)

Senior Vice President of A&B, 2/19-present; Chief Accounting Officer of A&B, 1/18-present; Vice President of A&B, 3/19-1/19; Controller of A&B, 9/15-present; Audit Senior Manager of Deloitte & Touche, LLP, 9/00-8/15.

Nelson N. S. Chun (66)

Executive Vice President of A&B, 3/18-present; Chief Legal Officer of A&B, 6/12-present; Senior Vice President of A&B, 6/12-3/18; Senior Vice President and Chief Legal Officer of A&B Predecessor, 7/05-6/12; first joined A&B Predecessor in 2003.

Diana M. Laing (64)

Interim Chief Financial Officer of A&B, 11/18-present; Interim Executive Vice President of A&B, 10/18-present; Chief Financial Officer of American Homes 4 Rent, 2014-6/18; Chief Financial Officer and Corporate Secretary of Thomas Properties Group, Inc, 2004-2013.

Lance K. Parker (45)

Executive Vice President of A&B, 3/18-present; Chief Real Estate Officer of A&B, 10/17-present; President of A&B Properties Hawai`i, LLC ("ABP"), 9/15-present; Senior Vice President of ABP, 6/13-8/15; Vice President of ABP, 7/07-6/13; first joined A&B Predecessor in 2004.

C. Corporate Governance

For information about the Audit Committee of the A&B Board of Directors, see the section captioned “Certain Information Concerning the Board of Directors” in A&B’s 2019 Proxy Statement, which section is incorporated herein by reference.

D. Code of Ethics

For information about A&B’s Code of Ethics, see the subsection captioned “Code of Ethics” in A&B’s 2019 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned “Executive Compensation” and the subsection captioned “Compensation of Directors” in A&B’s 2019 Proxy Statement, which section and subsection are incorporated herein by reference.

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

See the section captioned “Security Ownership of Certain Shareholders” and the subsection titled “Security Ownership of Directors and Executive Officers” in A&B’s 2019 Proxy Statement, which section and subsection are incorporated herein by reference. See the Equity Compensation Plan Information table in Item 5 of Part II.

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

See the section captioned “Election of Directors” and the subsection captioned “Certain Relationships and Transactions” in A&B’s 2019 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning principal accountant fees and services appears in the section captioned “Ratification of Appointment of Independent Registered Public Accounting Firm” in A&B’s 2019 Proxy Statement, which section is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Financial Statements

The financial statements are set forth in Item 8 of Part II above.

B. Financial Statement Schedules
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION
Alexander & Baldwin, Inc.
December 31, 2018

(in millions)		Initial Cost		Costs Capitalized Subsequent to Acquisition		Gross Amounts of Which Carried at Close of Period					
Description	Encum-brances (1)	Land	Buildings and Improvements	Improvements	Carrying Costs	Land	Buildings and Improvements	Total (2)	Accumulated Depreciation (3)	Date of Construction	Date Acquired/ Completed
Commercial Real Estate Segment											
Industrial :											
Harbor Industrial (HI)	$—	$—	$ —	$ 1.2	$ —	$—	$ 1.2	$1.2	$ (1.1)	1930	2018
Honokohau Industrial (HI)	—	4.9	4.8	0.2	—	4.9	5.0	9.9	(0.2)	Various	2017
Kailua Industrial/Other (HI)	—	10.5	2.0	0.3	—	10.5	2.3	12.8	(0.3)	Various	2013
Kaka'ako Commerce Center (HI)	—	16.9	20.6	1.6	—	16.9	22.2	39.1	(2.2)	1969	2014
Komohana Industrial Park (HI)	—	25.2	10.8	0.8	—	25.2	11.6	36.8	(2.7)	1990	2010
Opule Industrial (HI)	—	10.9	27.1	—	—	10.9	27.1	38.0	—	2005-2006, 2018	2018
P&L Warehouse (HI)	—	—	—	1.2	—	—	1.2	1.2	(0.7)	1970	1970
Port Allen (HI)	—	—	0.7	2.4	—	—	3.1	3.1	(2.1)	1983, 1993	1983-1993
Waipio Industrial (HI)	—	19.6	7.7	0.4	—	19.6	8.1	27.7	(2.1)	1988-1989	2009
Office :											
Kahului Office Building (HI)	—	1.0	0.4	7.3	—	1.0	7.7	8.7	(8.5)	1974	1989
Kahului Office Center (HI)	—	—	—	6.0	—	—	6.0	6.0	(4.3)	1991	1991
Lono Center (HI)	—	—	1.4	1.2	—	—	2.6	2.6	(1.6)	1973	1991
Gateway at Mililani Mauka South (HI)	—	7.0	3.5	5.9	—	7.0	9.4	16.4	(1.1)	1992, 2006	2012
Retail :											
Aikahi Park Shopping Center (HI)	—	23.5	6.7	0.8	—	23.5	7.5	31.0	(1.7)	1971	2015
	—	7.3	4.7	5.8	—	7.3	10.5	17.8	(1.4)	2008, 2013	2011

