Alexander & Baldwin, Inc.
Form S-4
July 05, 2013

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As filed with the Securities and Exchange Commission on July 5, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Alexander & Baldwin, Inc.

(Exact name of Registrant as specified in its charter)

Hawaii	**6500**	**45-4849780**
(State or other jurisdiction of incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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822 Bishop Street
P.O. Box 3440, Honolulu, Hawaii 96801
(808) 525-6611

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Alyson J. Nakamura
Secretary and Assistant General Counsel
Alexander & Baldwin, Inc.
822 Bishop Street
P.O. Box 3440
Honolulu, Hawaii 96801
(808) 525-6611

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With Copies to:

Marc S. Gerber
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005
(202) 371-7000

David C. Hulihee
President
GPC Holdings, Inc.
P.O. Box 78
Honolulu, Hawaii 96810
(808) 674-8383

Robert W. Kadlec
Sidley Austin LLP
555 W. 5th Street, 40th Floor
Los Angeles, California 90013
(213) 896-6000

Approximate date of commencement of the proposed sale of the securities to the public:
As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered(2)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(3)	Amount of registration fee
Common stock, without par value	6,565,080	N/A	$79,332,000	$10,820.88

(1) This registration statement relates to the securities of the registrant issuable to holders of shares of GPC Holdings, Inc., a Hawaii corporation ("Grace Holdings"), in the proposed merger of Grace Holdings with and into A&B II, LLC, a direct, wholly owned subsidiary of the registrant, with A&B II, LLC continuing as the surviving entity.

(2) Represents the estimated maximum number of shares of the registrant's common stock to be issued in connection with the merger, including shares issuable as a result of any tax adjustment to the merger consideration, as described herein.

(3) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended ("Securities Act"), and calculated pursuant to Rules 457(f)(2) and 457(f)(3) of the Securities Act based on the aggregate book value of Grace Holdings' common stock that may be canceled in the merger, less the cash consideration to be paid in the merger. Grace Holdings is a private company and no market exists for its securities.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

Alexander & Baldwin, Inc., a Hawaii corporation ("A&B"), A&B II, LLC, a Hawaii limited liability company and a wholly owned subsidiary of A&B ("Merger Sub"), Grace Pacific Corporation, a Hawaii corporation ("Grace"), GPC Holdings, Inc., a Hawaii corporation and a wholly owned subsidiary of Grace ("Grace Holdings"), and David C. Hulihee, in his capacity as the shareholders' representative, entered into an Agreement and Plan of Merger, which we refer to as the merger agreement, providing for the merger of Grace Holdings with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of A&B. The consideration in the merger will consist of shares of A&B common stock and cash.

The merger described above is subject to, among other conditions, Grace completing a restructuring in which it will separate its natural materials and construction businesses (the "Grace Businesses") from its petroleum and retail gasoline businesses, so that A&B will acquire only the Grace Businesses in the merger. As part of the restructuring, Grace, Grace Holdings, and GPC Merger Sub, Inc., a Hawaii corporation and a wholly owned subsidiary of Grace Holdings, will enter into a Holding Company Reorganization Agreement, pursuant to which GPC Merger Sub, Inc. will merge with and into Grace, with Grace surviving as a wholly owned subsidiary of Grace Holdings (the "Holding Company Reorganization"). Consummation of the Holding Company Reorganization is subject to the approval of Grace shareholders, which is not assured. As a result of the Holding Company Reorganization, holders of shares of Grace common stock will become holders of shares of Grace Holdings common stock. Following the Holding Company Reorganization, Grace will be converted into a limited liability company (the "LLC Conversion"). The Holding Company Reorganization and the LLC Conversion will be completed prior to effectiveness of A&B's registration statement on Form S-4, of which this proxy statement/prospectus forms a part.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED JULY 5, 2013

SPECIAL MEETINGS OF SHAREHOLDERS
MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Alexander & Baldwin, Inc. ("A&B") and GPC Holdings, Inc. ("Grace Holdings") have agreed to a strategic business combination pursuant to the terms of an Agreement and Plan of Merger, dated as of June 6, 2013, which we refer to as the merger agreement, that provides for the merger of Grace Holdings with and into A&B II, LLC, a direct, wholly owned subsidiary of A&B ("Merger Sub"), with Merger Sub continuing as the surviving entity. Prior to the merger, and as a condition to consummation of the merger, Grace Holdings will separate its natural materials and construction businesses (the "Grace Businesses") from its petroleum and retail gasoline businesses, so that A&B will acquire only the Grace Businesses in the merger.

As a result of the merger, Grace Holdings shareholders will receive, in the aggregate, $235 million (or approximately $1,440 per share), subject to adjustment, consisting of a combination of shares of A&B common stock and cash. Subject to certain adjustments, 85% of the consideration will be paid in the form of shares of A&B common stock and 15% will be paid in cash. The number of shares of A&B common stock to be received by Grace Holdings shareholders will be determined at closing, subject to a "collar" limiting the maximum and minimum number of shares that A&B will issue in the merger. The collar is described below. A&B also will be assuming net debt at closing, projected to be approximately $42 million, but actual debt outstanding at closing is subject to fluctuation based on business requirements prior to closing.

At the closing, if there are no adjustments to the merger consideration, the aggregate number of shares of A&B common stock to be issued at closing will be determined by dividing $199.75 million (which is 85% of $235 million) by the volume weighted average trading prices of A&B common stock on the New York Stock Exchange ("NYSE") for 20 consecutive trading days ending on the third trading day prior to the closing of the merger (the "Weighted Average Stock Price"). The Weighted Average Stock Price is subject to a collar of $31.50 and $37.50, which sets the maximum and minimum number of shares of A&B common stock that A&B will issue in the merger. If the Weighted Average Stock Price is $31.50 or less, A&B will issue approximately 6.341 million shares at the closing. If the Weighted Average Stock Price is $37.50 or greater, A&B will issue approximately 5.327 million shares at the closing.

Accordingly, if there are no adjustments to the merger consideration or the mix of stock and cash, each share of Grace Holdings common stock will be converted into between approximately 32.65 and 38.87 shares of A&B common stock and approximately $216.05 in cash. A&B common stock is listed on the NYSE under the symbol "ALEX." If the Weighted Average Stock Price is $[ ], which was the closing price of A&B common stock on [ ], 2013, the last full trading day prior to the date of this proxy statement/prospectus, and no adjustments are required under the merger agreement, then the aggregate numbers of shares of A&B common stock issued at the closing would be [ ], and each share of Grace Holdings common stock would be converted into [ ] shares of A&B common stock and approximately $216.05 in cash. In addition, cash will be paid instead of issuing fractional shares of A&B common stock.

An amount of cash equal to 12% of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders following the closing of the merger will be withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any post-closing adjustment to the aggregate merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the merger agreement. These funds will be released by A&B in accordance with the terms set forth

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in the merger agreement. In addition, an amount of cash equal to $1 million of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders in the merger will be delivered to the shareholders' representative to cover the costs and expenses incurred by him in performing his duties as provided in the merger agreement. Any amounts not used, or retained for future use, by the shareholders' representative will be paid to Grace Holdings shareholders.

Shareholders of A&B will be asked, at A&B's special meeting of shareholders, to approve the issuance of shares of A&B common stock in the merger. Shareholders of Grace Holdings will be asked, at Grace Holdings' special meeting of shareholders, to approve the merger agreement. Certain principal shareholders of Grace Holdings, holding approximately 71% of the outstanding shares of Grace Holdings common stock, have entered into a voting agreement with A&B pursuant to which they have agreed to vote their shares of Grace Holdings common stock in favor of the merger. As a result of the voting agreement, approval of the merger agreement by Grace Holdings shareholders is assured.

The A&B Board of Directors (other than four directors who recused themselves) has unanimously determined that the issuance of shares of A&B common stock in the merger described above is advisable and in the best interests of A&B and its shareholders, and recommends that A&B shareholders vote "FOR" the proposal to approve the issuance of shares of A&B common stock in the merger.

The Grace Holdings Board of Directors (other than two directors who recused themselves) has unanimously determined that the merger is advisable, fair to, and in the best interests of, Grace Holdings and its shareholders, and recommends that Grace Holdings shareholders vote "FOR" the proposal to approve the merger agreement.

The dates, times and places of the special meetings are as follows:

For A&B shareholders:	For Grace Holdings shareholders:
[ ], 2013	[ ], 2013
[ ] a.m., Honolulu time	[ ] a.m., Honolulu time
[location]	[location]
[address]	[address]
[City, State, Zip]	[City, State, Zip]

This proxy statement/prospectus provides you with information about A&B, Grace Holdings and the proposed transaction. We encourage you to read the entire proxy statement/prospectus carefully.

Stanley M. Kuriyama	David C. Hulihee
Chairman and Chief Executive Officer	President
Alexander & Baldwin, Inc.	GPC Holdings, Inc.

For a discussion of significant matters that should be considered before voting at the special meetings, see "Risk Factors" beginning on page 29.

Neither the Securities and Exchange Commission nor any state securities regulators has approved or disapproved the A&B common stock to be issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated [ ], 2013, and is first being mailed to shareholders of A&B and Grace Holdings on or about [ ], 2013.

This proxy statement/prospectus is not an offer to sell these securities, nor a solicitation of an offer to buy these securities in any state where the offer or sale is not permitted.

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ALEXANDER & BALDWIN, INC.

822 Bishop Street
P.O. Box 3440, Honolulu, Hawaii 96801

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON [ ], 2013

A special meeting of shareholders of Alexander & Baldwin, Inc. ("A&B") will be held at [ ], at [ ], Honolulu time, on [ ], to consider and vote upon the following proposals:

Proposal No. 1. A proposal, which we refer to as the "share issuance proposal," to approve the issuance of shares of A&B common stock in the merger of GPC Holdings, Inc., a Hawaii corporation ("Grace Holdings"), with and into A&B II, LLC, a Hawaii limited liability company and a wholly owned subsidiary of A&B ("Merger Sub"), as contemplated by the Agreement and Plan of Merger, dated as of June 6, 2013, which we refer to as the merger agreement, by and among A&B, Merger Sub, Grace Pacific Corporation, a Hawaii corporation (now Grace Pacific LLC, a Hawaii limited liability company and a wholly owned subsidiary of Grace Holdings) ("Grace"), Grace Holdings and David C. Hulihee, in his capacity as the shareholders' representative. The merger agreement is included in the accompanying proxy statement/prospectus as Annex A.

Proposal No. 2. A proposal, which we refer to as the "adjournment proposal," to approve, if necessary, the adjournment of the A&B special meeting to solicit additional proxies in favor of the share issuance proposal.

No other matters of business are anticipated to be presented for action at the special meeting or at any adjournment or postponement thereof.

The A&B Board of Directors (other than four directors who recused themselves) has unanimously determined that the issuance of shares of A&B common stock in the merger described above is advisable and in the best interests of A&B and its shareholders, and recommends that A&B shareholders vote "FOR" the share issuance proposal and "FOR" the adjournment proposal.

The A&B Board of Directors has fixed [ ], 2013 as the record date for the A&B special meeting. Only holders of record of shares of A&B common stock at the close of business on the record date are entitled to notice of, and to vote at, the A&B special meeting and any adjournment or postponement thereof. A&B shareholders will be asked at the meeting to present valid photo identification. Shareholders holding stock in brokerage accounts must present a copy of a brokerage statement reflecting A&B stock ownership as of the record date.

Your vote is important. The approval of the share issuance proposal is a condition to completion of the merger. Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, you may vote via the Internet, by telephone or by signing, dating and mailing the enclosed proxy card. Specific instructions for shareholders of record who wish to use Internet or telephone voting procedures are included in the enclosed proxy statement/prospectus. Any shareholder attending the special meeting may vote in person even if a proxy has been returned.

By Order of the Board of Directors,

Alyson J. Nakamura
Corporate Secretary

[ ], 2013

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GPC HOLDINGS, INC.

949 Kamokila Boulevard, Suite 100
Kapolei, Hawaii 96707

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON [ ], 2013

A special meeting of shareholders of GPC Holdings, Inc. ("Grace Holdings"), will be held at [ ], at [ ], Honolulu time, on [ ], 2013 to consider and vote upon a proposal, which we refer to as the "merger proposal," to approve the Agreement and Plan of Merger, dated as of June 6, 2013, by and among Alexander & Baldwin, Inc., a Hawaii corporation ("A&B"), A&B II, LLC, a Hawaii limited liability company and a wholly owned subsidiary of A&B, Grace Pacific Corporation, a Hawaii corporation (now Grace Pacific LLC, a Hawaii limited liability company and a wholly owned subsidiary of Grace Holdings), Grace Holdings and David C. Hulihee, in his capacity as the shareholders' representative.

No other matters of business are anticipated to be presented for action at the special meeting or at any adjournment or postponement thereof.

The Grace Holdings Board of Directors (other than two directors who recused themselves) has unanimously determined that the merger is advisable, fair to, and in the best interests of, Grace Holdings and its shareholders, and recommends that Grace Holdings shareholders vote "FOR" the merger proposal.

The Grace Holdings Board of Directors has fixed [ ], 2013 as the record date for the Grace Holdings special meeting. Only holders of record of shares of Grace Holdings common stock at the close of business on the record date are entitled to notice of, and to vote at, the Grace Holdings special meeting and any adjournment or postponement thereof.

Certain principal shareholders of Grace Holdings, holding approximately 71% of the outstanding shares of Grace Holdings common stock, have entered into a voting agreement with A&B, pursuant to which they have agreed to vote their shares of Grace Holdings common stock in favor of the merger. As a result of the voting agreement, approval of the merger proposal is assured.

Your vote is important. The approval of the merger proposal is a condition to completion of the merger. Regardless of whether you plan to attend the special meeting, please vote as soon as possible by completing, signing, dating and returning the enclosed proxy card. Any shareholder attending the special meeting may vote in person even if a proxy has been returned.

By Order of the Board of Directors,

Sincerely,

Robert M. Creps
Secretary

[ ], 2013

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ADDITIONAL INFORMATION

As permitted under the rules of the Securities and Exchange Commission, or the SEC, this proxy statement/prospectus incorporates important business and financial information about A&B from documents that are not included in or delivered with this document. You may obtain copies of these documents, without charge, from the web site maintained by the SEC at www.sec.gov, as well as other sources. See the section entitled "Where You Can Find More Information" beginning on page 152. You may also obtain copies of these documents, without charge, from Alexander & Baldwin, Inc. by writing or calling

Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 96813
Attention: Suzy P. Hollinger Director, Investor Relations
Telephone: (808) 525-6611

You also may obtain documents incorporated by reference into this proxy statement/prospectus by requesting them in writing or by telephone from A&B's proxy solicitor at the following address and telephone number:

Morrow & Co., LLC
470 West Avenue
Stamford, Connecticut 06902
Banks and Brokerage Firms, Please Call: (203) 658-9400
Holders Call Toll Free: (888) 813-7566

To receive timely delivery of requested documents in advance of the special meeting, you should make your request no later than [ ], 2013.

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ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus, which forms a part of a registration statement on Form S-4 filed with the SEC, constitutes a prospectus of A&B under Section 5 of the Securities Act of 1933, as amended ("Securities Act"), with respect to the shares of A&B common stock to be issued to Grace Holdings shareholders in connection with the merger. This document also constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the rules thereunder, and a notice of meeting with respect to the special meeting of A&B shareholders to consider and vote upon the share issuance proposal and the adjournment proposal.

Except as otherwise provided herein, all descriptions of and calculations made under the terms of the merger agreement and the transactions contemplated by the merger agreement, including the merger, assume that no Grace Holdings shareholders exercise dissenters' rights under Hawaii law. A copy of the Hawaii statutory provisions relating to dissenters' rights is included as Annex C to this proxy statement/prospectus, and a summary of these provisions can be found in the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Dissenters' Rights."

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part to vote on the proposals being presented at the A&B and Grace Holdings special meetings. No one has been authorized to provide you with information that is different from what is contained in this document or in the incorporated documents.

This proxy statement/prospectus is dated [ ], 2013. You should not assume the information contained in this proxy statement/prospectus is accurate as of any date other than this date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of the A&B common stock pursuant to the merger implies that information is accurate as of any other date.

To facilitate the reading of this proxy statement/prospectus, in referring to "we," "us" and other first person declarations, we are referring to both A&B and Grace Holdings or, in some instances, the combined company as it would exist following the completion of the merger.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Unless the context otherwise requires, references in this proxy statement/prospectus to the "merger" refer to the merger of Grace Holdings with and into Merger Sub, as further described in the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger" beginning on page 46. Unless otherwise indicated, references in this proxy statement/prospectus to the subsidiaries of Grace Holdings refer to all subsidiaries of Grace Holdings excluding Koko'oha Investments, Inc., a Hawaii corporation ("KI"), which owns the petroleum and retail gasoline businesses that will be distributed to Grace Holdings shareholders prior to the merger and, consequently, will not be acquired by A&B.

What is the merger?

A&B and Grace Holdings have entered into a merger agreement that contains the terms and conditions of the proposed acquisition of Grace by A&B. Under the merger agreement, Grace Holdings will merge with and into Merger Sub, a wholly owned subsidiary of A&B, with Merger Sub continuing as the surviving entity. For a more complete description of the merger, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger" beginning on page 46. A copy of the merger agreement is included as Annex A to this proxy statement/prospectus. You are encouraged to read the merger agreement carefully.

What are the reasons for the merger?

The principal factors and risks considered by the A&B Board of Directors in reaching its conclusion to approve the merger and to recommend that the A&B shareholders approve the issuance of shares of A&B common stock in the merger, and the principal factors and risks considered by the Grace Holdings Board of Directors in reaching its conclusion to approve the merger and to recommend that the Grace Holdings shareholders approve the merger agreement are discussed, respectively, in the sections entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger A&B's Reasons for the Merger" beginning on page 52 and "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger Grace's Reasons for the Merger" beginning on page 56.

What is the Grace Separation?

As a condition to consummating the merger, Grace Holdings has agreed to separate its natural materials and construction businesses (the "Grace Businesses") from its petroleum and retail gasoline businesses (the "Petroleum Businesses"), so that A&B will acquire only the Grace Businesses in the merger.

To facilitate the separation described above, Grace Holdings, Grace Pacific Corporation, a Hawaii corporation and the former parent of Grace Holdings, and GPC Merger Sub, Inc., a Hawaii corporation and a wholly owned subsidiary of Grace Holdings, entered into a Holding Company Reorganization Agreement, dated [ ], 2013, pursuant to which GPC Merger Sub, Inc. merged with and into Grace Pacific Corporation, with Grace Pacific Corporation surviving as a wholly owned subsidiary of Grace Holdings (the "Holding Company Reorganization"). The Holding Company Reorganization was approved by the shareholders of Grace Pacific Corporation on [ ], 2013 and was consummated on the same date. Following the Holding Company Reorganization, Grace Pacific Corporation converted into a limited liability company under Hawaii law and changed its name to "Grace Pacific LLC" (the "LLC Conversion").

In order to complete the separation of the Petroleum Businesses, Grace Holdings, Grace Pacific LLC and KI will enter into a Separation Agreement pursuant to which all of the shares of KI, the subsidiary of Grace Holdings that holds the Petroleum Businesses, will be distributed to Grace Holdings shareholders on a pro rata basis (the "Grace Separation"). The Holding Company Reorganization, the LLC Conversion and the Grace Separation are together referred to in this proxy statement/prospectus as the "Restructuring."

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Why am I receiving this proxy statement/prospectus?

You are receiving this proxy statement/prospectus because you have been identified as a shareholder of either A&B or Grace Holdings, and you are entitled to vote at the applicable company's special meeting. This document serves as both a proxy statement of A&B and Grace Holdings, used to solicit proxies for their respective special meetings, and as a prospectus of A&B, used to offer shares of A&B common stock pursuant to the terms of the merger agreement. This document contains important information about the merger and the special meetings of the respective shareholders of A&B and Grace Holdings, and you should read it carefully.

What will Grace Holdings shareholders receive in the merger?

As a result of the merger, Grace Holdings shareholders will receive, in the aggregate, $235 million (or approximately $1,440 per share), subject to adjustment, consisting of a combination of shares of A&B common stock and cash. Subject to certain adjustments, 85% of the consideration will be paid in the form of shares of A&B common stock and 15% will be paid in cash. The number of shares of A&B common stock to be received by Grace Holdings shareholders will be determined at closing, subject to a collar limiting the maximum and minimum number of shares that A&B will issue in the merger. The collar is described below.

At the closing, if there are no adjustments to the merger consideration, the aggregate number of shares of A&B common stock to be issued at closing will be determined by dividing $199.75 million (which is 85% of $235 million) by the Weighted Average Stock Price. The Weighted Average Stock Price is subject to a collar of $31.50 and $37.50, which sets the maximum and minimum number of shares of A&B common stock that A&B will issue in the merger. If the Weighted Average Stock Price is $31.50 or less, A&B will issue approximately 6.341 million shares at the closing. If the Weighted Average Stock Price is $37.50 or greater, A&B will issue approximately 5.327 million shares at the closing. Accordingly, if there are no adjustments to the merger consideration or the mix of stock and cash, each share of Grace Holdings common stock will be converted into between approximately 32.65 and 38.87 shares of A&B common stock and approximately $216.05 in cash. In addition, cash will be paid instead of issuing fractional shares of A&B common stock.

The aggregate merger consideration may be adjusted based on the amount of Grace Holdings' shareholders' equity at closing. The aggregate merger consideration of $235 million will be decreased on a dollar for dollar basis if, and to the extent by which, Grace Holdings' shareholders' equity is less than $113 million as of the closing date of the merger, as determined in accordance with the merger agreement.

In certain circumstances, the proportion of the consideration to be paid in cash may be reduced in order to ensure that the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, as amended from time to time, and any successor law (the "Code") and that the cash portion of the consideration does not exceed 17% of the total consideration, as determined based on the price of A&B common stock on the closing date of the merger. In no event will the cash portion of the consideration be less than 12% of the aggregate merger consideration prior to any adjustment.

For a more complete description of what Grace Holdings shareholders will receive in the merger, see the section entitled "The Merger Agreement Merger Consideration" beginning on page 73 and the merger agreement attached to this proxy statement/prospectus as Annex A.

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Is any portion of the merger consideration otherwise payable to Grace Holdings shareholders being held back?

Yes. An amount of cash equal to 12% of the merger consideration otherwise deliverable to Grace Holdings shareholders following the closing of the merger (the "Holdback Amount") will be withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any adjustment to the merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the merger agreement. These funds will be released by A&B in accordance with the terms set forth in the merger agreement.