Gateway at Mililani Mauka (HI)											
Hokulei Street (HI)	—	16.9	36.5	2.6	—	16.9	39.1	56.0	(1.1)	2015	2018
Kahului Shopping Center (HI)	—	—	—	2.7	—	—	2.7	2.7	(1.4)	1951	1951
Kailua Retail Other (HI)	15.3	84.0	73.8	10.7	—	84.0	84.5	168.5	(11.9)	Various	2013
Kaneohe Bay Shopping Ctr. (HI)	—	—	13.4	2.4	—	—	15.8	15.8	(6.8)	1971	2001
Kunia Shopping Center (HI)	—	2.7	10.6	1.7	—	2.7	12.3	15.0	(4.8)	2004	2002
Lanihau Marketplace (HI)	—	9.4	13.2	2.3	—	9.4	15.5	24.9	(3.7)	1987	2010
Laulani Village (HI)	62.0	43.4	64.3	2.6	—	43.4	66.9	110.3	(1.8)	2012	2018
Manoa Marketplace (HI)	60.0	43.3	35.9	3.8	—	43.3	39.7	83.0	(3.2)	1977	2016
Napili Plaza (HI)	—	9.4	8.0	0.8	—	9.4	8.8	18.2	(1.9)	1991	2003, 2013
Pearl Highlands Center (HI)	85.3	43.4	96.2	11.6	—	43.4	107.8	151.2	(16.7)	1992-1994	2013
Port Allen Marina Ctr. (HI)	—	—	3.4	1.2	—	—	4.6	4.6	(2.3)	2002	1971
Pu`unene Shopping Center (HI)	—	24.8	28.6	5.5	—	24.8	34.1	58.9	(1.0)	2017	2018
The Collection (HI)	—	2.3	4.5	0.7	—	2.3	5.2	7.5	(0.1)	2017	2018
The Shops at Kukui`ula (HI)	—	8.9	30.1	3.6	—	8.9	33.7	42.6	(5.4)	2009	2013
Waianae Mall (HI)	—	17.4	10.1	4.7	—	17.4	14.8	32.2	(2.6)	1975	2013
Waipio Shopping Center (HI)	—	24.0	7.6	1.2	—	24.0	8.8	32.8	(2.0)	1986, 2004	2009
Lau Hala Shops (HI)	—	—	—	19.2	—	—	19.2	19.2	(0.1)	2018	2018
Other :											
Ho'okele Shopping Center (HI)	—	—	—	18.6	—	—	18.6	18.6	—	2017	—
Oahu Ground Leases (HI)	—	170.5	0.6	—	—	170.5	0.6	171.1	(0.1)	—	—
Other miscellaneous investments	—	2.5	0.1	11.0	—	2.5	11.1	13.6	(7.7)	—	—
Total	$222.6	$629.7	$527.3	$142.0	$ —	$629.7	$669.3	$1,299.0	$(104.6)		

102

Description (amounts in millions)	Encum-brances (1)	Land	Buildings and Improvements	Improvements	Carrying Costs	Land	Buildings and Improvements	Total (2)	Accumulated Depreciation (3)
Land Operations Segment									
Agricultural Land	$ —	$5.2	$ —	$ —	$ —	$5.2	$ —	$5.2	$ —
Kahala Portfolio	—	19.0	—	—	—	19.0	—	19.0	—
Kamalani	—	—	—	17.0	—	—	17.0	17.0	—
Kauai Landholdings	—	—	0.1	7.4	—	—	7.5	7.5	(0.7)
Maui Business Park II	—	—	—	37.9	—	—	37.9	37.9	—
Maui Landholdings	—	0.1	0.2	3.6	—	0.1	3.8	3.9	(0.7)
Wailea B-1	—	4.6	—	—	—	4.6	—	4.6	—
Wailea, other	—	28.5	—	20.7	(0.5)	28.5	20.2	48.7	—
Other miscellaneous investments	—	3.1	—	1.8	—	3.1	1.8	4.9	(1.6)
Total	$ —	$60.5	$ 0.3	$ 88.4	$ (0.5)	$60.5	$ 88.2	$148.7	$ (3.0)

(1) See Note 8 to consolidated financial statements.

(2) The aggregate tax basis, at December 31, 2018, for the Commercial Real Estate segment and Land Operations segment assets was approximately $798.5 million, including outside tax basis of consolidated joint venture investments.

(3) Depreciation is computed based upon the following estimated useful lives:

Building and improvements: 10 – 40 years

Leasehold improvements: 5 – 10 years (lesser of useful life or lease term)

Other property improvements: 3 – 35 years

Reconciliation of Real Estate (in millions)	2018	2017	2016
Balance at beginning of year	$1,325.1	$1,352.7	$1,332.5
Additions and improvements	317.8	57.8	118.8
Dispositions, retirements and other adjustments	(194.7)	(66.6)	(87.0)
Impairment of assets	(0.5)	(18.8)	(11.6)
Balance at end of year	$1,447.7	$1,325.1	$1,352.7

Reconciliation of Accumulated Depreciation (in millions)	2018	2017	2016
Balance at beginning of year	$133.5	$122.7	$128.0
Depreciation expense	20.4	18.8	20.2
Dispositions, retirements and other adjustments	(46.3)	(8.0)	(25.5)
Balance at end of year	$107.6	$133.5	$122.7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Alexander & Baldwin, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, and the Company's internal control over financial reporting as of December 31, 2018, and have issued our reports thereon dated February 28, 2019; such reports are included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of the Company listed in the Index at Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s consolidated financial statement schedule based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Honolulu, Hawai`i
February 28, 2019

C. Exhibits Required by Item 601 of Regulation S-K

Exhibits not filed herewith are incorporated by reference to the exhibit number and previous filing shown in parentheses. All previous exhibits were filed with the Securities and Exchange Commission in Washington, D.C. Exhibits filed pursuant to the Securities Exchange Act of 1934 were filed under file number 001-34187. Shareholders may obtain copies of exhibits for a copying and handling charge of $0.15 per page by writing to Alyson J. Nakamura, Corporate Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawai`i 96801.

2. Plan of acquisition, reorganization, arrangement, liquidation or succession.

2.a. Agreement and Plan of Merger, dated as of July 10, 2017, by and among Alexander & Baldwin, Investments, LLC (formerly Alexander & Baldwin, Inc.), Alexander & Baldwin, Inc. (formerly Alexander & Baldwin REIT Holdings, Inc.) and A&B REIT Merger Corporation (Exhibit 2.1 to Form 8-K, dated July 12, 2017).

3. Articles of incorporation and bylaws.

3.a. Amended and Restated Articles of Incorporation of Alexander & Baldwin, Inc., effective as of November 8, 2017 (Exhibit 3.1 to Form 8-K, dated November 8, 2017).

3.b. Amended and Restated Bylaws of Alexander & Baldwin, Inc., effective as of November 8, 2017 (Exhibit 3.2 to Form 8-K, dated November 8, 2017).

4. Instruments defining the rights of security holders.

4.a. Description of Capital Stock (Exhibit 4.1 to Form 8-K, dated November 8, 2017).

4.b. Form of Company Common Stock Certificate (Exhibit 4.2 to Form 8-K, dated November 8, 2017).

10. Material contracts.

10.a. (i) Amended and Restated Operating Agreement of Kukui`ula Development Company (Hawaii), LLC, dated May 1, 2009, by and between KDC, LLC, a Hawaii limited liability company, and DMB Kukui`ula LLC, an Arizona limited liability company (Exhibit 10.6 to Amendment No. 2 to Form 10 filed on May 21, 2012).