In addition, an amount of cash equal to $1 million of the merger consideration otherwise deliverable to Grace Holdings shareholders in the merger will be delivered to David C. Hulihee, in his capacity as the shareholders' representative (the "Shareholders' Representative"), to be used to pay the costs and expenses incurred by him in performing his duties. These funds will be used and disbursed by the Shareholders' Representative in accordance with the terms set forth in the merger agreement. Any amounts not used, or retained for future use, by the Shareholders' Representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

For more information, see the section entitled "The Merger Agreement Holdback Amount; Shareholders' Representative Expense Fund" on page 74 and the merger agreement attached to this proxy statement/prospectus as Annex A.

Will my rights as an A&B shareholder be different than my rights as a Grace Holdings shareholder?

Yes. Upon completion of the merger, each Grace Holdings shareholder who does not exercise dissenters' rights will become an A&B shareholder. There are important differences between the rights of shareholders of A&B and shareholders of Grace Holdings. A description of these differences can be found in the section entitled "Comparison of Shareholders' Rights" beginning on page 144.

What risks should I consider in deciding whether to vote in favor of the proposals being submitted to the shareholders of A&B and Grace Holdings?

You should carefully review the section entitled "Risk Factors" beginning on page 29, which presents risks and uncertainties related to the merger, A&B and the Grace Businesses.

Will the merger affect my U.S. federal income taxes?

In general, the conversion of shares of Grace Holdings common stock into A&B common stock in the merger will be tax-free to U.S. holders of Grace Holdings common stock for United States federal income tax purposes. However, each U.S. holder of Grace Holdings common stock generally will recognize gain (but not loss) in an amount limited to the amount of cash received in the merger (including the holder's pro rata portion of the Shareholders' Representative Expense Fund Residual, if any, and cash received by such holder from payments, if any, of the Holdback Amount (in each case, other than payments treated as interest, which will be taxable as ordinary income)). Additionally, each U.S. holder of Grace Holdings common stock will recognize gain or loss on any cash received instead of fractional shares of A&B's common stock. If a U.S. holder of Grace Holdings common stock acquired different blocks of Grace common stock (converted into Grace Holdings common stock in the Restructuring) at different times or at different prices, any gain or loss will be determined separately with respect to each block of such Grace Holdings common stock.

Tax consequences of the merger are complex and depend on the facts of your individual situation. You should read the section entitled "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 127. Because individual circumstances may differ, you are urged to consult with your

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own tax advisor concerning the specific tax consequences of the merger to you, including any state, local or foreign tax consequences of the merger.

When do you expect to complete the merger?

A&B and Grace Holdings anticipate that the completion of the merger will occur on or about [ ] 2013, but the exact timing cannot be predicted. For more information, see the section entitled "The Merger Agreement Conditions to Completion of the Merger" beginning on page 92.

What happens if the merger is not completed?

If the merger is not completed, shares of A&B common stock will not be issued and holders of Grace Holdings common stock will not receive any consideration for their shares in connection with the merger. Instead, Grace Holdings will remain an independent company.

If the merger is not completed, will Grace Holdings still complete the Grace Separation?

No. Grace Holdings has undertaken to complete the Grace Separation in order to facilitate, and as a condition to, the merger. If the merger is not completed, Grace Holdings does not intend to complete the Grace Separation.

What do I need to do now?

After carefully reading and considering the information contained in this proxy statement/prospectus, please submit a proxy to vote your shares as soon as possible so that your shares can be voted at the special meeting of A&B shareholders or the special meeting of Grace Holdings shareholders, as applicable.

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QUESTIONS AND ANSWERS ABOUT THE A&B SPECIAL MEETING

When and where is the A&B special meeting?

The special meeting of A&B shareholders will be held on [ ], 2013 at [ ] a.m., Honolulu time, at [ ].

Who may attend the A&B special meeting?

All A&B shareholders as of the record date are invited to attend the special meeting. If you are the beneficial owner of shares held in the name of your broker, bank or other nominee, you must bring proof of ownership as of the record date (*e.g.*, a current broker's statement) in order to be admitted to the special meeting. Shareholders will be asked to present valid photo identification.

Who is entitled to vote at the A&B special meeting?

You are entitled to receive notice of, and to vote at, the A&B special meeting if you own shares of A&B common stock at the close of business on [ ], 2013, the record date for the A&B special meeting. At the close of business on the record date, there were [ ] shares of A&B common stock issued and outstanding.

What are A&B shareholders being asked to vote on?

A&B shareholders are being asked to vote on a proposal, which we refer to as the "share issuance proposal," to approve the issuance of A&B common stock to Grace Holdings shareholders in the merger and on a proposal, which we refer to as the "adjournment proposal," to approve, if necessary, the adjournment of the A&B special meeting to solicit additional proxies in favor of the share issuance proposal. Pursuant to the terms of the merger agreement, the approval of the issuance of A&B common stock must be obtained in order for the merger to be completed.

Why is shareholder approval needed to approve the issuance of A&B common stock in the merger?

A&B is seeking shareholder approval of the issuance of A&B common stock in the merger in order to comply with the rules of the NYSE. Those rules require shareholder approval prior to the issuance of common stock in any transaction to a director, officer or substantial shareholder of A&B if the number of shares of common stock to be issued to that person exceeds 1% of the currently issued and outstanding shares of common stock or 1% of the voting power outstanding before the issuance. In connection with the merger, Walter A. Dods, Jr., a director of A&B and a holder of approximately 11.5% of the shares of Grace Holdings common stock, will receive in the merger a number of shares of A&B common stock equal to between approximately 1.4% and 1.7% of the currently issued and outstanding shares of A&B common stock. Accordingly, the issuance of A&B common stock in the merger requires the approval of A&B shareholders.

Why did four A&B directors recuse themselves from the A&B Board of Directors' consideration of the merger?

Two A&B directors, Walter A. Dods, Jr. and Jeffrey N. Watanabe, are also directors and shareholders of Grace. Robert S. Harrison is president and chief executive officer of First Hawaiian Bank, which has a lending relationship with Grace. Eric K. Yeaman is president and chief executive officer of a company on whose board Mr. Dods serves as a member of the compensation committee. Due to these potential conflicts of interest, these four directors recused themselves from the A&B Board of Directors' consideration of the merger. For administrative reasons, the A&B Board of Directors established a special committee, consisting of the remaining members of the Board of Directors, whom the Board of Directors determined to be independent and disinterested, to review and

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evaluate the merger and make a recommendation to the Board of Directors to approve or disapprove the merger.

How does the A&B Board of Directors recommend that A&B shareholders vote?

After careful consideration and acting upon the unanimous recommendation of the special committee, the A&B Board of Directors (other than four directors who recused themselves) unanimously recommends that A&B shareholders vote "**FOR**" the share issuance proposal and "**FOR**" the adjournment proposal. For a description of the reasons underlying the recommendations of the A&B Board of Directors, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger A&B's Reasons for the Merger" beginning on page 52, and the section entitled "The A&B Adjournment Proposal" on page 99.

What constitutes a quorum for the A&B special meeting?

In order to take action on the proposals at the A&B special meeting, a quorum, consisting of the holders of a majority of the issued and outstanding shares entitled to vote as of the record date, must be present in person or by proxy. Abstentions will be counted as shares that are present for purposes of determining quorum at the A&B special meeting.

How do I vote by proxy before the special meeting?

If you are a shareholder of record of A&B, you may submit a proxy by telephone, via the Internet or by mail. By casting your vote in any of these three ways, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. You may also attend the special meeting and vote in person.

If you hold your stock in "street name" through a bank, broker or other nominee, you must provide instructions on voting to your broker, bank, trust or other nominee holder.

What is the difference between a "shareholder of record" and a "street name" holder?

These terms describe how your shares are held. If your shares are registered directly in your name with our independent transfer agent and registrar, Computershare Shareowner Services LLC, you are a "shareholder of record." If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a "street name" holder and you are considered the "beneficial owner" of the shares. As the beneficial owner of shares, you have the right to direct your broker, trustee or nominee how to vote your shares, and you will receive separate instructions from your broker, bank or other holder of record describing how to vote your shares.

If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?

No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

Can I vote my shares in person at the special meeting?

Yes. If you decide to join us in person at the special meeting and you are a "shareholder of record," you may vote your shares in person at the special meeting. If you hold your shares as a "street name" holder, you must obtain a proxy from your broker, bank, trust or other nominee, giving you the right to vote the shares at the special meeting.

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What is the vote required to approve each proposal at the A&B special meeting?

Pursuant to the rules of the NYSE, approval of the share issuance proposal requires the affirmative vote of a majority of the total votes cast by the holders of A&B common stock, provided that the total votes cast (including abstentions) must represent a majority of the shares of A&B common stock entitled to vote on the proposal. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote at the special meeting and present in person or represented by proxy.

Can I change my vote after I have submitted a proxy?

Yes. You may revoke your proxy at any time before it is exercised by:

delivering to the Corporate Secretary a written notice of revocation, dated later than the proxy, before the vote is taken at the special meeting;

delivering to the Corporate Secretary an executed proxy bearing a later date, before the vote is taken at the special meeting;

submitting a proxy on a later date by telephone or via the Internet (only your last telephone or Internet proxy will be counted), before 2:00 a.m., Eastern Daylight Time, on [ ], 2013 (8:00 p.m., Honolulu Time, on [ ], 2013); or

attending the special meeting and voting in person (your attendance at the special meeting, in and of itself, will not revoke the proxy).

Any written notice of revocation, or later dated proxy, should be delivered to:

Alyson J. Nakamura
Secretary and Assistant General Counsel
Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 96813
(808) 525-6611

Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Corporate Secretary at the special meeting before voting begins.

If your shares are held in "street name" by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or other nominee if you wish to change your vote.

How will my shares be voted if I give my proxy but do not specify how my shares should be voted?

If you provide specific voting instructions, your shares will be voted at the special meeting in accordance with your instructions. If you hold shares in your name and sign and return a proxy card without giving specific voting instructions, your shares will be voted "**FOR**" each of the proposals in accordance with the A&B Board of Directors' recommendations.

What happens if I don't vote or abstain from voting?

The failure to submit a proxy or to otherwise appear at the A&B special meeting could be a factor in establishing a quorum for the special meeting, which is required to transact business at the meeting. The failure to vote, either by proxy or in person, may make it more difficult for A&B to meet the NYSE requirement that the total votes cast on the share issuance proposal represent a majority of the shares of A&B common

stock entitled to vote, but will not otherwise have an effect on the share issuance proposal or the adjournment proposal, provided there is a quorum for the special meeting.

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Abstaining from voting on either proposal will have the same effect as a vote "AGAINST" the proposal.

Am I entitled to dissenters' rights?

No. A&B shareholders are not entitled to dissenters' rights in connection with the issuance of shares of A&B common stock in the merger.

Who will conduct the proxy solicitation and how much will it cost?

A&B is soliciting proxies from A&B shareholders on behalf of the A&B Board of Directors and will pay for all costs incurred by it in connection with the solicitation. In addition to solicitation by mail, the directors, officers and employees of A&B and its subsidiaries may solicit proxies from shareholders in person or by telephone, facsimile or email without additional compensation other than reimbursement for their actual expenses.

A&B has retained Morrow & Co., LLC, a proxy solicitation firm, to assist A&B in the solicitation of proxies for the special meeting. A&B will pay Morrow & Co., LLC a fee of approximately $12,500 and reimburse the firm for reasonable out-of-pocket expenses.

Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons, and A&B will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection with the forwarding of solicitation materials to the beneficial owners of A&B stock.

Who should I call with questions?

If you have any questions regarding voting your A&B shares or the A&B special meeting, you may call Alyson J. Nakamura at (808) 525-6611 or Morrow & Co., LLC, A&B's proxy solicitor, collect at (203) 658-9400 or toll-free at (888) 813-7566.

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QUESTIONS AND ANSWERS ABOUT THE GRACE HOLDINGS SPECIAL MEETING

When and where is the Grace Holdings special meeting?

The special meeting of Grace Holdings shareholders will be held on [ ], 2013 at [ ] a.m., Honolulu time, at [ ].

Who may attend the Grace Holdings special meeting?

All Grace Holdings shareholders are invited to attend the Grace Holdings special meeting. Shareholders of record can vote in person at the special meeting.

Who is entitled to vote at the Grace Holdings special meeting?

You are entitled to receive notice of, and to vote at, the Grace Holdings special meeting if you own shares of Grace Holdings common stock at the close of business on [ ], 2013, the record date for the Grace Holdings special meeting. At the close of business on the record date, there were 163,155 shares of Grace Holdings common stock issued and outstanding.

What are Grace Holdings shareholders being asked to vote on?

Grace Holdings shareholders are being asked to vote on a proposal, which we refer to as the "merger proposal," to approve the merger agreement. Pursuant to the terms of the merger agreement, the approval of the merger proposal must be obtained in order for the merger to be completed.

Are Grace Holdings shareholders being asked to vote on the Grace Separation?

No. Shareholder approval of the Grace Separation is not required and Grace Holdings shareholders are not being asked to vote on the Grace Separation. Grace Holdings shareholders are only being asked to approve the merger proposal.

Why did the Grace Board of Directors establish a special committee?

The Board of Directors of Grace recognized that certain of its members, including members who were also directors and shareholders of A&B, might have conflicts of interest in relation to the merger. Accordingly the Grace Board of Directors established a special committee, consisting of members of the Board of Directors whom the Board of Directors determined to be independent and disinterested, to review and evaluate the merger and make a recommendation to the Board of Directors to approve or disapprove the merger.

How does the Grace Holdings Board of Directors recommend that Grace Holdings shareholders vote?

After careful consideration, and acting upon the unanimous recommendation of the special committee of the Grace Board of Directors, the Grace Holdings Board of Directors (other than two directors who recused themselves) unanimously recommends that Grace Holdings shareholders vote "**FOR**" the merger proposal. For a description of the reasons underlying the recommendations of the Grace Holdings Board of Directors, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger Grace's Reasons for the Merger" beginning on page 56.

What constitutes a quorum for the Grace Holdings special meeting?

In order to take action on the proposals at the Grace Holdings special meeting, a quorum, consisting of the holders of a majority of the issued and outstanding shares entitled to vote as of the

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record date, must be present in person or by proxy. Abstentions will be counted as shares that are present for purposes of determining quorum at the Grace Holdings special meeting.

How do I vote?

If you are a shareholder of record, you may submit a proxy by completing, signing, dating and returning the enclosed proxy card in the postage paid envelope. By submitting your proxy by mail, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. You may also attend the special meeting and vote in person. Grace Holdings common stock held in Grace's 401(k) plans will be voted by the plans' trustees.

What is the vote required to approve the merger proposal at the Grace Holdings special meeting?

Approval of the merger proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Grace Holdings common stock entitled to vote at the special meeting.

Have any Grace Holdings shareholders agreed to vote their shares in favor of the merger proposal?

Yes. RCCI Management, LLC, Waikoloa Heights Investment Partners, David C. Hulihee, Walter A. Dods, Jr. and Bill D. Mills, principal shareholders of Grace Holdings (the "Principal Shareholders") collectively holding 115,200 shares of Grace Holdings common stock, or approximately 71% of the outstanding shares of Grace Holdings common stock as of the record date, have entered into a voting agreement with A&B. Messrs. Hulihee, Dods and Mills are also directors of Grace Holdings. Pursuant to the voting agreement, the Principal Shareholders have agreed to vote their shares of Grace Holdings common stock in favor of the merger proposal, and against any proposal that would interfere with the merger or any of the other transactions contemplated by the merger agreement. As a result of the voting agreement, the approval of the merger proposal is assured. For additional information on the voting agreement, see the section entitled "Other Agreements Voting Agreement" on page 98.

Can I vote my shares in person at the special meeting?

Yes. If you decide to join us in person at the special meeting and you are a "shareholder of record," you may vote your shares in person at the special meeting.

Can I change my vote after I have submitted a proxy?

Yes. You may revoke your proxy at any time before it is exercised by: (a) delivering to Robert M. Creps, the Secretary, a written notice of revocation, dated later than the proxy, before the vote is taken at the special meeting; (b) delivering to the Secretary an executed proxy bearing a later date, before the vote is taken at the special meeting; or (c) attending the special meeting and voting in person (your attendance at the special meeting, in and of itself, will not revoke the proxy). Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Secretary at the special meeting before voting begins.

What happens if I don't vote or abstain from voting?

The failure to submit a proxy or to otherwise appear at the Grace Holdings special meeting could be a factor in establishing a quorum for the special meeting, which is required to transact business at the meeting. **The failure to vote, either by proxy or in person, or abstaining from voting, will have the same effect as a vote "AGAINST" the merger proposal.**

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If I am a Grace Holdings shareholder, should I send in my Grace Holdings stock certificates now?

No. You should not send in your Grace Holdings stock certificates at this time. After the merger is completed, A&B will send you instructions informing you how to effect the surrender of your Grace Holdings common stock certificates in exchange for the merger consideration. Any shares of A&B common stock you receive in the merger will be issued in book-entry form.

Am I entitled to dissenters' rights?

Under Hawaii corporate law, holders of Grace Holdings common stock are entitled to dissenters' rights in connection with the merger. For more information, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Dissenters' Rights" beginning on page 71.

How do I exercise my dissenters' rights?

Before the vote is taken on the merger proposal at the Grace Holdings special meeting, you must deliver to Grace Holdings a written notice of your intent to demand payment for your shares of Grace Holdings common stock if the merger is effectuated. You must not vote in favor of the merger proposal or you will forfeit your dissenters' rights. In addition, you must comply with the applicable provisions of Hawaii law. A copy of the Hawaii statutory provisions relating to dissenters' rights is included as Annex C to this proxy statement/prospectus, and a summary of these provisions can be found in the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Dissenters' Rights" beginning on page 71.

Who should I call with questions?

If you have any questions regarding voting your shares or the Grace Holdings special meeting, you may call Robert M. Creps at (808) 674-8383.

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SUMMARY

This summary highlights material information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus and the other documents to which we refer to fully understand the merger and the related transactions. See "Where You Can Find More Information" beginning on page 152. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

Information About the Companies (page 100)

Alexander & Baldwin, Inc. (*page 100*). Alexander & Baldwin, Inc., which we refer to as A&B, is a premier Hawaii-focused land company with interests in real estate development, real estate leasing and agribusiness. The principal executive offices of A&B are located at 822 Bishop Street, Honolulu, Hawaii 96813, and its telephone number is (808) 525-6611.

A&B II, LLC (*page 100*). A&B II, LLC, which we refer to as Merger Sub, is a direct, wholly owned subsidiary of A&B, and was formed under Hawaii law solely for the purpose of completing the merger. The principal executive offices of A&B II, LLC are located at 822 Bishop Street, Honolulu, Hawaii 96813, and its telephone number is (808) 525-6611.

GPC Holdings, Inc. (*page 100*). GPC Holdings, Inc., which we refer to as Grace Holdings, is a newly formed holding company that conducts all of its operations through its direct subsidiary, Grace. Grace is a vertically integrated natural materials, construction services, and petroleum distribution company in the State of Hawaii. Prior to [ ], 2013, Grace Holdings was a wholly owned subsidiary of Grace. As of [ ], as a result of the Holding Company Reorganization, Grace Holdings became the direct parent of Grace. Prior to the merger, Grace Holdings will separate the Grace Businesses from the Petroleum Businesses, so that A&B will acquire only the Grace Businesses in the merger.

Grace has a leading market position in asphalt paving and in the production of asphaltic concrete and is one of the largest producers of aggregate in the State of Hawaii. Grace owns two quarries one on the island of Oahu and one on the island of Molokai available for the production of basalt aggregate. In addition, Grace is an importer of liquid asphalt and the majority owner of one of two liquid asphalt distributors in the State of Hawaii and is the majority owner of the only architectural precast/prestressed concrete manufacturer and supplier in the state. With its vertically integrated business model, Grace is better able to manage costs and compete more effectively for contracts and, as of March 31, 2013, had a contract backlog of nearly $200 million. The Grace Businesses are expected to be complementary to A&B's real estate and land stewardship activities and are expected to benefit from future growth in the Hawaiian economy and its construction and infrastructure sectors.

The principal executive offices of Grace Holdings are located at 949 Kamokila Boulevard, Suite 100, Kapolei, Hawaii 96707, and its telephone number is (808) 674-8383.

The A&B Special Meeting (page 39)

The special meeting of A&B shareholders will be held on [ ], 2013 at [ ], Honolulu time, at [ ]. At the special meeting, A&B shareholders will be asked to:

- approve the issuance of shares of A&B common stock in the merger of Grace Holdings with and into Merger Sub, as contemplated by the merger agreement; and
- approve, if necessary, the adjournment of the A&B special meeting to solicit additional proxies in favor of the share issuance proposal.

No other matters of business are anticipated to be presented for action at the special meeting or at any adjournment or postponement thereof.

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Only holders of record at the close of business on [ ], 2013 will be entitled to vote at the special meeting. Each share of A&B common stock is entitled to one vote. As of the record date, [ ] shares of A&B common stock were outstanding.

Approval of the share issuance proposal requires the affirmative vote of a majority of the total votes cast by the holders of A&B common stock, provided that the total votes cast (including abstentions) must represent a majority of the shares of A&B common stock entitled to vote on the proposal. Abstentions will have the same effect as a vote "AGAINST" this proposal. The failure to vote, either by proxy or in person, may make it more difficult for A&B to meet the requirement that the total votes cast on the proposal represent a majority of the shares of A&B common stock entitled to vote, but will not otherwise have an effect on this proposal.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote at the special meeting and present in person or represented by proxy. Abstentions will have the same effect as a vote "AGAINST" this proposal. However, the failure to vote, either by proxy or in person, will have no effect on this proposal.

As of the record date, directors and executive officers of A&B, and their affiliates, had the right to vote [ ] shares of A&B common stock, or [ ]% of the outstanding shares of A&B common stock at that date. A&B currently expects that each of these individuals will vote their shares of A&B common stock in favor of the proposals to be presented at the special meeting.

The Grace Holdings Special Meeting (page 43)

The special meeting of Grace Holdings shareholders will be held on [ ], 2013 at [ ], Honolulu time, at [ ]. At the special meeting, Grace Holdings shareholders will be asked to approve the Agreement and Plan of Merger, dated as of June 6, 2013, by and among A&B, Merger Sub, Grace Holdings, Grace and the Shareholders' Representative.

No other matters of business are anticipated to be presented for action at the special meeting or at any adjournment or postponement thereof.