(ii) First Amendment to the Amended and Restated Operating Agreement of Kukui`ula Development Company (Hawaii), LLC, dated September 28, 2010, by and between KDC, LLC, a Hawaii limited liability company, and DMB Kukui`ula LLC, an Arizona limited liability company (Exhibit 10.7 to Amendment No. 2 to Form 10 filed on May 21, 2012).

(iii) Second Amendment to the Amended and Restated Operating Agreement of Kukui`ula Development Company (Hawaii), LLC, dated July 20, 2011, by and between KDC, LLC, a Hawaii limited liability company, and DMB Kukui`ula LLC, an Arizona limited liability company (Exhibit 10.8 to Amendment No. 2 to Form 10 filed on May 21, 2012).

(iv) General Contract of Indemnity, among Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), Kukui`ula Development Company (Hawaii), LLC, DMB Kukui`ula LLC, and DMB Communities LLC, in favor of Travelers Casualty and Surety Company of America, dated June 13, 2006 (incorporated by reference to Exhibit 10.1 to Alexander & Baldwin, Inc.'s Form 8-K dated June 14, 2006 (File No. 000-00565)).

(v) Mutual Indemnification Agreement, among Kukui`ula Development Company (Hawaii), LLC, DMB Kukui`ula LLC, DMB Communities LLC, and Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), dated June 14, 2006 (incorporated by reference to Exhibit 10.2 to Alexander & Baldwin, Inc.'s Form 8-K dated June 14, 2006 (File No. 000-00565)).

(vi) General Agreement of Indemnity, among Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), Kukui`ula Development Company (Hawaii), LLC, and DMB Communities LLC, in favor of Safeco Insurance Company of America, dated August 30, 2006 and entered into September 5, 2006 (incorporated by reference to Exhibit 10.1 to Alexander & Baldwin, Inc.'s Form 8-K dated September 5, 2006 (File No. 000-00565)).

(vii) Mutual Indemnification Agreement, among Kukui`ula Development Company (Hawaii), LLC, DMB Kukui`ula LLC, DMB Communities LLC, and Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), dated August 30, 2006 and entered into September 5, 2006 (incorporated by reference to Exhibit 10.2 to Alexander & Baldwin, Inc.'s Form 8-K dated September 5, 2006 (File No. 000-00565)).

(viii) Credit Agreement between Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), First Hawaiian Bank, Bank of America, N.A. and the other lenders party thereto, dated as of June 4, 2012 (Exhibit 10.2 to Form 8-K, dated June 4, 2012).
(ix) First Amendment to Credit Agreement by and among Alexander & Baldwin, LLC, Grace Pacific LLC, Alexander & Baldwin, Inc., A&B II, LLC, Bank of America, N.A., and First Hawaiian Bank, dated December 18, 2013 (Exhibit 10.a.(xvi) to Alexander & Baldwin, Inc.'s Form 10-Q for the quarter ended March 31, 2015).
(x) Second Amended and Restated Credit Agreement by and among Alexander & Baldwin, LLC, Grace Pacific LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, Alexander & Baldwin, LLC, Series M, Bank of America N.A., First Hawaiian Bank, and other lenders party thereto, dated September 15, 2017 (Exhibit 10.1 to Form 8-K, dated September 19, 2017).
(xi) Joinder Agreement, by Alexander & Baldwin, Inc., dated November 8, 2017, to Second Amended and Restated Credit Agreement, dated September 15, 2017, among Alexander & Baldwin, LLC, Grace Pacific LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, Alexander & Baldwin, LLC, Series M, Bank of America, N.A., First Hawaiian Bank, and other lenders party thereto (Exhibit 10.a.(xi) to Form 10-K for the year ended December 31, 2017).
(xii) Amended and Restated Credit Agreement, dated December 10, 2015, among Alexander & Baldwin, LLC, Grace Pacific LLC, Bank of America, N.A., and other lenders party thereto (Exhibit 10.a.(xvii) to Form 10-K for the year ended December 31, 2015).
(xiii) Amended and Restated Note Purchase and Private Shelf Agreement among Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), Prudential Investment Management, Inc. and the other purchasers party thereto, dated as of June 4, 2012 (Exhibit 10.1 to Form 8-K, dated June 4, 2012).
(xiv) Modification to Amended and Restated Note Purchase and Private Shelf Agreement among Alexander & Baldwin, LLC, Alexander & Baldwin, Inc., Prudential Investment Management, Inc. and the other purchasers party thereto, dated as of September 27, 2013 (Exhibit 10.a.(xviii) to Form 10-Q for the quarter ended September 30, 2013).
(xv) Second Amended and Restated Note Purchase and Private Shelf Agreement among Alexander & Baldwin, Inc., Alexander & Baldwin, LLC, Prudential Investment Management, Inc., and certain affiliates of Prudential Investment Management, Inc., dated December 10, 2015 (Exhibit 10.a.(xx) to Form 10-K for the year ended December 31, 2015).
(xvi) Amendment to Second Amended and Restated Note Purchase and Private Shelf Agreement by and among Alexander & Baldwin, Inc., Alexander & Baldwin, LLC, Prudential Investment Management, Inc., and certain affiliates of Prudential Investment Management, Inc., dated September 15, 2017 (Exhibit 10.2 to Form 8-K, dated September 19, 2017)
(xvii) Joinder Agreement, by Alexander & Baldwin, Inc. (formerly Alexander & Baldwin REIT Holdings, Inc.), dated November 8, 2017, to Second Amended and Restated Note Purchase and Private Shelf Agreement, dated December 10, 2015, as amended, between Alexander & Baldwin, LLC, Alexander & Baldwin, Inc., and the other Guarantors party thereto, on the one hand, and the Purchasers party thereto, on the other hand (Exhibit 10.a.(xvii) to Form 10-K for the year ended December 31, 2017).
(xviii) Second Amendment to Second Amended and Restated Note Purchase and Private Shelf Agreement, by and among Alexander & Baldwin, Inc., Alexander & Baldwin, LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, Alexander & Baldwin, LLC, Series M, Prudential Investment Management, Inc., and certain affiliates of Prudential Investment Management, Inc., dated January 8, 2018 (Exhibit 10.a.(xviii) to Form 10 K for the year ended December 31, 2017).
(xix) Series J Senior Notes (No. J-1 through No. J-8) by Alexander & Baldwin, LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, and Alexander & Baldwin, LLC, Series M in favor of The Prudential Insurance Company of America, dated April 18, 2018 (Exhibit 10.a.(xix) to Form 10-Q for the quarter ended March 31, 2018).
(xx) Series K Senior Notes (No. K-1 through No. K-8) by Alexander & Baldwin, LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, and Alexander & Baldwin, LLC, Series M in favor of The Prudential Insurance Company of America, dated April 18, 2018 (Exhibit 10.a.(xx) to Form 10-Q for the quarter ended March 31, 2018).