Only holders of record at the close of business on [ ], 2013 will be entitled to vote at the special meeting. Each share of Grace Holdings common stock is entitled to one vote. As of the record date, 163,155 shares of Grace Holdings common stock were outstanding. Of those shares, 11,180 are held in Grace's 401(k) plans and will be voted by the plans' trustees.

Approval of the merger proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Grace Holdings common stock entitled to vote at the special meeting. Because approval of the merger proposal is based on the affirmative vote of a majority of shares outstanding, a Grace Holdings shareholder's failure to vote or abstention will have the same effect as a vote "AGAINST" the merger proposal.

As of the record date, directors and executive officers of Grace Holdings, and their affiliates, had the right to vote 147,790 shares of Grace Holdings common stock (excluding the shares held in Grace's 401(k) plans) or approximately 90.6% of the outstanding shares of Grace Holdings common stock at that date. Grace Holdings currently expects that each of these individuals will vote their shares of Grace Holdings common stock in favor of the merger proposal.

Concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders entered into a voting agreement with A&B and Merger Sub. Pursuant to the terms of the voting agreement, these shareholders have agreed, solely in their capacity as shareholders, to vote the shares of Grace Holdings common stock beneficially owned by them (a) in favor of the merger proposal, (b) in favor of the actions contemplated by the merger agreement, (c) against any

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proposal that would result in a breach of the merger agreement and (d) against any proposal that would interfere with the merger.

As of [ ], 2013, the five shareholders who entered into the voting agreement collectively owned 115,200 shares of Grace Holdings common stock, or approximately 71% of the outstanding Grace Holdings common stock as of that date. As a result of the voting agreement, approval of the merger proposal is assured.

Recommendations to Shareholders

Recommendation of the A&B Board of Directors (*page 41).* The A&B Board of Directors (other than four directors who recused themselves) has unanimously determined that the issuance of shares of A&B common stock in the merger is advisable and in the best interests of A&B and its shareholders and recommends that the holders of A&B common stock vote "**FOR**" the share issuance proposal and "**FOR**" the adjournment proposal.

Recommendation of the Grace Holdings Board of Directors (*page 45).* The Grace Holdings Board of Directors (other than two directors who recused themselves) has unanimously determined that the merger is advisable, fair to, and in the best interests of, Grace Holdings and its shareholders and recommends that the holders of Grace Holdings common stock vote "**FOR**" the merger proposal.

General Description of the Merger (page 46)

The merger agreement contemplates that Grace Holdings will merge with and into Merger Sub, a direct, wholly owned subsidiary of A&B, with Merger Sub continuing as the surviving entity. The shares of A&B common stock to be issued to Grace Holdings shareholders in the merger are expected to represent not less than approximately 11% and not more than approximately 12.8% of the outstanding shares of A&B common stock immediately following the completion of the merger, which percentage is based upon the number of outstanding shares of A&B common stock on [ ], 2013. A&B also will be assuming net debt at closing, projected to be approximately $42 million, but actual debt outstanding at closing is subject to fluctuation based on business requirements prior to closing.

Reasons for the Merger (page 52)

The principal factors and risks considered by the A&B Board of Directors in reaching its conclusion to approve the merger and to recommend that the A&B shareholders approve the issuance of shares of A&B common stock in the merger, and the principal factors and risks considered by the Grace Holdings Board of Directors in reaching its conclusion to approve the merger and to recommend that the Grace Holdings shareholders approve the merger agreement are discussed, respectively, in the sections entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger A&B's Reasons for the Merger" beginning on page 52 and "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger Grace's Reasons for the Merger" beginning on page 56.

Opinion of the Financial Advisor to A&B (page 58)

On June 6, 2013, Houlihan Lokey Financial Advisors, Inc. ("Houlihan Lokey"), rendered its oral opinion to A&B's Board of Directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion to A&B's Board of Directors dated June 6, 2013), as to, as of June 6, 2013, the fairness, from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement.

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Houlihan Lokey's opinion was directed to A&B's Board of Directors (in its capacity as such) and only addressed the fairness, from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement and did not address any other aspect or implication of the merger. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex D to this proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute advice or a recommendation to A&B's Board of Directors, the A&B special committee or any shareholder of A&B as to how to act or vote with respect to the merger or any related matters. See the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Opinion of the Financial Advisor to A&B" beginning on page 58.

Interests of A&B's Executive Officers and Directors in the Merger (page 69)

In considering the recommendation of the A&B Board of Directors that you vote "FOR" the share issuance proposal, you should note that some of the A&B directors have interests in the merger that are different from, or in addition to, those of other A&B shareholders generally. The A&B Board of Directors was aware of these differences and considered them, among other matters, in approving the merger agreement and in recommending to the A&B shareholders that the share issuance proposal be approved.

For more information, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Interests of A&B's Executive Officers and Directors in the Merger" beginning on page 69.

Interests of Grace Holdings' Executive Officers and Directors in the Merger (page 70)

In considering the recommendation of the Grace Holdings Board of Directors that you vote "FOR" the merger proposal, you should note that some of the Grace Holdings directors and executive officers have interests in the merger that are different from, or in addition to, those of other Grace Holdings shareholders generally. The Grace Holdings Board of Directors was aware of these differences and considered them, among the other matters, in approving the merger agreement and in recommending to the Grace Holdings shareholders that the merger proposal be approved.

For more information, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Interests of Grace Holdings' Executive Officers and Directors in the Merger" beginning on page 70.

The Merger Agreement (page 73)

Merger Consideration (page 73). As a result of the merger, Grace Holdings shareholders will receive, in the aggregate, $235 million (or approximately $1,440 per share), subject to adjustment, consisting of a combination of shares of A&B common stock and cash. Subject to certain adjustments, 85% of the consideration will be paid in the form of shares of A&B common stock and 15% will be paid in cash. The number of shares of A&B common stock to be received by Grace Holdings shareholders will be determined at closing, subject to a collar limiting the maximum and minimum number of shares that A&B will issue in the merger. The collar is described below.

At the closing, if there are no adjustments to the merger consideration or the mix of stock and cash, the aggregate number of shares of A&B common stock to be issued at closing will be determined by dividing $199.75 million (which is 85% of $235 million) by the Weighted Average Stock Price. The

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Weighted Average Stock Price is subject to a collar of $31.50 and $37.50, which sets the maximum and minimum number of shares of A&B common stock that A&B will issue in the merger. If the Weighted Average Stock Price is $31.50 or less, A&B will issue approximately 6.341 million shares at the closing. If the Weighted Average Stock Price is $37.50 or greater, A&B will issue approximately 5.327 million shares at the closing.

Accordingly, if there are no adjustments to the merger consideration or the mix of stock and cash, each share of Grace Holdings common stock will be converted into between approximately 32.65 and 38.87 shares of A&B common stock and approximately $216.05 in cash. In addition, cash will be paid instead of issuing fractional shares of A&B common stock.

The following chart provides examples of the value of the merger consideration to Grace Holdings shareholders at selected Weighted Average Stock Prices.

			Consideration Per Share of Grace Holdings Common Stock (based on Weighted Average Stock Price)			
Weighted Average Stock Price	Total Shares of A&B Common Stock	Shares of A&B Common Stock Per Grace Holdings Share	A&B Stock Value Per Share	Cash Per Share	Total Per Share
$ 29.00	6,341,269.84	38.87	$ 1,127.13	$ 216.05	$ 1,343.18
$ 29.50	6,341,269.84	38.87	$ 1,146.56	$ 216.05	$ 1,362.61
$ 30.50	6,341,269.84	38.87	$ 1,185.43	$ 216.05	$ 1,401.48
$ 31.50	6,341,269.84	38.87	$ 1,224.30	$ 216.05	$ 1,440.35
$ 32.50	6,146,153.85	37.67	$ 1,224.30	$ 216.05	$ 1,440.35
$ 33.50	5,962,686.57	36.55	$ 1,224.30	$ 216.05	$ 1,440.35
$ 34.50	5,789,855.07	35.49	$ 1,224.30	$ 216.05	$ 1,440.35
$ 35.50	5,626,760.56	34.49	$ 1,224.30	$ 216.05	$ 1,440.35
$ 36.50	5,472,602.74	33.54	$ 1,224.30	$ 216.05	$ 1,440.35
$ 37.50	5,326,666.67	32.65	$ 1,224.30	$ 216.05	$ 1,440.35
$ 38.50	5,326,666.67	32.65	$ 1,256.94	$ 216.05	$ 1,472.99
$ 39.50	5,326,666.67	32.65	$ 1,289.59	$ 216.05	$ 1,505.64
$ 40.00	5,326,666.67	32.65	$ 1,305.92	$ 216.05	$ 1,521.97

The aggregate merger consideration may be adjusted based on the amount of Grace Holdings' shareholders' equity at closing. The aggregate merger consideration of $235 million will be decreased on a dollar for dollar basis if, and to the extent by which, Grace Holdings' shareholders' equity is less than $113 million as of the closing date of the merger, as determined in accordance with the merger agreement.

In certain circumstances, the proportion of the consideration to be paid in cash may be reduced in order to ensure that the merger qualifies as a "reorganization" within the meaning of the Code and that the cash portion of the consideration does not exceed 17% of the total consideration, as determined based on the price of A&B common stock on the closing date of the merger. In no event will the cash portion of the consideration be less than 12% of the aggregate merger consideration prior to any adjustment.

Holdback Amount; Shareholders' Representative Expense Fund (page 74). Upon the completion of the merger, the Holdback Amount (an amount of cash equal to 12% of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders following the closing of the merger) will be withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any post-closing adjustment to the aggregate merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the merger agreement. These funds will be released by A&B in accordance with the terms set forth in the merger agreement. In addition, an

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amount of cash equal to $1 million of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders in the merger will be delivered to the Shareholders' Representative to cover the costs and expenses incurred by him in performing his duties. Any amounts not used, or retained for future use, by the Shareholders' Representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

Limitation on the Solicitation, Negotiation and Discussion of Other Acquisition Proposals by Grace Holdings (page 83). The merger agreement contains provisions prohibiting Grace Holdings from seeking or discussing alternative transactions. Under these "non-solicitation" provisions, Grace Holdings has agreed that it will not (a) initiate, solicit, knowingly encourage or take any other action designed to facilitate any takeover proposals; (b) enter into any agreement with respect to any takeover proposal; or (c) engage or otherwise participate in discussions or negotiations regarding, or provide any information with respect to, or otherwise cooperate with, any proposal that constitutes, or could reasonably be expected to lead to, a takeover proposal.

Conditions to Completion of the Merger (page 92). Completion of the merger is subject to obtaining the requisite votes of the A&B and Grace Holdings shareholders, consummation of the Restructuring (including the Grace Separation), that holders of no more than 3% of Grace Holdings common stock exercise dissenters' rights and certain other customary closing conditions.

Termination of the Merger Agreement (page 93). Either A&B or Grace Holdings may terminate the merger agreement under certain circumstances, which would prevent the merger from being completed. Among other reasons, Grace Holdings may terminate the merger agreement if the Weighted Average Stock Price is less than $29.00 and A&B may terminate the merger agreement if the Weighted Average Stock Price is greater than $40.00. In certain circumstances, Grace Holdings may be obligated to pay A&B a termination fee of $7 million plus A&B's expenses up to $3 million. In certain other circumstances, A&B or Grace Holdings may be required to pay the other party's expenses in an amount up to $3 million.

Registered Shares (page 72)

The shares of A&B common stock issued to Grace Holdings shareholders in the merger will be registered under the Securities Act and, except as described below, may be freely traded without restriction.

Lock-Up Agreements (page 72)

Concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders have each entered into a lock-up agreement with A&B and may only dispose of their shares of A&B common stock acquired in the merger in accordance with the terms of the lock-up agreement. The restrictions lapse six months after the effective time of the merger.

Voting Agreement (page 98)

Concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders entered into a voting agreement covering the Grace Holdings common stock held by them. Pursuant to the voting agreement, each agreed, among other things, to vote all of the shareholder's Grace Holdings common stock in favor of the merger proposal and against any proposal that would interfere with the merger agreement and the transactions contemplated by the merger agreement. The voting agreement is included as Annex B to this proxy statement/prospectus.

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Accounting Treatment (page 126)

A&B will account for the merger under the acquisition method for financial reporting and accounting purposes under U.S. generally accepted accounting principles. The results of operations of Grace Holdings will be included in the consolidated financial statements of A&B following completion of the merger.

Financing (page 72)

The acquisition of Grace by A&B will be accomplished through the issuance of approximately 85% of the purchase price in shares of A&B common stock and 15% in cash. A&B intends to finance the cash portion through a combination of cash on hand and/or through borrowings on its revolving credit facility.

Material U.S. Federal Income Tax Consequences of the Merger (page 127)

In general, the conversion of shares of Grace Holdings common stock into A&B common stock in the merger will be tax-free to U.S. holders of Grace Holdings common stock for United States federal income tax purposes. However, each U.S. holder of Grace Holdings common stock generally will recognize gain (but not loss) in an amount limited to the amount of cash received in the merger (including the holder's pro rata portion of the Shareholders' Representative Expense Fund Residual, if any, and cash received by such holder from payments, if any, of the Holdback Amount (in each case, other than payments treated as interest, which will be taxable as ordinary income)). Additionally, each U.S. holder of Grace Holdings common stock will recognize gain or loss on any cash received instead of fractional shares of A&B's common stock. If a U.S. holder of Grace Holdings common stock acquired different blocks of Grace common stock (converted into Grace Holdings common stock in the Restructuring) at different times or at different prices, any gain or loss will be determined separately with respect to each block of such Grace Holdings common stock.

Tax consequences of the merger are complex and depend on the facts of your individual situation. You should read the section entitled "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 127. Because individual circumstances may differ, you are urged to consult with your own tax advisor as to the tax consequences of the merger.

Market Price and Dividend Data (page 142)

There is currently no public market for Grace Holdings common stock. A&B common stock has traded on the NYSE under the symbol "ALEX" since July 2, 2012. On June 6, 2013, the last full trading day prior to the public announcement of the merger, the stock price of A&B common stock was $36.98 per share. On [ ], 2013, the last full trading day prior to the date of this proxy statement/prospectus, the closing sale price of A&B common stock was $[ ] per share. A&B has not declared a dividend. A&B expects to initiate a quarterly dividend following consummation of the merger. The A&B Board of Directors will determine the timing and amount of any changes to A&B's dividend policy.

Risks Relating to the Merger (page 29)

In evaluating the merger agreement or the issuance of shares of A&B common stock in the merger, you should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled "Risks Factors Risks Relating to the Merger" beginning on page 29, as well as the additional risk factors discussed in the section entitled "Risk Factors" that relate to A&B or the Grace Businesses, respectively.

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Dissenters' Rights (page 71)

Under Hawaii law, Grace Holdings shareholders have dissenters' rights in connection with the merger. Grace Holdings shares held by shareholders that properly exercise dissenters' rights under Hawaii law will not be converted into shares of A&B common stock or other components of the merger consideration and such dissenting shareholders will instead be entitled to receive payment of the fair value of such shares in accordance with Section 414-356 of the Hawaii Business Corporation Act (the "HBCA"), unless such dissenting shareholder fails to perfect, withdraws or otherwise loses the right to dissent. The requirements of Hawaii law relating to dissenters' rights are summarized in this proxy statement/prospectus in the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Dissenters' Rights" beginning on page 71.

A copy of the Hawaii statutory provisions relating to dissenters' rights is also included as Annex C to this proxy statement/prospectus.

A&B's obligation to complete the merger is subject to the requirement that holders of no more than 3% of Grace Holdings common stock exercise dissenters' rights.

Regulatory Approvals Required for the Merger (page 72)

A&B and Grace Holdings have agreed to use commercially reasonable efforts to obtain as promptly as practicable all regulatory approvals that are required to complete the transactions contemplated in the merger agreement. This includes filing all required notices to governmental authorities, including the required filings with the U.S. Department of Justice (the "DOJ"), and the Federal Trade Commission (the "FTC"), pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"). A&B and Grace Holdings filed necessary notices with the DOJ and the FTC in accordance with the HSR Act on [ ], 2013.

A&B must also comply with applicable federal and state securities laws and the rules and regulations of the NYSE in connection with the issuance of shares of A&B common stock in the merger and the filing of this proxy statement/prospectus with the SEC.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA AND SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Selected Historical Consolidated Financial Data of A&B

The following selected historical financial information, as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011, and 2010, was derived from A&B's audited historical financial statements incorporated by reference into this proxy statement/prospectus. The selected historical financial information as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2009 and 2008 was derived from A&B's audited financial statements, which are not included in or incorporated by reference into this proxy statement/prospectus. The selected historical financial information for the three months ended March 31, 2013 and 2012 was derived from A&B's unaudited condensed consolidated financial statements incorporated by reference into this proxy statement/prospectus and includes, in the opinion of A&B's management, all normal and recurring adjustments that are considered necessary to present fairly the financial position and results of operations for the periods and dates presented.

The historical results are not necessarily indicative of results to be expected in any future period and should be read in conjunction with "A&B's Management's Discussion and Analysis of Financial Condition and Results of Operations" and A&B's consolidated financial statements, including the notes thereto, in A&B's Annual Report on Form 10-K for the year ended December 31, 2012 and A&B's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, which are incorporated herein by reference. For additional information, see "Where You Can Find More Information" beginning on page 152.

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(In millions, except per share amounts)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Years Ended December 31, 2012	2011	2010	2009	2008
Revenue:							
Real Estate:							
Leasing	$ 26.3	$ 25.5	$ 100.6	$ 99.7	$ 93.8	$ 102.5	$ 107.0
Development and Sales	15.4	11.4	32.2	59.8	131.0	125.5	350.0
Less amounts reported in discontinued operations(1)	(14.9)	(9.3)	(10.1)	(49.3)	(128.6)	(137.0)	(164.7)
Agribusiness(2)	14.7	13.6	182.3	157.5	165.6	99.6	121.6
Reconciling Items(3)			(8.3)				
Total Revenue	$ 41.5	$ 41.2	$ 296.7	$ 267.7	$ 261.8	$ 190.6	$ 413.9
Operating Profit:							
Real Estate:							
Leasing	$ 10.9	$ 10.7	$ 41.6	$ 39.3	$ 35.3	$ 43.2	$ 47.8
Development and Sales(4)	2.4	0.9	(4.4)	15.5	50.1	39.1	95.6
Less amounts reported in discontinued operations(1)	(4.2)	(4.1)	(4.7)	(24.8)	(55.5)	(59.5)	(77.2)
Agribusiness(2)	3.8	3.5	20.8	22.2	6.1	(27.8)	(12.9)
Total operating profit (loss)	12.9	11.0	53.3	52.2	36.0	(5.0)	53.3
Interest expense, net	(3.6)	(4.1)	(14.9)	(17.1)	(17.3)	(17.0)	(12.5)
General corporate expenses	(5.4)	(4.7)	(15.1)	(19.9)	(22.7)	(21.0)	(20.5)
Separation costs		(1.7)	(6.8)				
Income (loss) from continuing operations before income taxes	3.9	0.5	16.5	15.2	(4.0)	(43.0)	20.3
Income tax expense (benefit)	1.6	0.2	(1.2)	6.6	(1.7)	(17.2)	8.1
Income (loss) from continuing operations	2.3	0.3	17.7	8.6	(2.3)	(25.8)	12.2
Income from discontinued operations	2.7	2.5	2.8	14.9	35.4	36.7	47.7
Net Income	$ 5.0	$ 2.8	$ 20.5	$ 23.5	$ 33.1	$ 10.9	$ 59.9
Earnings (loss) per share:(5)							
Basic:							
Continuing operations	$ 0.05	$ 0.01	$ 0.41	$ 0.20	$ (0.05)	$ (0.61)	$ 0.29
Discontinued operations	0.07	0.06	0.07	0.35	0.83	0.87	1.12
Basic earnings per share	$ 0.12	$ 0.07	$ 0.48	$ 0.55	$ 0.78	$ 0.26	$ 1.41
Diluted:							
Continuing operations	$ 0.05	$ 0.01	$ 0.41	$ 0.20	$ (0.05)	$ (0.61)	$ 0.29
Discontinued operations	0.07	0.06	0.07	0.35	0.83	0.87	1.12
Diluted earnings per share	$ 0.12	$ 0.07	$ 0.48	$ 0.55	$ 0.78	$ 0.26	$ 1.41

(1) Prior year amounts restated for amounts treated as discontinued operations.

(2)

Includes a $4.9 million gain in 2010 related to an agriculture disaster relief payment for drought experienced in prior years and a $5.4 million gain recorded upon consolidation of HS&TC in 2009.

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(3) Represents the sale of a 286-acre agricultural parcel in the third quarter of 2012 classified as "Gain on sale of agricultural parcel" in the consolidated statements of income, but reflected as revenue for segment reporting purposes.

(4) The Real Estate Development and Sales segment includes approximately $(8.3) million, ($7.9) million, $2.0 million, and $9.0 million in equity in (loss) earnings from its various real estate joint ventures for 2012, 2011, 2010, and 2008, respectively. Equity in earnings from joint ventures in 2009 was negligible. Included in operating profit are noncash impairment and equity losses of $9.8 million (Bakersfield joint venture and Santa Barbara real estate project) in 2012 and $6.4 million (Waiawa real estate joint venture) in 2011.

(5) The computation of basic and diluted earnings per common share for all periods prior to the separation of A&B from Alexander & Baldwin Holdings, Inc., currently known as Matson, Inc., on June 29, 2012 is calculated using 42.4 million, the number of shares of A&B common stock outstanding on July 2, 2012, which was the first day of trading following the June 29, 2012 distribution of A&B common stock to shareholders of Alexander & Baldwin Holdings, Inc., as if those shares were outstanding for those periods. For all periods prior to June 29, 2012, there were no dilutive shares because no actual shares of A&B common stock or share-based awards were then outstanding.