(xxi) Series L Senior Notes (No. L-1 through No. L-8) by Alexander & Baldwin, LLC, Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, and Alexander & Baldwin, LLC, Series M in favor of The Prudential Insurance Company of America, dated April 18, 2018 (Exhibit 10.a.(xxi) to Form 10-Q for the quarter ended March 31, 2018).
(xxii) Limited Guaranty among A & B Properties, Inc., First Hawaiian Bank, Wells Fargo Bank N.A., Bank of Hawaii, and Central Pacific Bank, dated as of November 30, 2012 (Exhibit 10.1 to Form 8-K, dated December 4, 2012).
(xxiii) Completion Guaranty among A & B Properties, Inc., First Hawaiian Bank, Wells Fargo Bank N.A., Bank of Hawaii, and Central Pacific Bank, dated as of November 30, 2012 (Exhibit 10.2 to Form 8-K, dated December 4, 2012).
(xxiv) Note and Mortgage Assumption Agreement, dated January 15, 2013, among U.S. Bank National Association, as trustee for Morgan Stanley Capital I Inc., Commercial Mortgage Pass-Through Certificates, Series 2006-IQ11, TNP SRT Waianae Mall, LLC, and A&B Waianae LLC (Exhibit 10.a.(xx) to Form 10 K for the year ended December 31, 2012).
(xxv) Loan Assumption and Amendment to Loan Documents, among PHSC Holdings, LLC, ABP Pearl Highlands LLC, Pearl Highlands LLC, and The Northwestern Mutual Life Insurance Company, dated September 17, 2013 (Exhibit 10.a.(xxii) to Form 10-Q for the quarter ended September 30, 2013).
(xxvi) Promissory Note between ABP Pearl Highlands LLC and The Northwestern Mutual Life Insurance Company, dated November 20, 2014 (Exhibit 10.1 to Form 8-K, dated December 1, 2014).
(xxvii) Mortgage and Security Agreement between ABP Pearl Highlands LLC and The Northwestern Mutual Life Insurance Company, dated November 20, 2014 (Exhibit 10.2 to Form 8-K, dated December 1, 2014).
(xxviii) Term Loan Agreement among Kukui`ula Village LLC, Bank of America, N.A., and the other financial institutions party thereto, dated as of November 5, 2013 (Exhibit 10.a.(xxvi) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2013).
(xxix) Real Estate Term Loan Agreement among Kukui`ula Village LLC, Kukui`ula Development Company (Hawaii), LLC, Bank of America, N.A., and the other financial institutions party thereto, dated as of November 5, 2013 (Exhibit 10.a.(xxv) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2013).
(xxx) Promissory Note by ABL Manoa Marketplace LF LLC, A&B Manoa LLC, ABL Manoa Marketplace LH LLC, and ABP Manoa Marketplace LH LLC to First Hawaiian Bank, dated August 1, 2016 (Exhibit 10.a.(xxxiv) to Form 10-Q for the quarter ended September 30, 2016).
(xxxi) Mortgage, Security Agreement and Fixture Filing by ABL Manoa Marketplace LF LLC, A&B Manoa LLC, ABL Manoa Marketplace LH LLC, and ABP Manoa Marketplace LH LLC to First Hawaiian Bank, dated August 1, 2016 (Exhibit 10.a.(xxxv) to Form 10-Q for the quarter ended September 30, 2016).
(xxxii) Limited Liability Company Agreement of Alexander & Baldwin Investments, LLC, dated as of November 8, 2017 (Exhibit 10.1 to Form 8-K, dated November 8, 2017).
(xxxiii) Term Loan Agreement, among Alexander & Baldwin, LLC, Grace Pacific LLC, the other borrowers party thereto, Wells Fargo Bank, National Association, Wells Fargo Securities, LLC, and the other lenders party thereto, dated February 26, 2018 (Exhibit 10.a.(xxxiii) to Form 10-Q for the quarter ended March 31, 2018).
(xxxiv) Promissory Note by TRC Laulani Village, LLC in favor of The Northwestern Mutual Life Insurance Company, dated April 10, 2014 (Exhibit 10.a.(xxxiv) to Form 10-Q for the quarter ended March 31, 2018).
(xxxv) Loan Assumption and Amendment to Loan Documents, among TRC Laulani Village, LLC, ABP E1 LLC, ABP ER1 LLC, and The Northwestern Mutual Life Insurance Company, dated February 23, 2018 (Exhibit 10.a.(xxxv) to Form 10-Q for the quarter ended March 31, 2018).
(xxxvi) Purchase and Sale Agreement, among Hokulei Village, LLC, TRC Laulani Village, LLC, Laulani Village Pad G, LLC, and Puunene Shopping Center, LLC, on one hand, and A & B Properties Hawaii, LLC, Series R, on the other hand, effective as of November 22, 2017, as amended (Exhibit 10.a.(xxxvi) to Form 10-Q for the quarter ended March 31, 2018).