	As of March 31,		As of December 31,				
(In millions)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
Balance sheet data							
Investment in real estate and joint ventures	$ 1,217.1	$ 1,173.1	$ 1,203.4	$ 1,165.0	$ 1,123.8	$ 916.8	$ 841.2
Total assets	$ 1,490.0	$ 1,424.7	$ 1,437.3	$ 1,386.6	$ 1,341.5	$ 1,231.3	$ 1,175.7
Total liabilities	$ 568.9	$ 696.1	$ 522.9	$ 660.8	$ 652.9	$ 584.5	$ 562.2
Long-term debt non-current	$ 270.0	$ 363.0	$ 220.0	$ 327.2	$ 249.6	$ 258.3	$ 219.8
Shareholders' equity	$ 921.1	$ 728.6	$ 914.4	$ 725.8	$ 688.6	$ 646.8	$ 613.5

Selected Historical Consolidated Financial Data of Grace

The following selected historical financial information, as of September 30, 2012 and 2011 and for the fiscal years ended September 30, 2012, 2011, and 2010, was derived from Grace's audited historical financial statements included in this proxy statement/prospectus. The historical financial statements for periods ending after January 1, 2011 include the results of the Petroleum Businesses, which will be distributed to Grace Holdings shareholders prior to consummation of the merger, and therefore are not indicative of results to be expected in future periods. The selected historical financial information as of September 30, 2010, 2009 and 2008 and for the fiscal years ended September 30, 2009 and 2008 was derived from Grace's audited financial statements, which are not included in this proxy statement/prospectus. The selected financial information for the six month periods ended March 31, 2013 and 2012 was derived from Grace's unaudited condensed consolidated financial statements included in this proxy statement/prospectus and includes, in the opinion of Grace's management, all normal and recurring adjustments that are considered necessary to present fairly the financial position and results of operations for the periods and dates presented.

The historical results are not necessarily indicative of results to be expected in any future period and should be read in conjunction with the respective audited and unaudited consolidated financial

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statements of Grace, including the notes thereto, and the section entitled "Grace Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 108.

	Six Months Ended March 31,		Years Ended September 30,				
(In millions)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
Revenue:							
Natural materials and construction revenue	$ 107.6	$ 88.9	$ 194.4	$ 191.9	$ 198.1	$ 188.9	$ 225.6
Petroleum products and other revenues(1)	139.3	142.3	301.5	182.4			
Total Revenue	$ 246.9	$ 231.2	$ 495.9	$ 374.3	$ 198.1	$ 188.9	$ 225.6
Operating Profit:							
Natural materials and construction(2)	$ 10.6	$ 7.5	$ 20.5	$ 15.9	$ 24.5	$ 24.8	$ 35.3
Petroleum products and other revenues	(0.1)	1.8	4.5	(0.3)			
Total operating profit	10.5	9.3	25.0	15.6	24.5	24.8	35.3
Interest expense, net	(2.3)	(2.3)	(4.6)	(3.8)	(2.5)	(1.4)	(0.7)
Income before income taxes	8.2	7.0	20.4	11.8	22.0	23.4	34.6
Income tax expense	2.6	2.3	6.9	2.8	7.2	8.5	11.5
Net Income	5.6	4.7	13.5	9.0	14.8	14.9	23.1
(Income) loss attributed to non-controlling interest	(0.5)	0.1	(0.5)	(1.1)	(1.5)	0.5	(2.0)
Net Income attributable to Grace common stockholders	$ 5.1	$ 4.8	$ 13.0	$ 7.9	$ 13.3	$ 15.4	$ 21.1

(1) Grace acquired Koko'oha Investments, Inc., parent company of Mid Pac Petroleum, LLC, on January 1, 2011 and Inter Island Petroleum, Inc. on November 1, 2011.

(2) Equity in earnings from Maui Paving, LLC, which are included in operating profit, but not revenue, was $0.3 and $0.2, for the six month periods ended March 31, 2013 and 2012, respectively, and $0.4 million, $1.7 million, $5.0 million, $8.5 million, and $8.0 million for 2012, 2011, 2010, 2009, and 2008, respectively. The reduction in earnings is a reflection of volume reductions and increased competition.

	As of March 31,		As of September 30,				
Consolidated Balance Sheet Data:							
(In millions)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
Balance sheet data							
Cash and cash equivalents	$ 10.8	$ 33.0	$ 21.8	$ 35.1	$ 41.2	$ 36.4	$ 13.0
Total assets	370.9	363.7	353.3	326.2	220.8	204.1	173.3
Total liabilities	198.0	187.7	185.9	153.8	104.7	92.8	68.2
Long-term debt non-current	79.1	76.1	81.3	63.8	33.3	21.0	5.9
Shareholders' equity	169.4	173.0	164.4	169.4	113.3	109.0	100.3

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Other Data: (In millions)	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012	Years Ended September 30, 2012	2011	2010	2009	2008
Earnings before interest, taxes and depreciation(1)	$ 17.9	$ 17.5	$ 40.8	$ 28.7	$ 35.4	$ 35.5	$ 42.0
Cash flow provided by (used in) operating activities	(7.7)	(0.5)	18.8	28.6	29.2	24.6	16.0
Cash flow used in investing activities	(16.4)	(28.4)	(37.4)	(21.1)	(30.8)	(22.5)	(16.2)
Cash flow provided by (used in) financing activities	13.1	26.8	5.3	(13.5)	6.4	21.2	(0.7)
Depreciation and amortization	7.9	8.1	16.3	14.2	12.4	10.2	8.7
Capital expenditures	(16.7)	(7.1)	(16.3)	(23.1)	(32.2)	(22.9)	(17.3)

(1) Refer to the following section for a discussion of Grace Management's use of non-GAAP financial measures and the required reconciliation of non-GAAP measures to GAAP measures.

Reconciliation of GAAP to Non-GAAP Financial Measures

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a measure of financial performance calculated in accordance with GAAP. EBITDA represents net income plus interest expense, income taxes, and depreciation and amortization. The GAAP financial measure that is most directly comparable to EBITDA is operating income, which represents operating revenue minus operating expenses. EBITDA does not have any standardized meaning prescribed by GAAP and, therefore, may differ from definitions of EBITDA used by other companies. EBITDA should not be considered a measure in isolation from, or a substitute for, measures prepared in accordance with GAAP. Grace management believes that the presentation of EBITDA is useful to investors because (i) it provides useful information regarding Grace's ability to service its debt and fund capital expenditures, (ii) it is a measure that allows investors to compare Grace's operating performance with that of other companies with different capital structures or tax rates and (iii) it provides supplementary data for comparing Grace's performance to other similar companies. EBITDA information for the Petroleum Businesses and the Grace Businesses are also shown separately because the Petroleum Businesses will be distributed to Grace Holdings shareholders prior to the merger and, consequently, will not be acquired by A&B.

The following table presents Grace's EBITDA measure for the periods indicated:

(In millions)	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012	Years Ended September 30, 2012	2011	2010	2009	2008
Net income	$ 5.1	$ 4.8	$ 13.0	$ 7.9	$ 13.3	$ 15.4	$ 21.1
Interest expense, net	2.3	2.3	4.6	3.8	2.5	1.4	0.7
Income tax expense	2.6	2.3	6.9	2.8	7.2	8.5	11.5
Depreciation and amortization	7.9	8.1	16.3	14.2	12.4	10.2	8.7
EBITDA Grace consolidated	17.9	17.5	40.8	28.7	35.4	35.5	42.0
EBITDA Petroleum Businesses	(2.0)	(4.1)	(10.0)	(3.0)			
EBITDA Grace Businesses	$ 15.9	$ 13.4	$ 30.8	$ 25.7	$ 35.4	$ 35.5	$ 42.0

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

On June 6, 2013, A&B entered into a definitive merger agreement with Grace and Grace Holdings, under which A&B will acquire the Grace Businesses (but not the Petroleum Businesses). The acquisition of the Grace Businesses by A&B will be accounted for under the acquisition method of accounting with A&B treated as the accounting acquirer.

The following summary unaudited pro forma condensed combined financial information for the year ended December 31, 2012, which gives pro forma effect to the acquisition of Grace by A&B as if it had been completed on January 1, 2012, includes the results of A&B for the year ended December 31, 2012 and the results of Grace for its full fiscal year ended September 30, 2012. The interim unaudited pro forma condensed combined financial information includes the results of A&B as of and for the three month period ended March 31, 2013, and the results of Grace as of and for the three month period ended March 31, 2013. The pro forma income statement adjustments for the interim period are computed as if the transaction were consummated on January 1, 2012. The pro forma balance sheet adjustments as of March 31, 2013 were computed as if the transaction were consummated on March 31, 2013. The selected unaudited pro forma condensed combined financial data presented below is based on the historical financial statements of A&B and Grace, included in or incorporated by reference into this proxy statement/prospectus, and should be read in conjunction with the section entitled "Unaudited Pro Forma Condensed Combined Financial Information," the audited and unaudited historical financial statements of A&B and Grace and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations of A&B and Grace, included in or incorporated by reference into this proxy statement/prospectus.

The historical financial data has been adjusted to give pro forma effect to events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on management's estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition and certain other adjustments.

The unaudited pro forma condensed combined financial data is presented for illustrative purposes only and is not necessarily reflective of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the entities been combined during the periods presented. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial statements (see the section entitled "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 132), the preliminary acquisition-date fair value of the identifiable assets acquired and liabilities assumed and reflected in the unaudited pro forma condensed combined financial statements is subject to adjustment and will vary from the actual amounts that will be recorded after completion of the merger when valuations and other studies are completed.

The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve, nor do the unaudited pro forma condensed combined financial statements reflect any integration or other related costs, such as Sarbanes-Oxley compliance costs to be incurred by Grace. Additionally, the unaudited pro forma condensed combined financial statements do not reflect the Petroleum Businesses. Prior to the merger, Grace Holdings, Grace and KI will enter into a Separation Agreement pursuant to which all of the shares of KI, the subsidiary of Grace Holdings that holds the Petroleum Businesses, will be distributed to Grace Holdings shareholders on a pro rata basis. Consequently, the Petroleum Businesses will not be acquired by A&B in the merger.

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Acquisition-related transaction costs, such as legal, advisory, accounting and other professional fees are not included as a component of the purchase price and are expensed as incurred. The total cost for the acquisition is currently estimated at $[ ] million for A&B.

(In millions)	Unaudited Pro Forma Combined As of and for the Three Months Ended March 31, 2013	Year Ended December 31, 2012
Statement of operations data:		
Operating revenue	$ 92.9	$ 491.1
Operating costs and expenses	82.6	436.1
Operating income	10.3	55.0
Income from continuing operations before income taxes	6.8	30.1
Income tax expense	2.9	3.0
Income from discontinued operations	2.7	2.8
Net income	$ 6.6	$ 29.9
Income attributed to non-controlling interest	(0.3)	(0.5)
Net income attributable to common shareholders	$ 6.3	$ 29.4
Unaudited pro forma earnings per common share:(1)		
Basic	$ 0.13	$ 0.61
Diluted	$ 0.13	$ 0.60
Balance Sheet Data:		
Total assets	$ 1,864.9	
Total liabilities	740.6	
Long-term debt	318.0	
Total shareholders' equity	1,120.8	

(1) Weighted average shares outstanding for basic and diluted assumes the issuance of 5.8 million shares at an exchange ratio of 35.48 shares of A&B common stock for one share of Grace common stock.

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COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA

The following selected unaudited pro forma per share information as of and for the year ended December 31, 2012 and as of and for the three months ended March 31, 2013 reflects the Grace Separation and the proposed merger as if they had occurred on January 1, 2012. The information in the table is based on, and should be read together with, the historical financial statements of A&B and Grace that are contained elsewhere in, or incorporated into, this proxy/prospectus. See "Where You Can Find More Information" and "Unaudited Pro Forma Condensed Combined Financial Information" beginning on pages 152 and 132, respectively.

The unaudited pro forma combined and pro forma equivalent combined data is presented for illustrative purposes only and is not necessarily indicative of actual or future financial results that would have been realized if the proposed merger had been completed as of the dates indicated. A&B did not declare or pay any dividends during the periods presented. Grace declared and paid aggregate dividends of $5.0 million (or approximately $30.65 per share) in 2012.

	As of and for the Three Months Ended March 31, 2013	As of and for the Year Ended December 31, 2012
A&B:		
Book value per share		
Historical	$ 21.42	
Pro forma combined	$ 26.07	
Earnings per share		
Historical basic and diluted	$ 0.12	$ 0.48
Pro forma combined basic	$ 0.13	$ 0.61
Pro forma combined diluted	$ 0.13	$ 0.60

	As of and for the Three Months Ended March 31, 2013	As of and for the Year Ended September 30, 2012
Grace:(1)		
Book value per share		
Historical	$ 694.96	
Pro forma equivalent combined(1)	$ 924.79	
Earnings per share		
Historical basic and diluted	$ 13.48	$ 74.12
Pro forma equivalent combined basic(1)	$ 4.61	$ 21.64
Pro forma equivalent combined diluted	$ 4.61	$ 21.29

(1) Grace pro forma equivalent combined amounts are calculated by multiplying A&B's pro forma combined amounts by the pro forma exchange ratio of 35.48.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this proxy statement/prospectus, and in documents incorporated by reference into this proxy statement/prospectus, contain "forward-looking" information, as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, which represent beliefs and assumptions concerning future events. Forward-looking statements include the information concerning possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "might," "should," "could" or the negative of these terms or similar expressions. Forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements. You should not put undue reliance on any forward-looking statements in this proxy statement/prospectus. Neither Grace Holdings nor A&B has any intention or obligation to update forward-looking statements subsequent to the effectiveness of this proxy statement/prospectus.

You should understand that many important factors, in addition to those discussed in or incorporated by reference into this proxy statement/prospectus, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include those described in this proxy statement/prospectus under "Risk Factors," and those identified in A&B's Annual Report on Form 10-K for the year ended December 31, 2012 and in the other documents incorporated by reference. In light of these risks and uncertainties, the forward-looking results discussed in or incorporated by reference into this proxy statement/prospectus might not occur.

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RISK FACTORS

In addition to the other information included in and incorporated by reference into this proxy statement/prospectus, including matters addressed in "Cautionary Statement Regarding Forward-Looking Statements" on page 28, you should carefully consider the following risk factors in determining whether to vote for approval of the merger proposal and the share issuance proposal. In addition, you should read and consider the risks associated with the business of A&B and the business of Grace Holdings because these risks also will affect the combined company after the merger. Risks associated with the business of A&B can be found in A&B's Annual Report on Form 10-K for the year ended December 31, 2012, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and are incorporated by reference into this proxy statement/prospectus. Risks associated with the business of Grace Holdings can be found below. You should also read and consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. For further information regarding documents incorporated by reference into this proxy statement/prospectus, see "Where You Can Find More Information" beginning on page 152.

Risks Relating to the Merger

Because of fluctuations in the market price of A&B common stock, Grace Holdings shareholders cannot be sure of the amount of A&B common stock they will receive in the merger.

At the time the merger is completed, each issued and outstanding share of Grace Holdings common stock will be converted into the right to receive a pro rata share of the aggregate merger consideration in the form of A&B common stock and cash, subject to adjustment. The number of shares of A&B common stock to be issued in the merger, as calculated in accordance with the merger agreement, may fluctuate depending on the volume weighted average trading prices of A&B common stock.

There will be lapses of time between the date on which Grace Holdings shareholders vote to approve the merger at the Grace Holdings special meeting, the date on which the number of shares of A&B common stock to be issued in the merger is determined and the date on which Grace Holdings shareholders entitled to receive shares of A&B common stock actually receive such shares. The market value of A&B common stock may fluctuate during these periods. Stock price fluctuations may result from a variety of factors (many of which are beyond A&B's control), including the following:

- changes in A&B's business, operations, and prospects or market assessments thereof;
- market assessments of the likelihood that the merger will be completed, including related considerations regarding litigation and regulatory approvals of the merger;
- market assessments about the prospects of post-merger operations; and
- general business, market, industry and economic conditions and other factors generally affecting the price of A&B common stock.

Consequently, at the time Grace Holdings shareholders must decide whether to approve the merger, they will not know the number of shares or the actual market value of the shares of A&B common stock they will receive when the merger is completed. The actual value of the shares of A&B common stock received by Grace Holdings shareholders will depend on the market value of shares of A&B common stock on the date such shares are received. This market value may be greater than or less than the volume weighted average trading price used to determine the number of shares of A&B common stock to be issued in the merger, as that determination will be made with respect to a period occurring prior to consummation of the merger.

Grace Holdings shareholders are urged to obtain current market quotations for shares of A&B common stock.

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The market price of A&B's common stock may decline as a result of the merger.

The market price of A&B's common stock may decline as a result of the merger for a number of reasons, including:

- the integration of the management teams, cultures, operations and administrative functions of the two companies may be unsuccessful;
- there may be sales of substantial amounts of A&B common stock after the merger or after expiration of the six month lock-up period agreed to by the Principal Shareholders;
- A&B may not achieve the perceived benefits of the merger as rapidly as, or to the extent, anticipated by financial or industry analysts; or
- the effect of the merger on A&B's financial results may not be consistent with the expectations of financial or industry analysts.

These factors are, to some extent, beyond A&B's control. In addition, there will be a time period between the effective time of the merger and the time when Grace Holdings shareholders actually receive book-entry shares evidencing A&B common stock. Until book-entry shares are received, Grace Holdings shareholders will not be able to sell their shares of A&B common stock in the open market and, accordingly, will not be able to avoid losses resulting from any decline in the market price of A&B common stock during this period.

There may be sales of substantial amounts of A&B common stock after the merger, which could cause A&B's stock price to fall.

A large number of shares of A&B common stock may be sold into the public market within a short period of time following the closing of the merger, primarily due to the substantial number of shares that will be available for resale by the former shareholders of Grace Holdings. Those sales may increase upon expiration of the six month lock-up period, which temporarily restricts the Principal Shareholders (who will receive 71% of the shares of A&B common stock issued the merger) from disposing of their shares. As a result, A&B's stock price could fall.

The failure of A&B to operate and manage the combined company effectively could have a material adverse effect on A&B's business, financial condition and operating results.

A&B will need to achieve a smooth merger transition to realize the expected benefits of the merger, including:

- integrating the management teams, cultures, operations and administrative functions of the two companies;
- sustaining and further growing revenue and earnings
- retaining and assimilating key personnel of Grace Holdings;
- retaining existing customers of the Grace Businesses;
- achieving cost and operational efficiencies related to the capital investment at the Makakilo quarry; and
- ensuring appropriate financial and legal controls are put into place.

The accomplishment of these post-merger objectives will involve risks, including:

the potential disruption of each company's ongoing business and distraction of their respective management teams;

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- the possibility that the business cultures of A&B and the Grace Businesses will conflict or not be compatible;
- unanticipated expenses related to the integration;
- the impairment of relationships with employees and customers as a result of the merger;
- potential unknown liabilities associated with the merger; and
- the risks related to the Grace Businesses that may continue to impact the business following the merger.

A failure to integrate the two organizations successfully could adversely affect A&B's ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of the merger.

Even if A&B is able to integrate the Grace Holdings business operations successfully, this integration may not result in the realization of the full benefits that may be possible from this integration, and these benefits may not be achieved within a reasonable period of time.

The market price of A&B common stock after the merger may be affected by factors different from those affecting the shares of Grace Holdings or A&B currently.

The businesses of A&B and Grace Holdings differ in important respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of A&B and Grace Holdings. For a discussion of the business of A&B and of certain factors to consider in connection with its business, see the documents incorporated by reference into this proxy statement/prospectus and referred to under "Where You Can Find More Information" beginning on page 152.

The merger may go forward in certain circumstances even if Grace Holdings suffers a material adverse effect, which could cause the market price of A&B's common stock to decline.

In general, A&B can refuse to complete the merger if a "company material adverse effect" (as defined below under the heading "The Merger Agreement Material Adverse Effect" beginning on page 80) occurs with regard to Grace Holdings before the closing. However, A&B may not refuse to complete the merger on that basis as a result of any change, circumstance, occurrence, state of facts, development, event or effect that is the result of:

- factors generally affecting economic conditions in Hawaii or factors generally affecting the industries in Hawaii in which Grace Holdings or any of its subsidiaries conduct business, except to the extent that any such change, circumstance, occurrence, state of facts, development, event or effect disproportionately impacts Grace Holdings or any of its subsidiaries compared to other companies in the industries in which Grace Holdings or any of its subsidiaries operate;
- any change in law or generally accepted accounting principles ("GAAP") or the interpretation thereof applicable to Grace Holdings or any of its subsidiaries, except to the extent that any such change, circumstance, occurrence, state of facts, development, event or effect disproportionately impacts Grace Holdings or any of its subsidiaries compared to other companies in the industries in which Grace Holdings or any of its subsidiaries operate;
- the announcement or pendency of the merger and the other transactions contemplated by the merger agreement; or

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any change that results from any action taken by Grace Holdings or any of its subsidiaries pursuant to the merger agreement of any of the agreements related to the Restructuring to which it is or will be a party, or at the written request or with the written consent of A&B.

If adverse changes occur but A&B and Grace Holdings must still complete the merger, A&B's stock price may suffer.

Grace Holdings shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

Grace Holdings shareholders currently have the right to vote in the election of the board of directors of Grace Holdings and on other matters affecting Grace Holdings. While Grace Holdings shareholders will continue to have the right to vote, their relative voting power with respect to A&B will be diminished. It is expected that the former shareholders of Grace Holdings as a group will own not less than approximately 11.0% and not more than approximately 12.8% of the outstanding shares of A&B immediately after the completion of the merger, which percentage is based upon the number of outstanding shares of A&B common stock on [ ], 2013.

Because of this, Grace Holdings shareholders will have less influence on the management and policies of A&B than they now have on the management and policies of Grace Holdings.

The merger agreement limits Grace Holdings' ability to pursue alternatives to the merger, which could discourage potential competing acquirers that might have an interest in acquiring Grace Holdings.

The merger agreement contains a "non-solicitation" provision that limits Grace Holdings' ability to solicit, facilitate or commit to competing third-party proposals to acquire all or a significant part of Grace Holdings. In addition, concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders entered into a voting agreement covering the Grace Holdings common stock held by such shareholders. Pursuant to the voting agreement, these shareholders have agreed to vote their shares of Grace Holdings common stock in favor of the merger proposal, and against any proposal that would interfere with the merger or any of the other transactions contemplated by the merger agreement. The "non-solicitation" provision of the merger agreement and the voting agreement might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Grace Holdings from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share price than that proposed in the merger or might result in a potential competing acquirer proposing to pay a lower per share price to acquire Grace Holdings than it might otherwise have proposed to pay.

The merger is subject to the receipt of consents and approvals from regulatory authorities and third parties that may impose conditions that could have an adverse effect on A&B or, if not obtained, could prevent completion of the merger.

Before the merger may be completed, A&B and Grace Holdings must file all required notices to governmental authorities, including the required filings with the DOJ and the FTC, pursuant to the HSR Act. These regulatory authorities may impose conditions on the completion of the merger or require changes to the terms of the merger. Although A&B and Grace Holdings do not currently expect that any such changes or conditions will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion and closing of the merger or imposing additional costs on or limiting the revenues of A&B following the merger. For a full description of the regulatory approvals or consents required for the merger, see the section entitled "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Regulatory Approvals Required for the Merger" on page 72. In addition, Grace Holdings must obtain certain consents and waivers from third parties.

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Failure to complete the merger could negatively affect both A&B's and Grace Holdings' future business and operations.

If the merger is not completed for any reason, A&B and Grace Holdings may each be subject to a number of material risks. If the merger agreement is terminated, A&B and Grace Holdings may each be unable to pursue another business combination transaction on terms as favorable as those set forth in the merger agreement, or at all. This could limit both A&B's and Grace Holdings' ability to pursue their strategic goals. Costs related to the merger, such as financial advisory, legal, accounting and printing fees, must be paid even if the merger is not completed. In addition, Grace Holdings may be obligated under certain circumstances to pay A&B a termination fee of $7 million plus A&B's expenses up to $3 million. In certain other circumstances, A&B or Grace Holdings may be required to pay the other party's expenses in an amount up to $3 million.

The combined company will face uncertainties related to the effectiveness of internal controls.

Although A&B's management has determined that its internal controls were effective as of the end of its most recent fiscal year, there can be no assurance that the combined company or its independent registered public accounting firm will not identify a material weakness in the combined company's internal controls in the future. After the merger, A&B's evaluation under Section 404 of the Sarbanes-Oxley Act of 2002 will need to include the internal controls of Grace Holdings, and A&B's disclosure controls and procedures will need to expand to encompass the activities of the Grace Businesses. Grace Holdings has not previously had to publicly report on the effectiveness of its internal control over financial reporting. A material weakness in internal controls over financial reporting, if not timely corrected, may require management and the combined company's independent public accounting firm to evaluate its internal controls as ineffective. Any failure to have effective internal control over financial reporting or disclosure controls and procedures covering the businesses of the combined company could cause investors to lose confidence in the accuracy and completeness of the combined company's financial reports, limit its ability to raise financing or lead to regulatory sanctions, any of which could result in a material adverse effect on the combined company's business or a decline in the market price of its common stock.

A&B and Grace Holdings may waive one or more of the conditions of the merger without re-soliciting shareholder approval for the merger.

Each of the conditions to A&B's and Grace Holdings' obligations to complete the merger may be waived, in whole or in part, to the extent permitted by applicable law, by agreement of A&B and Grace Holdings, if the condition is a condition to both A&B's and Grace Holdings' obligation to complete the merger, or by the party for which such condition is a condition of its obligation to complete the merger. The boards of directors of A&B and Grace Holdings may evaluate the materiality of any such waiver to determine whether amendment of this proxy statement/prospectus and re-solicitation of proxies are necessary. A&B and Grace Holdings, however, generally do not expect any such waiver to be significant enough to require re-solicitation of shareholders. In the event that any such waiver is not determined to be significant enough to require re-solicitation of shareholders, the companies will have the discretion to complete the merger without seeking further shareholder approval. Additionally, following approval of the merger agreement by Grace Holdings shareholders, any amendment or waiver may be made upon the approval of the Shareholders' Representative, which approval will be binding on Grace Holdings shareholders.

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Risks Related to the Grace Businesses

Grace may be unable to sustain its historical revenue growth rate and maintain its profitability.

Grace's revenue has grown in recent years. Grace may be unable to sustain these recent revenue growth rates for a variety of reasons, including decreased government funding for infrastructure projects, limits on additional growth in the Hawaii market, reduced spending by Grace's customers, an increased number of competitors, less success in competitive bidding for contracts, limitations on access to necessary working capital and investment capital to sustain growth, inability to hire and retain essential personnel and to acquire equipment to support growth, and inability to identify acquisition candidates and successfully acquire and integrate them into Grace's business. A substantial decline in Grace's revenue could have a material adverse effect on its financial condition and results of operations if Grace is unable to also reduce its operating expenses.

Economic downturns or reductions in government funding of infrastructure projects could reduce Grace's revenues and profits and have a material adverse effect on its results of operations.

Grace's products and services are used in public infrastructure projects, which include the construction, maintenance and improvement of highways, streets, roads, airport runways, and similar projects. The Grace Businesses, including its aggregates business, are highly dependent on the amount and timing of infrastructure work funded by various governmental entities, which, in turn, depends on the overall condition of the economy, the need for new or replacement infrastructure, the priorities placed on various projects funded by governmental entities and federal, state or local government spending levels. For example, while the City and County of Honolulu recently announced a significant increase in road and highway spending from $100 million to a range of $120 million to $150 million annually over the next five years, Grace cannot be assured of the existence, amount and timing of appropriations for spending on these and other future projects, including state and federal spending on roads and highways. Spending on infrastructure could decline for numerous reasons, including decreased revenues received by state and local governments for spending on such projects, including federal funding. State spending on highway and other projects can be adversely affected by decreases or delays in, or uncertainties regarding, federal highway funding, which could adversely affect Grace. Grace is reliant upon contracts with the Hawaii Department of Transportation for a significant portion of its revenues.

Grace may face community opposition to the operation or expansion of quarries or other facilities.

Quarries and other Grace facilities require special and conditional use permits to operate. Permitting and licensing applications and proceedings and regulatory enforcement proceedings are all matters open to public scrutiny and comment. As a result, from time to time, Grace's operations may be subject to community opposition and adverse publicity that may have a negative effect on operations and delay or limit any future expansion or development of Grace's operations, which would have an adverse effect on Grace's business.

Grace operates only in Hawaii, and adverse changes to the economy and business environment in Hawaii could adversely affect Grace's operations, which could lead to lower revenues and reduced profitability.

Because of Grace's concentration in a specific geographic location, Grace is susceptible to fluctuations in its business caused by adverse economic or other conditions in Hawaii.

The cancellation of significant contracts or Grace's disqualification from bidding for new contracts could reduce its revenues and profits and have a material adverse effect on its results of operations.

Contracts that Grace enters into with governmental entities can usually be canceled at any time by them with payment generally only for the work already completed plus a negotiated compensatory

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overhead recovery amount. In addition, Grace could be prohibited from bidding on certain governmental contracts if it fails to maintain qualifications required by those entities. A cancellation of an unfinished contract with a substantial balance to complete or Grace's debarment from the bidding process by a government agency could have a material adverse effect on Grace's business and results of operations.

If Grace is unable to accurately estimate the overall risks, requirements or costs when Grace bids on or negotiates a contract that is ultimately awarded to Grace, Grace may achieve a lower than anticipated profit or incur a loss on the contract.

The majority of Grace's revenues are derived from "quantity pricing" (fixed unit price) contracts. Approximately 10% of Grace's revenues and backlog are derived from "lump sum" (fixed total price) contracts. Quantity pricing contracts require Grace to provide line-item materials and services at a fixed unit price based on approved quantities irrespective of Grace's actual per unit costs. Lump sum contracts require that the total amount of work be performed for a single price irrespective of actual quantities or Grace's actual costs. Grace realizes the expected profit on its contracts only if it accurately estimates its costs and then successfully controls actual costs and avoids cost overruns. If Grace's cost estimates for a contract are inaccurate, or if Grace does not execute the contract within its cost estimates, then cost overruns may cause Grace to incur losses or cause the contract not to be as profitable as expected. The final results under these types of contracts could negatively affect Grace's cash flow, earnings and financial position.

If Grace is unable to attract and retain key personnel and skilled labor, or if Grace encounters labor difficulties, Grace's ability to bid for and successfully complete contracts may be negatively impacted.

Grace's ability to attract and retain reliable, qualified personnel is a significant factor that enables it to successfully bid for and profitably complete its work. This includes members of Grace's management, project managers, estimators, supervisors, and foremen. Grace's future success will also depend on its ability to hire, train and retain, or to attract when needed, highly skilled management personnel. If competition for these employees is intense, Grace could experience difficulty hiring and retaining the personnel necessary to support its business. If Grace does not succeed in retaining its current employees and attracting, developing and retaining new highly skilled employees, Grace's operations and future earnings may be negatively impacted.

Approximately 54% of Grace's personnel are unionized. Any work stoppage or other labor dispute involving Grace's unionized workforce, or inability to renew contracts with the unions, could have a material adverse effect on Grace's operations and operating results.

Grace's failure to meet schedule or performance requirements of its paving contracts could adversely affect Grace.

Grace's asphalt paving contracts have penalties for late completion. In most instances, Grace must complete a project within an allotted number of business or calendar days from the time it receives the notice to proceed, subject to allowances for additional days due to weather delays or additional work requested by the customer. If Grace subsequently fails to complete the project as scheduled, it may be responsible for contractually agreed-upon liquidated damages, an amount assessed per day beyond the contractually allotted days, at the discretion of the customer. Under these circumstances, the total project cost could exceed Grace's original estimate, and it could experience a loss of profit or a loss on the project. Additionally, Grace enters into lump sum and quantity pricing contracts where Grace's profits can be adversely affected by a number of factors beyond its control, which can cause Grace's actual costs to materially exceed the costs estimated at the time of its original bid. These same issues and risks can also impact some of Grace's contracts in its precast/prestressed operations.

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Adverse weather conditions may cause delays, which could slow completion of Grace's contracts and negatively affect its revenues and cash flow.

Because all of Grace's construction projects are completed outdoors, its operations are substantially dependent on weather conditions. For example, lengthy periods of wet weather will generally interrupt construction activities, which lead to under-utilization of crews and equipment, resulting in less efficient rates of overhead recovery. As a result, prolonged precipitation or other adverse weather-related conditions can adversely affect Grace's operations and its financial results. While revenues can be recovered following a period of bad weather, it is generally difficult to recover the cost of inefficiencies, and significant periods of bad weather could reduce profitability of affected contracts both in the current period and during the future life of affected contracts. Such reductions in contract profitability could negatively affect Grace's results of operations in current and future periods until the affected contracts are completed.

Because Grace's aggregate division also conducts its activities outdoors, unpredictable weather conditions can affect Grace's aggregate production and sales activity. Adverse weather conditions also restrict the demand for Grace's products, and impede its ability to efficiently transport material. Adverse weather conditions also increase Grace's costs and reduce its production output as a result of power loss, needed plant and equipment repairs, time required to remove or allow water to evaporate from the project site, and similar events. The aggregate division's production and sales levels follow activity in the construction industry, which is also significantly affected by weather conditions.

Timing of the award and performance of new contracts could have an adverse effect on Grace's operating results and cash flow.

It is generally very difficult to predict whether and when bids for new projects will be offered for tender, as these projects frequently involve a lengthy and complex design and bidding process, which is affected by a number of factors, such as market conditions, funding arrangements and governmental approvals. Because of these factors, Grace's results of operations and cash flows may fluctuate from quarter to quarter and year to year, and the fluctuation may be substantial.

The uncertainty of the timing of contract awards after a winning bid is submitted may also present difficulties in matching the size of Grace's equipment fleet and work crews with contract needs. In some cases, Grace may maintain and bear the cost of more equipment than are currently required, in anticipation of future needs for existing contracts or expected future contracts. If a contract is delayed or an expected contract award is not received, Grace would incur costs that could have a material adverse effect on Grace's anticipated profit.

In addition, the timing of the revenues, earnings and cash flows from Grace's contracts can be delayed by a number of factors, including delays in receiving material and equipment from suppliers and services from subcontractors and changes in the scope of work to be performed. Such delays, if they occur, could have adverse effects on Grace's operating results for current and future periods until the affected contracts are completed.

Grace's dependence on a limited number of customers could adversely affect its business and results of operations.

Due to the size and nature of Grace's construction contracts, one or a few customers have in the past and may in the future represent a substantial portion of Grace's consolidated revenues and gross profits in any one year or over a period of several consecutive years. For example, in 2012, approximately 24.5% of Grace's construction related revenue was generated from the City and County of Honolulu (the "County"). Similarly, Grace's backlog frequently reflects multiple contracts for certain customers; therefore, one customer may comprise a significant percentage of backlog at a certain point in time. For example, the County comprised 25.3% of Grace's construction backlog at March 31, 2013.

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The loss of business from any such customer could have a material adverse effect on Grace's business or results of operations. Also, a default or delay in payment on a significant scale by a customer could materially adversely affect Grace's business, results of operations, cash flows and financial condition.

The Grace Businesses are likely to become capital-intensive over the longer term.

The property and machinery needed to produce Grace's aggregate products and perform its asphaltic concrete paving contracts are expensive. Excluding the $26.6 million Grace has incurred through March 31, 2013 for its new crushing facilities, which are expected to be fully operational by the end of 2013, Grace has invested over $12.0 million in the last three years on capital equipment. Although capital needs over the next five years are expected to be relatively modest, over the longer term, Grace may require annual capital expenditures in the range of $5 million to $10 million to operate its aggregates and construction businesses. Grace's ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business, and other factors affecting Grace's operations, many of which are beyond Grace's control. If Grace is unable to generate sufficient cash to operate its business, Grace may be required, among other things, to further reduce or delay planned capital or operating expenditures.

An inability to obtain bonding could limit the aggregate dollar amount of contracts that Grace is able to pursue.

As is customary in the construction business, Grace may be required to provide surety bonds to its customers to secure Grace's performance under construction contracts. Grace's ability to obtain surety bonds primarily depends upon its capitalization, working capital, past performance, management expertise and reputation and certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relationship to the amount of Grace's backlog and their underwriting standards, which may change from time to time. Events that adversely affect the insurance and bonding markets generally may result in bonding becoming more difficult to obtain in the future, or being available only at a significantly greater cost. Grace's inability to obtain adequate bonding would limit the amount that it can bid on new contracts and could have an adverse effect on Grace's future revenues and business prospects.

Grace's operations are subject to hazards that may cause personal injury or property damage, thereby subjecting Grace to liabilities and possible losses, which may not be covered by insurance.

Grace's workers are subject to the usual hazards associated with providing construction and related services on road construction sites, plants and quarries. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Grace maintains general liability and excess liability insurance, workers' compensation insurance, auto insurance and other types of insurance, all in amounts consistent with Grace's risk of loss and industry practice, but this insurance may not be adequate to cover all losses or liabilities that Grace may incur in its operations.

Insurance liabilities are difficult to assess and quantify due to unknown factors, including the severity of an injury, the determination of Grace's liability in proportion to other parties, the number of incidents not reported and the effectiveness of Grace's safety program. If Grace were to experience insurance claims or costs above its estimates, Grace might be required to use working capital to satisfy these claims, which could impact its ability to maintain or expand its operations. To the extent that Grace experiences a material increase in the frequency or severity of accidents or workers' compensation and health claims, or unfavorable developments on existing claims, Grace's operating results and financial condition could be adversely affected.

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Environmental and other regulatory matters could adversely affect Grace's ability to conduct its business and could require expenditures that could have a material adverse effect on its results of operations and financial condition.

Grace's operations are subject to various environmental laws and regulations relating to the management, disposal and remediation of hazardous substances, climate change and the emission and discharge of pollutants into the air and water. Grace could be held liable for such contamination created not only from Grace's own activities but also from the historical activities of others on properties that Grace acquires or leases. Grace's operations are also subject to laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances. Violations of such laws and regulations could subject Grace to substantial fines and penalties, cleanup costs, third-party property damage or personal injury claims. In addition, these laws and regulations have become, and enforcement practices and compliance standards are becoming, increasingly stringent. Moreover, Grace cannot predict the nature, scope or effect of legislation or regulatory requirements that could be imposed, or how existing or future laws or regulations will be administered or interpreted, with respect to products or activities to which they have not been previously applied. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could require Grace to make substantial expenditures for, among other things, equipment that Grace does not currently possess, or the acquisition or modification of permits applicable to Grace's activities.

Short supplies and high costs of fuel, energy and raw materials affect the Grace Businesses.

The Grace Businesses require a continued supply of diesel fuel, electricity and other energy sources for production and transportation. The financial results of these businesses have at times been affected by the high costs of these energy sources. Significant increases in costs or reduced availability of these energy sources have and may in the future reduce Grace's financial results. Moreover, fluctuations in the supply and costs of these energy sources can make planning Grace's business operations more difficult. Grace does not hedge its fuel price risk, but instead focus on volume-related price reductions, fuel efficiency, alternative fuel sources, consumption and the natural hedge created by the ability to increase aggregates prices.

Similarly, Grace's vertically-integrated operations also require a continued supply of liquid asphalt, which serves as a key raw material in the production of asphaltic concrete. Asphalt is subject to potential supply constraints and significant price fluctuations, which are generally correlated to the price of crude oil, though not as closely as diesel or gasoline, and are beyond Grace's control. Accordingly, fluctuations in the availability and/or cost of asphalt could have an adverse effect on Grace financial condition or results of operations.

Risks Related to A&B

A&B is and will continue to be subject to the risks described above. In addition, A&B is, and will continue to be, subject to the risks described in Part I, Item IA "Risk Factors" in A&B's Annual Report on Form 10-K for the year ended December 31, 2012, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and are incorporated by reference into this proxy statement/prospectus. For further information regarding documents incorporated by reference into this proxy statement/prospectus, see "Where You Can Find More Information" beginning on page 152.

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THE A&B SPECIAL MEETING

A&B is furnishing this document to holders of A&B common stock in connection with the solicitation by A&B's Board of Directors of proxies to be voted at the special meeting, and at any adjournment or postponement thereof. This section contains information about the special meeting of A&B shareholders that has been called to consider and approve the share issuance proposal and the adjournment proposal.

Together with this proxy statement/prospectus, A&B is also sending you a notice of the special meeting and a form of proxy that is solicited by the A&B Board of Directors.

Time, Date and Place

The special meeting will be held on [ ], 2013 at [ ] a.m., Honolulu time, at [ ].

Matters to Be Considered

The purpose of the special meeting is to consider a vote on the following proposals:

Proposal No. 1. A proposal, which we refer to as the "share issuance proposal," to approve the issuance of shares of A&B common stock in the merger of Grace Holdings with and into Merger Sub as contemplated by the merger agreement.

Proposal No. 2. A proposal, which we refer to as the "adjournment proposal," to approve, if necessary, an adjournment of the A&B special meeting to solicit additional proxies in favor of the share issuance proposal.

Proxies

Each copy of this proxy statement/prospectus mailed to holders of A&B common stock is accompanied by a form of proxy. If you are a shareholder of record, you may submit a proxy by telephone, via the Internet or by mail to ensure that your vote is counted at the special meeting, or at any adjournment or postponement thereof, regardless of whether you plan to attend the special meeting.

Submitting a Proxy by Telephone: You can submit a proxy for your shares by telephone until 2:00 a.m., Eastern Daylight Time, on [ ], 2013 (8:00 p.m., Honolulu Time, on [ ], 2013), by calling 1-800-652-VOTE (8683). Telephone proxy submission is available 24 hours a day. Easy-to-follow voice prompts allow you to submit a proxy for your shares and confirm that your instructions have been properly recorded. Our telephone proxy submission procedures are designed to authenticate shareholders by using individual control numbers.

Submitting a Proxy Via the Internet: You can submit a proxy via the Internet until 2:00 a.m., Eastern Daylight Time, on [ ], 2013 (8:00 p.m., Honolulu Time, on [ ], 2013), by accessing the website listed on your proxy card, www.investorvote.com/ALEX, and following the instructions you will find on the website. Internet proxy submission is available 24 hours a day. As with telephone proxy submission, you will be given the opportunity to confirm that your instructions have been properly recorded.

Submitting a Proxy by Mail: If you choose to submit a proxy by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. You may also attend the special meeting and vote in person.

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If you are a "street name" holder, you must provide instructions on voting to your broker, bank, trust or other nominee holder.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised by:

- delivering to the Corporate Secretary a written notice of revocation, dated later than the proxy, before the vote is taken at the special meeting;
- delivering to the Corporate Secretary an executed proxy bearing a later date, before the vote is taken at the special meeting;
- submitting a proxy on a later date by telephone or via the Internet (only your last telephone or Internet proxy will be counted), before 2:00 a.m., Eastern Daylight Time, on [ ], 2013 (8:00 p.m., Honolulu Time, on [ ], 2013); or
- attending the special meeting and voting in person (your attendance at the special meeting, in and of itself, will not revoke the proxy).

Any written notice of revocation, or later dated proxy, should be delivered to:

Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 96813
Attention: Alyson J. Nakamura, Corporate Secretary

Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Corporate Secretary at the special meeting before voting begins.

If your shares are held in "street name" by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or other nominee if you wish to change your vote.

Solicitation of Proxies

The A&B proxy accompanying this proxy statement/prospectus is solicited on behalf of A&B's Board of Directors. A&B will pay the costs of printing and mailing this proxy statement/prospectus to A&B shareholders, and all other costs incurred by it in connection with the solicitation of proxies from its shareholders on behalf of its Board of Directors. In addition to solicitation of proxies by mail, officers, employees and directors of A&B and its subsidiaries may, without additional compensation, solicit proxies by telephone or by other appropriate means. Arrangements will also be made with brokerage firms and other persons that are record holders of A&B common stock to forward proxy soliciting material to the beneficial owners of the stock and secure their voting instructions. A&B will reimburse the record holders for their reasonable expenses in taking those actions. A&B has retained the firm of Morrow & Co., LLC to assist in the solicitation of proxies at a cost of $12,500 plus reasonable expenses.

Record Date

The A&B Board of Directors has set the close of business on [ ], 2013, as the record date for the special meeting. Holders of A&B common stock at the close of business on that date are entitled to receive notice of and to vote at the special meeting, or any adjournment or postponement thereof. At that time, [ ] shares of A&B common stock were outstanding, held by approximately [ ] registered holders.

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Quorum

The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of A&B common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions will be counted for the purpose of determining whether a quorum is present.

Vote Required

Pursuant to the rules of the NYSE, approval of the share issuance proposal requires the affirmative vote of a majority of the total votes cast by the holders of A&B common stock, provided that the total votes cast (including abstentions) must represent a majority of the shares of A&B common stock entitled to vote on the proposal. Abstentions will have the same effect as a vote "AGAINST" this proposal. The failure to vote, either by proxy or in person, may make it more difficult for A&B to meet the requirement that the total votes cast on the proposal represent a majority of the shares of A&B common stock entitled to vote, but will not otherwise have an effect on this proposal.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote at the special meeting and present in person or represented by proxy. Abstentions will have the same effect as a vote "AGAINST" this proposal. However, the failure to vote, either by proxy or in person, will have no effect on this proposal.

The A&B Board of Directors urges A&B shareholders to vote promptly by completing, signing, dating and returning the enclosed proxy card, by submitting your proxy via the Internet or by telephone or, if you hold your stock in "street name" through a bank, broker or other nominee, by following the voting instructions of your bank, broker or other nominee.

Voting by A&B Directors and Executive Officers

As of the record date, directors and executive officers of A&B, and their affiliates, had the right to vote [ ] shares of A&B common stock, or [ ]% of the outstanding A&B common stock at that date. A&B currently expects that each of these individuals will vote their shares of A&B common stock in favor of the proposals to be presented at the special meeting.