(xxxvii) Purchase and Sale Agreement and Escrow Instructions by Alexander & Baldwin, LLC, Series R, Alexander & Baldwin, LLC, Series T, and A & B Properties Hawaii, LLC, Series R, and Mahi Pono Holdings, LLC, dated December 17, 2018 (Exhibit 10.1 to Form 8-K, dated December 20, 2018).
*10.b.1. (i) Alexander & Baldwin, Inc. 2012 Incentive Compensation Plan (Exhibit 99.1 to Form S-8 filed on June 29, 2012).
(ii) Amendment No. 1 to Alexander & Baldwin, Inc. 2012 Incentive Compensation Plan, effective as of January 24, 2017 (Exhibit 10.b.1.(ii) to Form 10-K for the year ended December 31, 2016).
(iii) Alexander & Baldwin, Inc. Amended and Restated 2012 Incentive Compensation Plan, as assumed (Exhibit 99.1 to Post-Effective Amendment No. 1 to Form S-8 filed on November 8, 2017).
(iv) Alexander & Baldwin, Inc. Amended and Restated 2012 Incentive Compensation Plan, as assumed on November 8, 2017, as further amended and restated effective January 23, 2018 (Exhibit 10.b.1.(iv) to Form 10-Q for the quarter ended September 30, 2018).
(v) Form of Notice of Stock Option Grant (Exhibit 99.2 to Form S-8 filed on June 29, 2012).
(vi) Form of Stock Option Agreement for Executive Employees (Exhibit 99.4 to Form S-8 filed on June 29, 2012).
(vii) Form of Notice of Time-Based Restricted Stock Unit Grant (Exhibit 10.b.1.(iv) to Form 10-K for the year ended December 31, 2012).
(viii) Form of Time-Based Restricted Stock Unit Agreement for Executive Employees (Exhibit 10.b.1.(v) to Form 10-K for the year ended December 31, 2012).
(ix) Form of Restricted Stock Unit Agreement for Non-Employee Directors (Exhibit 99.8 to Form S-8 filed on June 29, 2012).
(x) Form of Restricted Stock Unit Agreement for Non-Employee Directors (Deferral Election) (Exhibit 99.9 to Form S-8 filed on June 29, 2012).
(xi) Form of Notice of Performance-Based Restricted Stock Unit Grant (Exhibit 99.10 to Form S-8 filed on June 29, 2012).
(xii) Form of Performance-Based Restricted Stock Unit Agreement for Executive Employees (Exhibit 99.12 to Form S-8 filed on June 29, 2012).
(xiii) Form of Universal Stock Option Agreement for Substitute Options-Executive Officers (2007 Plan) (Exhibit 99.13 to Form S-8 filed on June 29, 2012).
(xiv) Form of Universal Stock Option Agreement for Substitute Options (1998 Plan) (Exhibit 99.15 to Form S-8 filed on June 29, 2012).
(xv) Form of Universal Stock Option Agreement for Substitute Options (1998 Non-employee Director Plan) (Exhibit 99.16 to Form S-8 filed on June 29, 2012).
(xvi) Form of Universal Restricted Stock Unit Award Agreement for Substitute Awards-Executive Officer (2007 Plan) (Exhibit 99.17 to Form S-8 filed on June 29, 2012).
(xvii) Form of Universal Restricted Stock Unit Award Agreement for Substitute Awards-Non-employee Board Member (Exhibit 99.19 to Form S-8 filed on June 29, 2012).
(xviii) Form of Universal Restricted Stock Unit Award Agreement for Substitute Awards-Non-employee Board Member (Deferral Elections) (Exhibit 99.20 to Form S-8 filed on June 29, 2012).
(xix) Form of Restricted Stock Unit Award Agreement for Substitute 2012 Performance-Based Award-Executive Officer (Exhibit 99.21 to Form S-8 filed on June 29, 2012).
(xx) Form of Notice of Award of Performance Share Units (Exhibit 10.2 to Form 8-K, dated January 28, 2013).