Recommendation of the A&B Board of Directors

The A&B Board of Directors, by the unanimous vote of those directors voting on the matter, approved the merger agreement and the transactions contemplated thereby. The A&B Board of Directors (other than four directors who recused themselves) has unanimously determined that the merger is advisable and in the best interests of A&B and its shareholders and recommends that you vote "**FOR**" the share issuance proposal and "**FOR**" the adjournment proposal. See "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger A&B's Reasons for the Merger" beginning on page 52 for a more detailed discussion of the A&B Board of Directors' recommendation.

Attending the Meeting

All A&B shareholders as of the record date are invited to attend the special meeting. If you decide to attend the special meeting and you are a "shareholder of record," you may vote your shares in person at the special meeting. If you are the beneficial owner of shares held in the name of your broker, bank or other nominee, you must bring proof of ownership (*e.g.*, a current broker's statement) in order to be admitted to the special meeting, and you must obtain a proxy from your broker, bank or other nominee, giving you the right to vote the shares at the special meeting.

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Shareholders will be asked at the special meeting to present valid photo identification. A&B reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

Other Matters

According to Hawaii law and A&B's bylaws, no business may be conducted at a special meeting of shareholders other than the business specified in the notice to shareholders. No matters other than the matters described in this document are anticipated to be presented for action at the special meeting or at any adjournment or postponement thereof.

Questions and Additional Information

A&B shareholders who would like additional copies, without charge, of this proxy statement/prospectus or have additional questions about the merger, including the procedures for voting their shares of A&B common stock, should contact A&B at:

Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 96813
Attention: Alyson J. Nakamura, Corporate Secretary
Telephone: (808) 525-6611

or Morrow and Co., LLC, A&B's proxy solicitor, at:

Morrow & Co., LLC
470 West Avenue
Stamford, Connecticut 06902
Banks and Brokerage Firms, Please Call: (203) 658-9400
Holders Call Toll Free: (888) 813-7566

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THE GRACE HOLDINGS SPECIAL MEETING

Grace Holdings is furnishing this document to holders of Grace Holdings common stock in connection with the solicitation by Grace Holdings' Board of Directors of proxies to be voted at the special meeting, and at any adjournment or postponement thereof. This section contains information about the special meeting of Grace Holdings shareholders that has been called to consider and approve the merger proposal.

Time, Date and Place

The special meeting will be held on [ ], 2013 at [ ], Honolulu time, at [ ].

Matters to Be Considered

The purpose of the special meeting is to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of June 6, 2013, by and among A&B, Merger Sub, Grace Holdings, Grace and the Shareholders' Representative.

Proxies

Each copy of this proxy statement/prospectus mailed to holders of Grace Holdings common stock is accompanied by a form of proxy. If you are a shareholder of record, you may submit a proxy completing, signing, dating and returning the enclosed proxy card in the postage paid envelope provided to ensure that your vote is counted at the special meeting, or at any adjournment or postponement thereof, regardless of whether you plan to attend the special meeting.

By submitting your proxy by mail, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. You may also attend the special meeting and vote in person.

Grace Holdings shareholders should not send Grace Holdings stock certificates with their proxy cards. After the merger is completed, A&B will mail to holders of Grace Holdings common stock a transmittal form with instructions on how to exchange their Grace Holdings stock certificates for the merger consideration.

Grace Holdings common stock held in Grace's 401(k) plans will be voted by the plans' trustees.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised by:

- delivering to the Corporate Secretary a written notice of revocation, dated later than the proxy, before the vote is taken at the special meeting;
- delivering to the Corporate Secretary an executed proxy bearing a later date, before the vote is taken at the special meeting; or
- attending the special meeting and voting in person (your attendance at the special meeting, in and of itself, will not revoke the proxy).

Any written notice of revocation, or later dated proxy, should be delivered to:

GPC Holdings, Inc.
P.O. Box 78
Honolulu, Hawaii 96810
Attention: Robert M. Creps, Secretary

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Solicitation of Proxies

The Grace Holdings proxy accompanying this proxy statement/prospectus is solicited on behalf of Grace Holdings' Board of Directors. Grace Holdings will pay the costs of printing and mailing this proxy statement/prospectus to Grace Holdings shareholders, and all other costs incurred by it in connection with the solicitation of proxies from its shareholders on behalf of its Board of Directors. In addition to solicitation of proxies by mail, officers, employees and directors of Grace Holdings and its subsidiaries may, without additional compensation, solicit proxies by telephone or by other appropriate means.

Record Date

The Grace Holdings Board of Directors has set the close of business on [ ], 2013, as the record date for the special meeting. Holders of Grace Holdings common stock at the close of business on that date are entitled to receive notice of and to vote at the special meeting, or any adjournment or postponement thereof. At that time, 163,155 shares of Grace Holdings common stock were outstanding, held by 47 registered holders.

Quorum

The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Grace Holdings common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions will be counted for the purpose of determining whether a quorum is present.

Vote Required

Approval of the merger proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Grace Holdings common stock entitled to vote at the special meeting. Abstentions, as well as the failure to vote by proxy or in person, will have the same effect as a vote "AGAINST" the approval of the merger proposal. Accordingly, the Grace Holdings Board of Directors urges Grace Holdings shareholders to vote promptly by completing, signing, dating and returning the enclosed proxy card.

Voting by Grace Holdings Directors and Executive Officers

As of the record date, directors and executive officers of Grace Holdings, and their affiliates, had the right to vote 147,790 shares of Grace Holdings common stock (excluding the shares held in Grace's 401(k) plans), or approximately 90.6% of the outstanding Grace Holdings common stock at that date. Grace Holdings currently expects that each of these individuals will vote their shares of Grace Holdings common stock in favor of the proposals to be presented at the special meeting.

Certain shareholders of Grace Holdings, including certain directors of Grace Holdings, collectively holding 115,200 shares of Grace Holdings common stock, or approximately 71% of the outstanding Grace Holdings common stock as of the record date, have entered into a voting agreement with A&B. Pursuant to the voting agreement, these shareholders have agreed to vote such shares of Grace Holdings common stock in favor of the approval of the merger proposal, and against any proposal that would interfere with the merger or any of the other transactions contemplated by the merger agreement. As a result of the voting agreement, approval of the merger proposal is assured. See the section entitled "Other Agreements Voting Agreement" on page 98 for additional information on the voting agreement.

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Recommendation of the Grace Holdings Board of Directors

The Grace Holdings Board of Directors, by the unanimous vote of those directors voting on the matter, has approved and adopted the merger agreement and the transactions contemplated thereby. The Grace Holdings Board of Directors (other than two directors who recused themselves) unanimously determined that the merger is advisable, fair to, and in the best interests of, Grace Holdings and its shareholders and recommends that you vote "**FOR**" the merger proposal. See "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Reasons for the Merger Grace's Reasons for the Merger" beginning on page 56 for a more detailed discussion of the Grace Holdings Board of Directors' recommendation.

Attending the Meeting

All Grace Holdings shareholders are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting.

Dissenters' Rights

Under Hawaii law, Grace Holdings shareholders are entitled to dissenters' rights in connection with the merger. Failure to take any of the steps required under Hawaii law on a timely basis may result in the loss of these dissenters' rights, as more fully described in "The A&B Share Issuance Proposal and the Grace Holdings Merger Proposal The Merger Dissenters' Rights" beginning on page 71.

Other Matters

According to Hawaii law and Grace Holdings' bylaws, no business may be conducted at a special meeting of shareholders other than the business within the purposes described in the notice to shareholders for such meeting. No matters other than approval of the merger proposal will be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

Questions and Additional Information

Grace Holdings shareholders who would like additional copies, without charge, of this proxy statement/prospectus or have additional questions about the merger, including the procedures for voting their shares of Grace Holdings common stock, should contact Grace Holdings at:

GPC Holdings, Inc.
P.O. Box 78
Honolulu, Hawaii 96810
Attention: Robert M. Creps, Secretary
Telephone: (808) 674-8383

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THE A&B SHARE ISSUANCE PROPOSAL AND THE GRACE HOLDINGS MERGER PROPOSAL

THE MERGER

Overview

The merger agreement contemplates that Grace Holdings will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity. As a result of the merger, Grace Holdings shareholders will receive, in the aggregate, $235 million (or approximately $1,440 per share), subject to adjustment, consisting of a combination of shares of A&B common stock and cash. Subject to certain adjustments, 85% of the consideration will be paid in the form of shares of A&B common stock and 15% will be paid in cash. The number of shares of A&B common stock to be received by Grace Holdings shareholders will be determined at closing, subject to a collar limiting the maximum and minimum number of shares that A&B will issue in the merger. The collar is described below. A&B also will be assuming net debt at closing, projected to be approximately $42 million, but actual debt outstanding at closing is subject to fluctuation based on business requirements prior to closing.

At the closing, if there are no adjustments to the merger consideration, the aggregate number of shares of A&B common stock to be issued at closing will be determined by dividing $199.75 million (which is 85% of $235 million) by the Weighted Average Stock Price. The Weighted Average Stock Price is subject to a collar of $31.50 and $37.50, which sets the maximum and minimum number of shares of A&B common stock that A&B will issue in the merger. If the Weighted Average Stock Price is $31.50 or less, A&B will issue approximately 6.341 million shares at the closing. If the Weighted Average Stock Price is $37.50 or greater, A&B will issue approximately 5.327 million shares at the closing. Accordingly, if there are no adjustments to the merger consideration or the mix of stock and cash, each share of Grace Holdings common stock will be converted into between approximately 32.65 and 38.87 shares of A&B common stock and approximately $216.05 in cash. In addition, cash will be paid instead of issuing fractional shares of A&B common stock.

The following chart provides examples of the value of the merger consideration to Grace Holdings shareholders at selected Weighted Average Stock Prices.

			Consideration Per Share of Grace Holdings Common Stock (based on the Weighted Average Stock Price)			
Weighted Average Stock Price	Total Shares of A&B Common Stock	Shares of A&B Common Stock Per Grace Holdings Share	A&B Stock Value Per Share		Cash Per Share	Total Per Share
$ 29.00	6,341,269.84	38.87	$ 1,127.13		$ 216.05	$ 1,343.18
$ 29.50	6,341,269.84	38.87	$ 1,146.56		$ 216.05	$ 1,362.61
$ 30.50	6,341,269.84	38.87	$ 1,185.43		$ 216.05	$ 1,401.48
$ 31.50	6,341,269.84	38.87	$ 1,224.30		$ 216.05	$ 1,440.35
$ 32.50	6,146,153.85	37.67	$ 1,224.30		$ 216.05	$ 1,440.35
$ 33.50	5,962,686.57	36.55	$ 1,224.30		$ 216.05	$ 1,440.35
$ 34.50	5,789,855.07	35.49	$ 1,224.30		$ 216.05	$ 1,440.35
$ 35.50	5,626,760.56	34.49	$ 1,224.30		$ 216.05	$ 1,440.35
$ 36.50	5,472,602.74	33.54	$ 1,224.30		$ 216.05	$ 1,440.35
$ 37.50	5,326,666.67	32.65	$ 1,224.30		$ 216.05	$ 1,440.35
$ 38.50	5,326,666.67	32.65	$ 1,256.94		$ 216.05	$ 1,472.99
$ 39.50	5,326,666.67	32.65	$ 1,289.59		$ 216.05	$ 1,505.64
$ 40.00	5,326,666.67	32.65	$ 1,305.92		$ 216.05	$ 1,521.97

Grace Holdings may terminate the merger agreement if the Weighted Average Stock Price is less than $29.00 and A&B may terminate the merger agreement if the Weighted Average Stock Price is greater than $40.00.

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The aggregate merger consideration may be adjusted based on the amount of Grace Holdings' shareholders' equity at closing. The aggregate merger consideration of $235 million will be decreased on a dollar for dollar basis if, and to the extent by which, Grace Holdings' shareholders' equity is less than $113 million as of the closing date of the merger, as determined in accordance with the merger agreement.

In certain circumstances, the proportion of the consideration to be paid in cash may be reduced in order to ensure that the merger qualifies as a "reorganization" within the meaning of the Code and that the cash portion of the consideration does not exceed 17% of the total consideration, as determined based on the price of A&B common stock on the closing date of the merger. In no event will the cash portion of the consideration be less than 12% of the aggregate merger consideration prior to any adjustments.

Upon the completion of the merger, the Holdback Amount (an amount of cash equal to 12% of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders following the closing of the merger) will be withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any post-closing adjustment to the aggregate merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the merger agreement. These funds will be released by A&B in accordance with the terms set forth in the merger agreement. In addition, an amount of cash equal to $1 million of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders in the merger will be delivered to the Shareholders' Representative to cover the costs and expenses incurred by him in performing his duties. Any amounts not used, or retained for future use, by the Shareholders' Representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

Background of the Merger

The A&B Board of Directors and senior management regularly seek to identify growth opportunities in Hawaii. Following the separation of A&B from Matson, Inc. in June 2012, A&B management renewed its review of potential Hawaii acquisition possibilities, both within A&B's existing real estate and land stewardship businesses and in adjacent areas that would complement those businesses.

A&B management was familiar with Grace and its management team. Two directors of A&B, Walter A. Dods, Jr. and Jeffrey N. Watanabe, also were directors of Grace. In addition, Stanley M. Kuriyama, A&B's chairman and chief executive officer, and David C. Hulihee, Grace's chairman and chief executive officer, are social friends and both are active in Hawaii business, cultural and community organizations. A&B management determined that if Grace could be acquired by A&B, it would represent a unique opportunity to obtain a very strong Hawaii-based company with favorable long term growth prospects that strategically and financially complemented A&B's existing real estate businesses.

At a meeting on October 8, 2012, Mr. Kuriyama raised with Messrs. Hulihee and Dods the prospect of exploring a potential business combination transaction involving A&B and Grace. On October 9, 2012, Mr. Hulihee informed Mr. Kuriyama that, although Grace was not otherwise considering a sale of the company, Grace would consider exploring a potential transaction with A&B, as A&B would be one of the few potential buyers that would appreciate Grace's Hawaii heritage and culture and be well positioned to maintain Grace's relationships with the communities and key stakeholders served by Grace. On October 24, 2012, A&B and Grace entered into a confidentiality agreement and, shortly thereafter, A&B and Grace commenced preliminary due diligence reviews.

At a regularly scheduled meeting of the A&B Board of Directors on November 2, 2012, A&B management made a presentation describing the possibility of a transaction with Grace, noting that due diligence had just commenced and that discussions were at the exploratory stage. Four A&B directors

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recused themselves from this portion of the meeting Messrs. Dods and Watanabe, due to the fact that they were both directors of Grace, as well as Grace shareholders; Robert S. Harrison, president and chief executive officer of First Hawaiian Bank, the state's largest bank, due to the fact that Grace has certain credit facilities and other loan arrangements with First Hawaiian; and Eric K. Yeaman, president and chief executive officer of Hawaiian Telcom, a company on whose board Mr. Dods serves as a member of its compensation committee (and previously served as board chairman).

On November 30, 2012, at a regularly scheduled meeting of the Grace Board of Directors, the possibility of a potential transaction with A&B was discussed.

Initially in person on December 6, 2012 and continuing in person and via telephone through January, 2013, members of A&B's management, including Mr. Kuriyama, Paul Ito, A&B's Chief Financial Officer, Nelson Chun, A&B's Senior Vice President and Chief Legal Officer, George Morvis, A&B's vice president of corporate development, and members of A&B's corporate staff met with Grace management, including Mr. Hulihee, Jim Yates, Grace's President, Gordon Yee, Grace's Senior Vice President and Chief Financial Officer, and Robert Creps, Grace's Senior Vice President Quarry Operations and Administration, to learn more about Grace's business and operations and to explore the terms of a possible business combination transaction. A&B's management also toured Grace's Oahu operations on December 20, 2012 and December 22, 2012. Grace also provided several years of audited financial reports, historical financial data and corporate documents requested by A&B. During these preliminary discussions, Mr. Hulihee indicated that Grace expected that the potential transaction would be structured as a tax-free reorganization with all of the consideration received by the Grace shareholders consisting of shares of A&B common stock. A&B advised that it would require a portion of the consideration to consist of cash.

On January 4, 2013, A&B delivered to Grace a draft non-binding letter of intent proposing to acquire Grace. Messrs. Kuriyama, Hulihee and Bill D. Mills, a Grace director, discussed the terms of the non-binding letter of intent and a possible transaction, including valuation ranges and the form of consideration, in a series of telephone conferences over the next two weeks. On January 18, 2013, A&B and Grace executed a non-binding letter of intent for A&B to acquire Grace (including the Petroleum Businesses) for $295 million, subject to adjustment for closing shareholders' equity below a target amount, with A&B shares to represent between 80% and 85% of the consideration and the remainder to be paid in cash. Any transaction remained subject to customary conditions, including negotiation of a definitive agreement and approval by the A&B and Grace Boards of Directors.

On January 17, 2013, Houlihan Lokey was retained by A&B to render an opinion to the A&B Board of Directors as to the fairness, from a financial point of view, to A&B of the consideration to be paid by A&B for the outstanding shares of common stock in a potential transaction with Grace. A&B continued to conduct its due diligence on Grace throughout this period.

On January 25, 2013, Mr. Hulihee presented to the Grace Board of Directors the letter of intent signed by Grace and A&B regarding the potential acquisition of Grace by A&B through a merger transaction. Mr. Hulihee reviewed the terms of the letter of intent with the directors. With Mr. Dods and Mr. Watanabe abstaining, the Grace Board of Directors determined to form a special committee of disinterested directors, consisting of Messrs. Mills, J. Stephen Goodfellow and Robert Wo, Jr., to review and evaluate the proposed merger transaction with A&B, consider Grace's alternatives, negotiate the terms of the merger agreement, engage consultants and counsel to advise and assist the special committee, make recommendations to the Grace Board of Directors, and take such other actions as may be necessary or advisable in connection with the proposed transaction.

On January 29, 2013, the Grace special committee held a meeting to consider the potential transaction. The special committee retained Sidley Austin LLP ("Sidley") to act as its counsel.

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On January 29, 2013, at a regularly scheduled meeting of the A&B Board of Directors, A&B management provided the Board of Directors (with Messrs. Dods, Harrison, Watanabe and Yeaman recusing themselves) with a presentation relating to the strategic and financial analysis of a potential transaction with Grace, the terms of the letter of intent and an update on the discussions with Grace and A&B's due diligence efforts.

On February 1, 2013 and February 6, 2013, the Grace special committee met to review information relating to A&B, discuss the proposed terms of the merger transaction and review the ongoing discussions with A&B.

On February 12, 2013, A&B sent to Grace a preliminary draft of a merger agreement.

On February 15, 2013, the Grace special committee met to review and discuss the draft merger agreement and the status of discussions with A&B.

Messrs. Kuriyama, Ito, Chun and Morvis continued to hold discussions with Messrs. Hulihee, Mills and Yee on the terms of a potential transaction between Grace and A&B.

On February 22, 2013, at a meeting of the Grace Board of Directors, the Grace special committee updated the Grace Board of Directors on the status of discussions with A&B regarding a potential transaction between Grace and A&B.

On February 25, 2013, Grace's management team (Messrs. Hulihee, Yee and Creps) hosted a tour of Grace's Oahu natural materials and construction operations for some of the disinterested members of the A&B Board of Directors (Messrs. Doane and King and Ms. Saito).

At a meeting of the A&B Board of Directors on February 26, 2013, the A&B Board of Directors (other than Messrs. Dods, Harrison, Watanabe and Yeaman who recused themselves), with the assistance of A&B management and representatives of Houlihan Lokey, reviewed and discussed various aspects of the potential transaction with Grace, including strategic, operational and financial aspects of the potential transaction. Representatives of Goldman, Sachs & Co. ("Goldman Sachs"), which had from time to time provided investment banking services to A&B, attended the meeting at the invitation of the A&B Board of Directors and discussed the contemplated structure of the potential acquisition of Grace with the A&B Board of Directors. At the meeting, the A&B Board of Directors determined that rather than having the four directors continue to recuse themselves from meetings, it would be administratively expedient to create a special committee of the A&B Board of Directors consisting of Mr. Kuriyama, W. Allen Doane, Charles G. King, Douglas M. Pasquale and Michele K. Saito, or all of the directors other than Messrs. Dods, Harrison, Watanabe and Yeaman. After discussion, the A&B special committee preliminarily determined that Grace's Petroleum Businesses did not fit strategically or financially with A&B and that while A&B should continue to pursue a possible transaction involving the Grace Businesses, it should not pursue a transaction that included the Petroleum Businesses.

Mr. Kuriyama informed Mr. Dods and Mr. Hulihee of the A&B special committee's view that A&B should not pursue a transaction that included the Petroleum Businesses.

On February 28, 2013, the Grace special committee was informed of this position. After discussion, the committee determined that it was willing to continue to explore with A&B possible terms of a transaction that did not include Grace's Petroleum Businesses.

On March 5, 2013, the A&B special committee met and received an update from A&B management on various strategic and financial aspects of a potential transaction, due diligence and on the willingness of Grace to consider a transaction that did not include the Petroleum Businesses. At that meeting, the A&B special committee authorized A&B management to continue to explore a transaction with Grace that excluded the Petroleum Businesses.

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Over the ensuing weeks, A&B and the Grace special committee, and their respective counsel Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") and Sidley, held a number of discussions to explore potential structures of a transaction involving the Grace Businesses and not the Petroleum Businesses. A&B and Grace also explored how the form and amount of consideration would be impacted by the exclusion of the Petroleum Businesses from any potential transaction. During this time, the parties tentatively agreed to a $235 million purchase price, which reflected a negotiated reduction of the original $295 million price based on the exclusion of the Petroleum Businesses from the proposed transaction.

On March 21, 2013, the Grace special committee met to review the terms of the potential transaction with A&B, as well as matters relating to the separation of the Petroleum Businesses from Grace and the Grace Businesses.

On March 22, 2013, at a meeting of the Grace Board of Directors, the Grace special committee updated the Grace Board of Directors on the status of discussions with A&B regarding a potential transaction between Grace and A&B.

The Grace special committee met again on April 2, 2013 to consider the potential structure of a transaction excluding the Petroleum Businesses, the revised purchase price and other terms relating to such a transaction. The committee directed Grace management and Mr. Mills, on behalf of the Grace special committee, to continue to explore the potential transaction.

On April 3, 2013, Messrs. Hulihee, Mills and Kuriyama met to discuss the structure and terms of a potential transaction.