(xxi) Form of Performance Share Unit Award Agreement (Exhibit 10.1 to Form 8-K, dated January 28, 2013).
(xxii) Form of Notice of Award of Performance Share Units (Exhibit 10.b.1.(xix) to Form 10-K for the year ended December 31, 2014).
(xxiii) Form of Performance Share Unit Award Agreement (Exhibit 10.b.1.(xx) to Form 10-K for the year ended December 31, 2014).
(xxiv) Form of Letter Agreement (Exhibit 10.1 to Form 8-K, dated June 28, 2012).
(xxv) Alexander & Baldwin, Inc. Executive Severance Plan (Exhibit 10.2 to Form 8-K, dated June 28, 2012).
(xxvi) Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan (Exhibit 10.3 to Form 8-K, dated January 28, 2013).
(xxvii) Amendment No. 1 to Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, dated July 29, 2014 (Exhibit 10.b.1(xxii) to Alexander & Baldwin, Inc.'s Form 10-Q for the quarter ended September 30, 2014).
(xxviii) Alexander & Baldwin, Inc. Excess Benefits Plan (Exhibit 10.4 to Form 8-K, dated June 28, 2012).
(xxix) Amendment No. 1 to the Alexander & Baldwin, Inc. Excess Benefits Plan, effective as of March 1, 2013 (Exhibit 10.b.1(xxiii) to Form 10-Q for the quarter ended March 31, 2013).
(xxx) Alexander & Baldwin, Inc. Deferred Compensation Plan for Outside Directors (Exhibit 10.b.1(xxii) to Form 10-Q for the quarter ended June 30, 2012).
(xxxi) Alexander & Baldwin, Inc. Retirement Plan for Outside Directors (Exhibit 10.b.1(xxiii) to Form 10 Q for the quarter ended June 30, 2012).
(xxxii) Amendment No. 1 to the Alexander & Baldwin, Inc. Retirement Plan for Outside Directors, effective as of March 1, 2013 (Exhibit 10.b.1(xxvi) to Form 10 Q for the quarter ended March 31, 2013).
(xxxiii) Letter Agreement, dated October 22, 2009, between Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.) and W. Allen Doane (incorporated by reference to Exhibit 10.b.1(liv) to Alexander & Baldwin, Inc.'s Form 10-K for the year ended December 31, 2009).
(xxxiv) Retention Agreement, dated July 10, 2017, between Alexander & Baldwin, Inc. and Paul K. Ito (Exhibit 10.1 to Form 8-K, dated July 10, 2017).
(xxxv) Amendment to Retention Agreement, dated December 20, 2017, between Alexander & Baldwin, Inc. and Paul K. Ito (Exhibit 10.b.1.(xxxiv) to Form 10-K for the year ended December 31, 2017).
(xxxvi) Executive Employment Agreement, dated July 10, 2017, between Alexander & Baldwin, Inc. and James E. Mead (Exhibit 10.2 to Form 8-K, dated July 10, 2017).
(xxxvii) Letter Agreement, dated September 6, 2018, between Alexander & Baldwin, Inc. and James E. Mead (Exhibit 10.1 to Form 8-K, dated September 7, 2018).
(xxxvii) Letter Agreement, dated September 28, 2018, between Alexander & Baldwin, Inc. and Diana Laing (Exhibit 10.1 to Form 8-K, dated October 3, 2018).
*All exhibits listed under 10.b.1. are management contracts or compensatory plans or arrangements.
21. Subsidiaries
21.1 Alexander & Baldwin, Inc. Subsidiaries as of February 1, 2019.
23. Consent
23.1 Consent of Deloitte & Touche LLP dated February 28, 2019.
23.2 Consent of KKDLY LLC dated February 28, 2019 - The Collection LLC.

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 Certification of Interim Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32. Certification of Chief Executive Officer and Interim Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to 906 of the Sarbanes-Oxley Act of 2002.
95. Mine Safety Disclosure.
99.1 Financial Statements of The Collection LLC as of and for the years ended December 31, 2016 and 2015.
99.2 Financial Statements of The Collection LLC as of and for the years ended December 31, 2018 and 2017.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ALEXANDER & BALDWIN, INC. (Registrant)
February 28, 2019	By: /s/ Christopher J. Benjamin Christopher J. Benjamin President and Chief Executive Officer

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

111

Signature	Title	Date
/s/ Stanley M. Kuriyama Stanley M. Kuriyama	Chairman of the Board	February 28, 2019
/s/ Christopher J. Benjamin Christopher J. Benjamin	President, Chief Executive Officer, and Director	February 28, 2019
/s/ Diana M. Laing Diana M. Laing	Interim Executive Vice President and Interim Chief Financial Officer	February 28, 2019
/s/ Clayton K.Y. Chun Clayton K.Y. Chun	Senior Vice President, Chief Accounting Officer and Controller	February 28, 2019
/s/ W. Allen Doane W. Allen Doane	Director	February 28, 2019
/s/ Robert S. Harrison Robert S. Harrison	Director	February 28, 2019
/s/ David C. Hulihee David C. Hulihee	Director	February 28, 2019
/s/ Thomas A. Lewis, Jr. Thomas A. Lewis, Jr.	Director	February 28, 2019
/s/ Douglas M. Pasquale Douglas M. Pasquale	Lead Independent Director	February 28, 2019
/s/ Michele K. Saito Michele K. Saito	Director	February 28, 2019
/s/ Jenai S. Wall Jenai S. Wall	Director	February 28, 2019
/s/ Eric K. Yeaman Eric K. Yeaman	Director	February 28, 2019