On April 8, 2013, the A&B special committee received an update from A&B management on possible terms for a transaction involving the Grace Businesses and on A&B's continuing due diligence investigation. A&B management and Skadden addressed various matters relating to the possible terms of a transaction and related matters, and Goldman Sachs addressed matters relating to possible financial terms of a transaction. The A&B special committee reiterated its support for management to continue exploring and negotiating terms for a potential transaction. On April 11, 2013, Messrs. Kuriyama and Chun met with Messrs. Hulihee and Mills, to discuss various matters concerning the potential transaction.

On April 15, 2013, in the context of the existing investment banking relationship, Goldman Sachs agreed, at the request of the A&B special committee, to attend certain meetings of the special committee and, at such meetings, provide Goldman Sachs' views concerning the potential aquisition of Grace. Goldman Sachs' agreement with the A&B special committee does not contemplate any fee payable to Goldman Sachs in connection with the acquisition. Goldman was not engaged to act as financial advisor, or render a fairness opinion, to the A&B special committee in connection with the contemplated acquisition, nor did Goldman Sachs provide the A&B special committee any written financial analyses of, or participate in any negotiations leading to, the contemplated acquisition.

On April 17, 2013, A&B delivered to Grace a revised draft merger agreement relating to a potential transaction involving the Grace Businesses and providing for a restructuring of Grace and a related spinoff of the Petroleum Businesses.

On April 19, 2013, the Grace special committee held a meeting to discuss the revised draft merger agreement, the proposed restructuring of Grace and spinoff of the Petroleum Businesses and other matters relating to a potential transaction.

On April 23, 2013, Messrs. Kuriyama, Chun, Hulihee, Mills and Yee met to discuss the merger consideration, stock price collars and other issues. In addition, the A&B and Grace management teams met periodically over the ensuing weeks to continue to discuss the possible structure and terms of a transaction involving the Grace Businesses, including indemnification and holdback terms, the amount

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of the termination fee and events that would trigger the payment thereof and provisions relating to the separation of the Petroleum Businesses from Grace.

On April 25, 2013, during the monthly Grace Board of Directors meeting, the Grace special committee updated the Grace directors on the progress of the discussions and the terms thereof. Following such meeting, Messrs. Mills and Hulihee discussed certain concerns raised by the Grace special committee and Grace Board of Directors with Mr. Kuriyama.

On April 29, 2013, the A&B special committee received an update from management on the status of these discussions. A&B management, Goldman Sachs and Skadden addressed various matters relating to the special committee's discussion of the potential transaction. On April 30, 2013 and May 3, 2013, Messrs. Mills and Kuriyama discussed various issues relating to the potential transaction.

On May 6, 2013, Messrs. Kuriyama and Chun met with Messrs. Hulihee and Mills to discuss various issues relating to a potential transaction including indemnification and holdback provisions, the proposed voting agreement, stock price collars and separation of the Petroleum Businesses.

On May 8, 2013, the Grace special committee held a meeting to discuss the status of negotiations, issues relating to the proposed restructuring and spinoff of the Petroleum Businesses, the proposed terms of the transaction with A&B and other matters relating to the transactions.

Throughout the month of May, A&B continued to hold meetings with Grace, and Skadden and Sidley exchanged various drafts of the merger agreement and related agreements. Also during May, A&B management continued to conduct its due diligence investigation.

On May 24, 2013 and May 30, 2013, the Grace special committee held meetings to discuss the draft merger agreement, the status of negotiations and the remaining open points. The committee determined to recommend that the Grace Board of Directors approve the proposed merger transaction, subject to resolution of certain open issues.

On May 31, 2013, the Grace special committee and Grace Board of Directors held a joint meeting to discuss the proposed transaction and the draft merger agreement. At the meeting, the Grace special committee described the proposed transaction with A&B, the spinoff of the Petroleum Businesses, the draft merger agreement and other matters relating to the proposed transactions to the Grace Board of Directors. At the conclusion of this presentation, the Grace special committee recommended to the Grace Board of Directors that they approve entering into the merger agreement, subject to resolution of a number of outstanding open points relating to representations and warranties, covenants, indemnification matters, amount of the termination fee and tax matters relating to the restructuring and separation of the Petroleum Businesses from Grace. After a discussion among the members of the Grace Board of Directors and the Grace special committee, the Grace Board of Directors, with Messrs. Dods and Watanabe recusing themselves, determined that the transaction was in the best interests of Grace and its shareholders and approved Grace entering into the merger agreement, subject to resolution of these outstanding open points. The Grace Board of Directors also authorized the Grace special committee to negotiate and resolve the remaining open points and authorized Mr. Hulihee to execute the merger agreement on behalf of Grace upon such resolution.

On June 3, 2013, the A&B special committee met to discuss the proposed merger. At the request of the A&B special committee, representatives of Skadden, Goldman and A&B management also attended the meeting. Representatives of Skadden reviewed the terms of the draft merger agreement and A&B management presented an update on various aspects of the proposed transaction with Grace. The A&B special committee took no action on the transaction at that time. During the period from June 3 through June 6, 2013, A&B and Grace and their respective counsel continued to negotiate the final terms of the merger agreement, including the open points referred to above.

On June 6, 2013, the Grace special committee resolved the remaining open issues with A&B.

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On June 6, 2013, the A&B Board of Directors (with Messrs. Dods, Harrison, Watanabe and Yeaman recusing themselves) and the A&B special committee held a joint meeting to discuss the proposed merger. At the request of the A&B Board of Directors, representatives of Skadden, Goldman Sachs, Houlihan Lokey and A&B management also attended the meeting. Representatives of Skadden updated the A&B Board of Directors with respect to the status of negotiations regarding the merger agreement and reviewed the terms and provisions of the proposed merger agreement. Thereafter, at the request of the A&B Board of Directors, representatives of Houlihan Lokey reviewed with the A&B Board of Directors, and at the request of the A&B Board of Directors, the A&B special committee, Houlihan Lokey's financial analyses with respect to Grace and the proposed merger. Following a discussion among members of the A&B Board of Directors and the A&B special committee, at the request of the A&B Board of Directors, representatives of Houlihan Lokey rendered Houlihan Lokey's oral opinion to the A&B Board of Directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion to A&B's Board of Directors dated June 6, 2013) as to, as of June 6, 2013, the fairness, from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement.

On June 6, 2013, following the joint meeting of the A&B Board of Directors and the A&B special committee, the A&B special committee approved the merger agreement and recommended to the A&B Board of Directors that they approve the merger agreement. Thereafter, on June 6, 2013, the A&B Board of Directors (with Messrs. Dods, Harrison, Watanabe and Yeaman recusing themselves) approved the merger agreement. Thereafter, A&B and Grace executed the merger agreement and A&B issued a press release announcing the transaction.

The Grace Holdings Board of Directors held a meeting on [ ], 2013 to consider the proposed transaction as it relates to Grace Holdings shareholders after the Holding Company Reorganization and the exchange of Grace shares for shares of Grace Holdings. After consideration of the recommendation of the Grace special committee and other factors, the Grace Holdings Board of Directors, with Messrs. Dods and Watanabe recusing themselves, determined that the merger transaction is fair to and in the best interests of the Grace Holdings shareholders (after the Holding Company Reorganization), ratified the adoption of the merger agreement by Grace Holdings, ratified and approved the merger and the execution of the merger agreement by Grace Holdings and determined to recommend that Grace Holdings shareholders vote in favor of approval of the merger proposal.

Reasons for the Merger

The following discussion of the parties' reasons for the merger contains a number of forward-looking statements that reflect the current views of A&B and Grace Holdings, as applicable, with respect to future events that may have an effect on their future financial performance or the future financial performance of the combined company. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

A&B's Reasons for the Merger

In the course of reaching its decision to approve the merger and the merger agreement and recommend that A&B shareholders vote "**FOR**" the share issuance proposal, the A&B Board of Directors consulted with senior management, legal counsel and its financial advisor. The following discussion includes the material reasons and factors considered by the A&B Board of Directors in making its recommendation, but is not, and is not intended to be, exhaustive.

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Due to A&B's long operating history in Hawaii, which dates back to 1870, its knowledge of the Hawaii market, and its relationships and standing in the business community, A&B believes its competitive advantage lies in investing and building communities in Hawaii. A&B has a proven and successful long-term track record of expanding into lines of businesses over the years that complement its core land stewardship, agribusiness operations and real estate activities in the state. Following the separation of A&B from Matson, Inc., A&B intensified its evaluation of complementary Hawaii-centric investment opportunities that would capitalize on certain long-term growth trends in Hawaii and leverage A&B's competitive strengths.

While the pursuit of complementary Hawaii-centric investments may imply a broad range of potential avenues for acquisitions, in reality, the number of acquisition targets is limited by a number of factors. First, A&B views complementary businesses through a limited lens, looking for ties to its core land stewardship, real estate development and community building operations. Second, the risk/return profile of any potential acquisition target must be evaluated in light of its potential correlation with A&B's existing lines of business, since any acquired business's financial characteristics should complement A&B's cyclical real estate development business. Finally, the number of acquisition targets that have adequate scale and return prospects to materially impact A&B's financial results is limited. The 2012 Hawaii Business Top 250, an annual ranking of Hawaii businesses by revenues, indicates that only 70 Hawaii businesses had 2011 revenues of over $100 million.

Notwithstanding the fairly limited universe of potential investment opportunities that would complement A&B's businesses, A&B identified three major trends in Hawaii that are expected to drive growth in areas complementary to its core businesses infrastructure, renewable energy and an aging population. A&B views the development, construction and maintenance of infrastructure, in particular, as complementary to its core real estate development activities because it represents a key first step in the development activity continuum and requires a similar skill set needed to be a successful Hawaii real estate developer, such as the ability to hire and manage construction companies and construction projects and to understand and navigate the complex regulatory environment in Hawaii.

Similar to the challenges faced by many other states, significant portions of Hawaii's infrastructure are in dire need of repair and its roads consistently rank among the worst in the nation. For example, according to the American Society of Civil Engineers, approximately half of Hawaii's 4,730 public road miles are in poor or mediocre condition. The acquisition of Grace, which represents a rare opportunity to acquire a sizeable and complementary Hawaii-centric business with a strong financial and operating profile, extends A&B's capabilities to encompass infrastructure development and replacement work, for which there is clearly a steady and growing need, and allows A&B to more fully leverage the growth in the Hawaii economy and demand for private real estate development.

Hawaii's outlook for infrastructure construction is positive as evidenced by both announced infrastructure replacement projects and anticipated commercial and residential development activities. The City and County of Honolulu, for example, recently announced its intent to perform $120 million to $150 million in road repairs to the city's streets annually over the next five years.

In addition to leveraging Hawaii's prospects for growth in development and infrastructure construction, the A&B Board of Directors expects A&B to benefit from the following through the acquisition of Grace:

Unique Assets Grace owns over 800 acres in Hawaii, encompassing 541 acres on Oahu's growing west side. The Oahu landholdings include a 50-acre former processing site located in the heart of Oahu's second city, Kapolei, with mid-term redevelopment potential. Grace's Makakilo, Oahu quarry facility is nearing completion of a multi-year, $30 million capital improvement program, including three new crushing and finishing plants, which is expected to result in greater operational efficiencies and lower costs going forward. This quarry is ideally situated on Oahu's west side, which is expected to see significant growth over the next two

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decades. Grace's Makikilo quarry is one of three permitted quarries on the island of Oahu, home to the majority of the State's population and Hawaii's economic and financial hub. Given the challenges and timeframes inherent in the process of identifying, acquiring and permitting quarry operations on Oahu, Grace's ownership of the Makakilo quarry is a significant factor impacting A&B's evaluation of Grace.

In addition to its unique tangible assets, Grace's assets include an experienced management team with extensive expertise in quarry management, asphaltic concrete production and asphalt paving.

Leading Market Position Grace holds a leading market position in asphalt paving, based on tonnage and revenue, and in the production of asphaltic concrete, based on tonnage, in the State of Hawaii. Due to relatively high capital requirements and regulatory approvals needed to compete in the market, Grace's scale provides significant cost benefits. Grace also operates the only liquid asphalt import terminal on Oahu. Due to its leading market position, strategic location and long track record, Grace is expected to benefit disproportionately from the improving Hawaii economy and the positive impact that such improvement is expected to have on infrastructure spending.

Vertically Integrated Business Model Grace's vertically integrated business model, which includes the mining of basalt aggregate and the importation and distribution of liquid asphalt, provides it with cost benefits at higher throughput rates, while also increasing cost certainty due to the ability to manage costs throughout the supply chain. This cost certainty allows Grace to compete effectively on projects.

Cash Flows Grace's relatively stable cash flows and prospects for future growth are expected to provide A&B with additional financial capacity to continue to focus, and execute, on new real estate opportunities in Hawaii and to mitigate variability in real estate sales and agricultural earnings, strengthen A&B's financial profile and flexibility and allow A&B to initiate an expected modest quarterly dividend.

In addition to the expected benefits described above, the A&B Board of Directors took into account other factors in its consideration of the merger, including the following:

its assessment that the acquisition of Grace is consistent with A&B's long-term strategy to grow its business by expanding the scope, depth and breadth of its business activities in Hawaii;

its assessment that the acquisition of Grace represents an attractive long-term investment for A&B, with favorable return metrics and diversification benefits that will augment A&B's ability to further pursue its core real estate strategies over time;

its assessment that Grace's difficult-to-replicate vertically-integrated business model, diverse payer base and steady and growing cash flows would increase A&B's local market presence;

the recognition that the issuance of A&B common stock as merger consideration was an explicit condition required by Grace's shareholders, that it would be the first equity issuance (other than equity compensation) since A&B and its predecessor became public in 1965, and that it is expected to preserve A&B's current and future liquidity to pursue Hawaii real estate investments that are traditionally transacted in cash;

the issuance of A&B common stock is expected to be accretive to A&B's earnings per share;

the likelihood that the merger will be completed on a timely basis;

the likelihood of retaining key Grace employees to help manage, within the combined entity, the business conducted by Grace prior to the completion of the merger;

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the financial analysis reviewed by Houlihan Lokey with A&B's Board of Directors, and the oral opinion of Houlihan Lokey rendered to A&B's Board of Directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion to A&B's Board of Directors dated June 6, 2013) as to, as of June 6, 2013, the fairness, from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement (see the section entitled " Opinion of the Financial Advisor to A&B" beginning on page 58); and

the results of the due diligence review of Grace's businesses and operations by A&B's management, advisors and consultants.

The A&B Board of Directors also took into account a number of potentially negative factors in its consideration of the merger, including the following:

the risks, challenges and costs inherent in connection with the merger, including the possibility that delays or difficulties in completing the integration could adversely affect the combined company's operating results and preclude the achievement of some benefits anticipated from the merger;

the risk that the Grace Businesses do not achieve results of operations consistent with the financial projections for the Grace Businesses;

the possible volatility, at least in the short term, of the trading price of A&B's common stock resulting from the transaction;

the potential challenges to market participants' ability to value the combined company in light of its complementary but different businesses;

the possible loss of key management, technical or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses of the respective companies;

the risk of diverting the attention of management of each of the respective companies from other operating priorities to implement merger integration efforts;

the potential loss of one or more customers or partners of either company as a result of any such customer's or partner's unwillingness to do business with the combined company;

the risk that the merger might not be completed in a timely manner or at all and the risk to A&B's business, operations and financial results in the event that the merger is not completed;

the potential conflicts between business cultures or methods of operation; and

various other possible risks associated with the combined company and the merger, including those described in the section entitled "Risk Factors" beginning on page 29.

The preceding discussion of the information and factors considered by the A&B Board of Directors is intended to be illustrative and not exhaustive, and is not intended to reflect any ranking or relative weights of the various factors. In light of the variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the A&B Board of Directors did not find it practicable to, and

did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination, and individual directors may have given different weight to different factors. In addition, the A&B Board of Directors did not reach any specific conclusion with respect to any of the factors or reasons considered. Instead, the A&B Board of Directors conducted an overall analysis of the factors and reasons described above and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of approving the merger, adopting the merger agreement and recommending that A&B shareholders vote "**FOR**" the share issuance proposal.

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Grace's Reasons for the Merger

In considering the transaction with A&B and in the course of reaching their decisions to approve the merger, adopt the merger agreement and recommend that Grace Holdings shareholders vote "**FOR**" the merger proposal, the Grace special committee and the Grace and Grace Holdings Boards of Directors consulted with senior management and with outside legal counsel and other advisors to Grace. The following discussion includes the material reasons and factors considered by the Grace and Grace Holdings Boards of Directors in making their recommendations, but is not, and is not intended to be, exhaustive.

Like A&B, Grace has a long operating history in Hawaii, dating back to 1921. Grace views its deep knowledge of the Hawaii market, culture and community, and its relationships and standing in the business community as important aspects of its business and its culture. In considering the proposed transaction, Grace considered the importance of maintaining a focus on business in Hawaii. In addition, the Grace and Grace Holdings Boards of Directors considered a number of other factors supporting the proposed transaction in their deliberations, including the following:

- the receipt of freely tradeable registered shares of A&B common stock in the merger will permit Grace Holdings shareholders to obtain liquidity at the time determined by each such shareholder;
- the inclusion of A&B common stock in the merger consideration provides Grace Holdings shareholders with the ability to participate in the future results of A&B;
- the qualification of the merger as a tax-deferred reorganization will allow Grace Holdings shareholders to partially defer recognition of income;
- the merger will provide access to several properties owned by A&B that would be useful in the Grace Businesses;
- the merger presents an opportunity to grow and diversify Grace's business activities in Hawaii by expanding the scope, depth and breadth of the business of the combined company;
- the expectation that A&B will be able to provide capital for the Grace Businesses;
- as a subsidiary of A&B, Grace will be able to pursue growth opportunities more quickly and easily than it could as a private company;
- the merger presents an opportunity to partner with a mission and values driven organization that can augment Grace's values and culture;
- Grace management will stay in place following consummation of the merger and the Grace Business will generally continue to operate as separate business units without any expected layoffs or significant adverse impact on their employees or business operations;
- the expectation that the spinoff of the Petroleum Businesses will be tax free to Grace Holdings shareholders;
- the likelihood that the merger would be completed, based on, among other things, the absence of significant required regulatory approvals, other than those relating to the HSR Act, and the reputation, financial capacity and public company status of A&B;

the merger will remove the potential cash requirements and uncertainty associated with Grace's obligations under buy-sell agreements with each of its shareholders, pursuant to which the shareholders may require Grace to purchase their shares at a price based on a formula, with at least 50% payable in cash upon such purchase;

the results of the due diligence review of A&B's business and operations by the Grace special committee and Grace's management and their respective advisors and consultants;

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- the lack of other potential buyers or partners with the financial capability, complementary lines of business, business culture and commitment to the Hawaiian community that A&B has; and

- their determination that the merger consideration constitutes a fair price and is in the best interests of Grace Holdings shareholders under the circumstances.

In the course of their deliberations, the Grace and Grace of Holdings Boards of Directors also considered a variety of risks and factors weighing against the merger, including:

- the fact that Grace will no longer be an independent company and the concern that it will not have autonomy in its decision making;

- the risk that the merger could compromise or diminish Grace's distinctive culture and business model, including the potential impact on current employees and other members of the Hawaii community;

- the potential negative consequences that could result from public visibility into Grace's operations and financial statements;

- the fact that the number of shares of A&B common stock offered as consideration is subject to a collar and therefore the actual value of the A&B common stock may be greater or less than the value as calculated pursuant to the terms of the merger agreement;

- the complexity presented by the Holding Company Reorganization and the Grace Separation and the related risk that such transactions may not be tax free to Grace shareholders and Grace Holdings shareholders;

- exposure to the different business and other risks associated with A&B's real estate development and other businesses, including those described in the section entitled "Risk Factors" beginning on page 29;

- the risk that the merger might not be completed in a timely manner or at all, including the risk that the merger will not occur if A&B is unable to obtain the approval of A&B shareholders;

- Grace's inability to seek specific performance to require A&B to complete the merger if the approval of A&B shareholders is not obtained and the fact that Grace's sole remedy in connection with A&B's failure to close under this circumstance would be limited to recovery of its expenses in an amount not to exceed $3 million;

- the risks and costs to Grace if the merger does not close, including the diversion of management and employee attention and the potential effect on Grace's business and its relationships with customers and suppliers;

- the restrictions on the conduct of Grace's business prior to completion of the merger, which may delay or prevent Grace from undertaking business opportunities that may arise and certain other actions it might otherwise take with respect to its operations pending completion of the merger;

- the risk that while the merger is expected to be completed, there can be no assurance that all conditions to the parties' obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if it is approved by the Grace Holdings shareholders;

the effect of the restrictions on soliciting other offers and the termination fee provided for in the merger agreement; and

the Grace Separation will result in ownership of the Petroleum Businesses by employees of Grace who have no relationship with the Petroleum Businesses.

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The preceding discussion of the information and factors considered by the Grace and Grace Holdings Boards of Directors is intended to be illustrative and not exhaustive, and is not intended to reflect any ranking or relative weights of the various factors. In light of the variety of factors considered in connection with their evaluation of the merger and the complexity of these matters, the Grace and Grace Holdings Boards of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination, and individual directors may have given different weight to different factors. Neither the Grace special committee nor the Grace and Grace Holdings Boards of Directors received a fairness opinion regarding the fairness of the merger consideration to the shareholders of Grace or Grace Holdings. In addition, the Grace and Grace Holdings Boards of Directors did not reach any specific conclusion with respect to any of the factors or reasons considered. Instead, the Grace and Grace Holdings Boards of Directors conducted an overall analysis of the factors and reasons described above and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of approving the merger, adopting the merger agreement and recommending that Grace Holdings shareholders vote "**FOR**" the merger proposal.

Opinion of the Financial Advisor to A&B

On June 6, 2013, Houlihan Lokey rendered its oral opinion to A&B's Board of Directors (which was confirmed in writing by delivery of Houlihan Lokey's written opinion to A&B's Board of Directors dated June 6, 2013), as to, as of June 6, 2013, the fairness, from a financial point of view to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement.

Houlihan Lokey's opinion was directed to A&B's Board of Directors (in its capacity as such) and only addressed the fairness, from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement and did not address any other aspect or implication of the merger. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex D to this proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute advice or a recommendation to A&B's Board of Directors, the A&B special committee or any shareholder of A&B as to how to act or vote with respect to the merger or any related matters.

A&B advised Houlihan Lokey and for purposes of Houlihan Lokey's analyses and opinion, Houlihan Lokey at A&B's direction assumed that, subject to certain adjustments as set forth in the merger agreement, as to which Houlihan Lokey expressed no view or opinion, the merger consideration to be paid by A&B in the merger pursuant to the merger agreement would have a value of $235 million. A&B further advised Houlihan Lokey and Houlihan Lokey assumed that 85% of the merger consideration would be comprised of shares of A&B common stock, treating the shares of A&B common stock to be issued as part of the merger consideration as having a value equal to the volume weighted average of the trading prices of A&B common stock on the NYSE for the 20 consecutive trading days ending on the third trading day prior to the closing date of the merger (but not more than $37.50 per share of A&B common stock or less than $31.50 per share of A&B common stock). Houlihan Lokey further understood and at A&B's instruction assumed that (i) Grace and Grace Holdings would enter into a Holding Company Reorganization Agreement, pursuant to which a wholly owned subsidiary of Grace Holdings would merge with Grace and Grace would become a wholly owned subsidiary of Grace Holdings, (ii) following the Holding Company Reorganization, Grace Holdings would cause Grace to convert into a limited liability company, (iii) following the Holding Company Reorganization and the LLC Conversion, Grace Holdings would, and would cause KI, a wholly owned

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subsidiary of Grace through which Grace engages in the Petroleum Businesses, to, enter into a Separation Agreement, pursuant to which Grace Holdings would cause Grace to distribute 100% of its ownership of KI to Grace Holdings and Grace Holdings would distribute 100% of its ownership of KI to the holders of Grace Holdings common stock on a pro rata basis, (iv) after giving effect to, and as a result of, the Restructuring, Grace would have retained the Grace Businesses and would no longer be engaged in KI's Petroleum Businesses, and (v) the Restructuring would be completed prior to the consummation of the merger. In addition, for purposes of Houlihan Lokey's analyses and opinion Houlihan Lokey with A&B's agreement did not address any aspect or implication or otherwise take into account or give effect to any potential tax liabilities arising in connection with the Restructuring, or any special dividend permitted under the terms of the merger agreement.

In arriving at its opinion, Houlihan Lokey, among other things:

- reviewed a draft, dated June 6, 2013, of the merger agreement;
- reviewed certain publicly available business and financial information relating to Grace and A&B that Houlihan Lokey deemed to be relevant, including certain publicly available research analyst estimates with respect to the future financial performance of A&B;
- reviewed certain information relating to the historical, current and future operations, financial condition and prospects of Grace made available to Houlihan Lokey by Grace and A&B, including financial projections (and adjustments thereto) prepared by the management of A&B relating to the Grace Businesses for the fiscal years ending 2013 through 2020 ("A&B Projections for the Grace Businesses");
- spoke with certain members of the managements of Grace and A&B regarding the respective businesses, operations, financial condition and prospects of the Grace Businesses and A&B, the merger and related matters;
- compared the financial and operating performance of the Grace Businesses with that of public companies that Houlihan Lokey deemed to be relevant;
- considered the publicly available financial terms of certain transactions that Houlihan Lokey deemed to be relevant; and
- conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to it, discussed with or reviewed by it, or publicly available, and did not assume any responsibility with respect to such data, material and other information. Houlihan Lokey was advised by the management of Grace that Grace does not regularly prepare projections with respect to the future financial performance of the Grace Businesses and consequently, at A&B's direction, Houlihan Lokey relied upon the A&B Projections for the Grace Businesses, which A&B advised Houlihan Lokey had been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of the management of A&B as to the future financial results and condition of the Grace Businesses and A&B directed Houlihan Lokey to assume were a reasonable basis upon which to evaluate the Grace Businesses. With respect to the publicly available research analyst estimates for A&B referred to above, Houlihan Lokey reviewed and discussed such estimates with the management of A&B and such management advised Houlihan Lokey that such estimates represented reasonable estimates and judgments of the future financial results and condition of A&B and directed Houlihan Lokey to assume were a reasonable basis upon which to evaluate A&B. Houlihan Lokey expressed no opinion with respect to the A&B Projections for the Grace Businesses or such publicly available analyst estimates or the assumptions on which they were based. Houlihan Lokey relied upon and assumed, without independent verification, that there had been no change in the business, assets, liabilities,

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financial condition, results of operations, cash flows or prospects of the Grace Businesses or A&B since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would have been material to its analyses or opinion, and that there was no information or any facts that would have made any of the information reviewed by Houlihan Lokey incomplete or misleading.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the merger agreement and all other related documents and instruments that are referred to therein were true and correct, (b) each party to the merger agreement and such other related documents and instruments would fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the merger would be satisfied without waiver thereof, and (d) the merger would be consummated in a timely manner in accordance with the terms described in the merger agreement and such other related documents and instruments, without any amendments or modifications thereto. Houlihan Lokey was also advised by management of A&B and Houlihan Lokey assumed that the merger would qualify, for federal income tax purposes, as a "reorganization" within the meaning of Section 368(a) of the Code. Houlihan Lokey relied upon and assumed, without independent verification, that (i) the merger would be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the merger would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would result in the disposition of any assets of Grace or A&B, or otherwise have an effect on the merger, Grace or A&B or any expected benefit of the merger that would be material to Houlihan Lokey's analyses or opinion. Houlihan Lokey also relied upon and assumed, without independent verification, at the direction of A&B, that any adjustments to the merger consideration pursuant to the merger agreement or otherwise would not be material to Houlihan Lokey's analyses or opinion. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the final form of the merger agreement would not differ in any respect from the draft of the merger agreement identified above.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to, and did not, make any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Grace, A&B or any other party, nor was Houlihan Lokey provided with any such appraisal or evaluation. Houlihan Lokey did not estimate, and expressed no opinion regarding, the liquidation value of any entity or business. Houlihan Lokey undertook no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Grace or A&B was or may have been a party or was or may have been subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which Grace or A&B was or may have been a party or was or may have been subject.

Houlihan Lokey was not requested to, and did not, (a) initiate or participate in any discussions or negotiations with, or solicit any indications of interest from, third parties with respect to the merger, the securities, assets, businesses or operations of Grace, A&B or any other party, or any alternatives to the merger, (b) negotiate the terms of the merger, or (c) advise the A&B Board of Directors, the A&B special committee or any other party with respect to alternatives to the merger. Houlihan Lokey's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, the date of its opinion. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to its attention after the date of its opinion. Houlihan Lokey expressed no opinion as to what the value of the shares of A&B common stock actually would be when issued pursuant to the merger or the price or range of prices at which the

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shares of Grace Holdings common stock or A&B common stock may be purchased or sold, or otherwise be transferable, at any time.

Houlihan Lokey's opinion was furnished for the use of A&B's Board of Directors and the A&B special committee (in their capacities as such) in connection with their evaluation of the merger and may not be used for any other purpose without Houlihan Lokey's prior written consent. Houlihan Lokey's opinion should not be construed as creating any fiduciary duty on Houlihan Lokey's part to any party. The opinion is not intended to be, and does not constitute, a recommendation to the A&B Board of Directors, the A&B special committee, any security holder or any other party as to how to act or vote with respect to any matter relating to the merger or otherwise.

Houlihan Lokey's opinion only addressed whether the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement was fair, from a financial point of view, to A&B and does not address any other aspect or implication of the merger or any agreement, arrangement or understanding entered into in connection therewith or otherwise, including, without limitation, other than assuming the consummation of the Restructuring prior to the merger, any aspect or implication of the Restructuring or the agreements related to the Restructuring. Houlihan Lokey was not requested to opine as to, and its opinion did not express an opinion as to or otherwise address, among other things: (i) the underlying business decision of A&B's Board of Directors, the A&B special committee, Grace, A&B, their respective security holders or any other party to proceed with or effect the merger, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion or aspect of, the merger or otherwise (other than the merger consideration to the extent expressly specified in the opinion), (iii) the fairness of any portion or aspect of the merger to the holders of any class of securities, creditors or other constituencies of Grace, Grace Holdings, A&B or to any other party, except if and only to the extent expressly set forth in the last sentence of the opinion, (iv) the relative merits of the merger as compared to any alternative business strategies or transactions that might be available for Grace, Grace Holdings, A&B or any other party, (v) the fairness of any portion or aspect of the merger to any one class or group of A&B's or any other party's security holders or other constituents vis-à-vis any other class or group of A&B's or such other party's security holders or other constituents, (vi) whether or not Grace, Grace Holdings, A&B, their respective security holders or any other party is receiving or paying reasonably equivalent value in the merger, (vii) the solvency, creditworthiness or fair value of Grace, Grace Holdings, A&B or any other participant in the merger, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, (viii) the appropriate capital structure of A&B, how A&B should be financing the cash portion of the merger consideration or whether A&B should be paying cash or issuing A&B common stock or a combination of both in the merger, (ix) the dilutive or other effects of the merger on the existing security holders of A&B, or (x) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation or consideration payable to or received by any officers, directors or employees of any party to the merger, any class of such persons or any other party, relative to the merger consideration or otherwise. Furthermore, no opinion, counsel or interpretation was intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations had been or would be obtained from the appropriate professional sources. Furthermore, Houlihan Lokey relied, with the consent of A&B's Board of Directors, on the assessments by A&B's Board of Directors, the A&B special committee, Grace Holdings, Grace, A&B and their respective advisors as to all legal, regulatory, accounting, insurance and tax matters with respect to Grace, A&B and the merger or otherwise.

In preparing its opinion to A&B's Board of Directors, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey's analyses described below is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of such an opinion is a complex process involving various quantitative and qualitative judgments and

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determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither Houlihan Lokey's opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors, without considering all analyses, methodologies and factors or the narrative description of the analyses could create a misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. Houlihan Lokey's analyses involved judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of A&B. No company, transaction or business used in Houlihan Lokey's analyses for comparative purposes is identical to the Grace Businesses or the proposed merger and an evaluation of the results of those analyses is not entirely mathematical. The estimates contained in the financial forecasts prepared by the management of A&B and the implied valuation reference ranges indicated by Houlihan Lokey's financial analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, such analyses do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of A&B. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Houlihan Lokey's opinion was only one of many factors considered by A&B's Board of Directors and the A&B special committee in evaluating the proposed merger. Neither Houlihan Lokey's opinion nor its analyses were determinative of the merger consideration or of the views of A&B's Board of Directors, the A&B special committee or management with respect to the merger or the merger consideration. The type and amount of consideration payable in the merger were determined through negotiation between Grace and A&B, and the decision to enter into the merger agreement was solely that of A&B's Board of Directors.

The following is a summary of the material analyses reviewed by Houlihan Lokey with A&B's Board of Directors in connection with the rendering of Houlihan Lokey's opinion to A&B's Board of Directors on June 6, 2013. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis could create an incomplete view of Houlihan Lokey's analyses.

For purposes of its analyses, Houlihan Lokey reviewed a number of financial and operating metrics, including:

Enterprise value generally the value of the relevant company's outstanding equity securities (taking into account its outstanding warrants and other convertible securities) based on the relevant company's closing stock price, plus net debt (calculated as outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet), plus minority interest as of a specified date.

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Adjusted EBITDA generally earnings before interest, taxes, depreciation and amortization, adjusted for certain non-recurring items and, in circumstances where ascertainable, excluding minority interests.

Selected Companies Analysis. Houlihan Lokey considered certain financial data for the Grace Businesses and selected companies with significant construction businesses with publicly traded equity securities that Houlihan Lokey deemed relevant and selected companies with significant natural materials businesses with publicly traded equity securities that Houlihan Lokey deemed relevant. Unless the context indicates otherwise, enterprise values and equity values derived from the selected companies analysis described below were calculated using the closing prices of the common stock of the selected companies listed below as of June 5, 2013. Accordingly, this information may not reflect current or future market conditions. Estimates of Next Fiscal Year, or NFY, Adjusted EBITDA for the Grace Businesses were based on estimates provided by A&B's management. Estimates of NFY Adjusted EBITDA for the selected companies listed below were based on publicly available research analyst estimates for the selected companies.

The financial data reviewed included:

Enterprise value as a multiple of estimated latest 12 months, or LTM, Adjusted EBITDA; and

Enterprise value as a multiple of estimated NFY Adjusted EBITDA.

The selected companies with significant construction businesses and resulting multiples were:

Great Lakes Dredge & Dock Corporation

Orion Marine Group, Inc.

Granite Construction Incorporated

Sterling Construction Co. Inc.

Tutor Perini Corporation

	Enterprise Value/ LTM Adjusted EBITDA	Enterprise Value/ NFY Adjusted EBITDA
Low	5.7x	6.2x
High	16.2x	13.7x
Median	10.0x	7.8x
Mean	10.0x	8.7x

The selected companies with significant natural materials businesses and the resulting multiples were:

Cementos Argos

CEMEX, S.A.B. de C.V.

CRH plc

Lafarge S.A.

Monarch Cement Co.

Martin Marietta Materials Inc.

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Vulcan Materials Company

	Enterprise Value/ LTM Adjusted EBITDA	Enterprise Value/ NFY Adjusted EBITDA
Low	8.7x	8.0x
High	22.4x	19.3x
Median	13.3x	11.8x
Mean	13.8x	12.3x

Taking into account the results of the selected companies analysis, Houlihan Lokey applied multiples ranges of 8.5x to 10.5x LTM Adjusted EBITDA and 7.5x to 9.5x NFY Adjusted EBITDA to corresponding financial data for the Grace Businesses made available to Houlihan Lokey by Grace or set forth in the A&B Projections for the Grace Businesses prepared by A&B management. The selected companies analysis indicated implied total equity value reference ranges for the Grace Businesses of $228.5 million to $295.1 million based on the Grace Businesses LTM Adjusted EBITDA and $206.2 million to $275.6 million based on the Grace Businesses NFY Adjusted EBITDA, as compared to the $235 million assumed value of the merger consideration.

Selected Transaction Analysis. Houlihan Lokey considered certain financial terms of certain business combinations involving target companies with significant construction businesses and certain business combinations involving target companies with significant natural materials businesses that Houlihan Lokey deemed relevant. The financial data reviewed included enterprise value (calculated based on the consideration paid in the relevant transaction) of the target company as a multiple of LTM Adjusted EBITDA.

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The selected transactions involving target companies with significant construction businesses and resulting multiples were:

Date Announced	Target	Acquiror
04/19/2013	Hardin Construction Company, LLC	DPR Construction, Inc.
01/10/2013	Flintco, LLC	Alberici Corporation
01/07/2013	EnergySolutions, Inc.	Rockwell Holdco, Inc.
12/28/2012	Kenny Construction Company	Granite Construction Inc.
11/13/2012	Q3 Contracting Inc.	Primoris Services Corporation
10/02/2012	JV Industrial Companies, Ltd.	Zachry Holdings, Inc.
09/21/2012	Mitchell's Oil Field Service, Inc.	Production Services Network (UK) Limited
09/05/2012	The Weitz Company, LLC	Orascom Construction Industries Company
03/13/2012	Sprint Pipeline Services, LP	Primoris Services Corporation
02/24/2012	Dixie Electric, LLC	One Rock Capital Partners, LLC
02/20/2012	Flint Energy Services Limited	URS Corporation
12/29/2011	Industrial Contractors Skanska	Skanska USA Civil Inc.
09/12/2011	Global Industries Ltd.	Technip
06/02/2011	Frontier-Kemper Constructors, Inc.*	Tutor Perini Corporation
05/18/2011	USM Inc.	EMCOR Group, Inc.
04/04/2011	Anderson Companies, Inc.	Tutor Perini Corporation
01/03/2011	Fisk Corporation	Tutor Perini Corporation
11/09/2010	Rockford Corporation	Primoris Services Corporation
07/28/2010	ColonialWebb Contractors Co. Inc.*	Comfort Systems USA Inc.
07/14/2010	Tishman Construction Corporation	AECOM Technical Services, Inc.
01/04/2010	John P. Picone, Inc.*	Dragados Construction USA, Inc.
12/22/2009	Pulice Construction, Inc.	Dragados Construction USA, Inc.
12/03/2009	Ralph L. Wadsworth Construction Company, Inc.*	Sterling Construction Co. Inc.
11/19/2009	James Construction Group, LLC*	Primoris Services Corporation
09/17/2009	Parsons Brunkerhoff Group Inc.	Balfour's Beatty plc

* Excluded from high, low, mean and median calculations.

Enterprise Value/LTM Adjusted EBITDA	
Low	3.7x
High	15.3x
Median	4.4x
Mean	7.2x

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The selected transactions involving target companies with significant natural materials businesses and resulting multiples were:

Date Announced	Target	Acquiror
12/04/2012	Texas Industries Inc.	Trinity Materials, Inc.
09/26/2012	Sugar Creek, Missouri, Tulsa, Oklahoma Cement Plants and Related Assets	Eagle Materials Inc.
08/09/2012	Sabre Industries, Inc.	Kohlberg & Company LLC
02/13/2012	Associated Asphalt Inc.	Goldman Sachs Capital Partners
12/27/2011	United Products Corporation	Allied Building Products Corporation
07/05/2011	Ameron International Corporation*	National Oilwell Varco, Inc.
05/12/2011	Lafarge S.A., Cement and Concrete Assets in Southeast United States	Cementos Argos
12/29/2010	Giant Cement Holding, Inc.	Corporación Uniland, S.A.
12/23/2010	Fred Weber, Inc.	IESI-BFC Ltd.
12/01/2010	RK Hall Construction Ltd. & Smith Buster Crushed Stone LLC	Summit Materials LLC
10/08/2010	Ready Mix USA, LLC	CEMEX, S.A.B. de C.V.
07/08/2010	CEMEX, S.A.B. de C.V., Non-Core Aggregates and Concrete Block Assets	Bluegrass Materials Company LLC
05/27/2010	Schwab Industries, Inc.	Oldcastle Materials, Inc.; Resource Land Holdings, LLC
05/17/2010	Seacliff Construction Corp.	The Churchill Corporation
02/01/2010	Hinkle Contracting Company, LLC	Summit Materials, LLC
10/29/2009	Tasek Corporation Berhad*	HL Cement (Malaysia) Sdn. Bhd.
09/15/2009	US Concrete Inc., Four Ready Mixed Concrete Plants	Syar Industries, Inc.
08/14/2009	RMC Readymix (India) Private Limited	Prism Cement Limited
06/15/2009	CEMEX Australia Pty Limited (nka: Holcim (Australia) Pty Ltd.)	Holcim Ltd.

*
Excluded from high, low, mean and median calculations.

Enterprise Value/LTM Adjusted EBITDA	
Low	5.6x
High	12.9x
Median	8.1x
Mean	8.3x

Taking into account the results of the selected transactions analysis, Houlihan Lokey applied multiples ranges of 9.0x to 11.0x LTM Adjusted EBITDA to corresponding financial data for the Grace Businesses made available to Houlihan Lokey by Grace. The selected transactions analysis indicated implied total equity value reference ranges of $244.8 million to $311.4 million for the Grace Businesses, as compared to the $235 million assumed value of the merger consideration.

Discounted Cash Flow Analysis. Houlihan Lokey performed a discounted cash flow analysis of the Grace Businesses by calculating estimated net present value of the unlevered, after tax free cash flows that the Grace Businesses was forecasted to generate through December 31, 2020 based on the A&B Projections for the Grace Businesses, which have been summarized by A&B in the section entitled " Unaudited Projected Financial Information" beginning on page 67. Houlihan Lokey then applied a range of terminal value EBITDA multiples of 6.0x to 8.0x to the Grace Businesses fiscal year 2020 estimated EBITDA. The present value of such projected future cash flows and terminal values were

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then calculated using discount rates ranging from 10.5% to 12.5%. The discounted cash flow analysis indicated an implied total equity value reference range of $196.4 million to $262.6 million for the Grace Businesses, as compared to the $235 million assumed value of the merger consideration.

Other Matters. Houlihan Lokey was engaged by A&B to provide an opinion to A&B's Board of Directors (in its capacity as such) regarding the fairness from a financial point of view, to A&B of the merger consideration to be paid by A&B for all of the outstanding shares of Grace Holdings common stock in the merger pursuant to the merger agreement. A&B engaged Houlihan Lokey based on Houlihan Lokey's reputation and experience. Houlihan Lokey is regularly engaged to render financial opinions in connection with mergers, acquisitions, divestitures, leveraged buyouts, recapitalizations and for other purposes. Houlihan Lokey is entitled to a fee of $275,000 for its services, a portion of which became payable upon the execution of Houlihan Lokey's engagement letter and the balance of which became payable upon the delivery of Houlihan Lokey's opinion, regardless of the conclusion reached therein. No portion of Houlihan Lokey's fee is contingent upon the successful completion of the merger. A&B has also agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain potential liabilities and expenses, including certain liabilities under the federal securities laws arising out of or relating to Houlihan Lokey's engagement.

In the ordinary course of business, certain of Houlihan Lokey's employees and affiliates, as well as investment funds in which they may have financial interests or with which they may co-invest, may acquire, hold or sell, long or short positions, or trade, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, Grace, A&B, or any other party that may be involved in the merger and their respective affiliates or any currency or commodity that may be involved in the merger.

Houlihan Lokey is currently providing financial advisory and valuation services to A&B for which Houlihan Lokey has received compensation and, subject to the consummation of the merger, Houlihan Lokey may provide additional financial advisory services to A&B for which Houlihan Lokey will receive compensation. Houlihan Lokey and certain of its affiliates may provide investment banking, financial advisory and other financial services to Grace, A&B, other participants in the merger or certain of their respective affiliates in the future, for which Houlihan Lokey and such affiliates may receive compensation. Furthermore, in connection with bankruptcies, restructurings, and similar matters, Houlihan Lokey and certain of its affiliates may have in the past acted, may currently be acting and may in the future act as financial advisor to debtors, creditors, equity holders, trustees and other interested parties (including, without limitation, formal and informal committees or groups of creditors) that may have included or represented and may include or represent, directly or indirectly, or may be or have been adverse to, Grace, A&B, other participants in the merger or certain of their respective affiliates, for which advice and services Houlihan Lokey and such affiliates have received and may receive compensation.

Unaudited Projected Financial Information

A&B does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, in connection with the discussions regarding the proposed merger, A&B management prepared unaudited financial projections regarding Grace's forecasted operating results for fiscal years 2013 through 2020, which are summarized below. The financial projections for Grace were reviewed and used by the A&B Board of Directors in connection with its consideration of the proposed merger and authorized for use by Houlihan Lokey in connection with the preparation of Houlihan Lokey's opinion to the A&B Board of Directors described in the section entitled " Opinion of the Financial Advisor to A&B" beginning on page 58.

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The inclusion of any financial projections or assumptions in this proxy statement/prospectus should not be regarded as an indication that A&B management or the A&B Board of Directors considered, or now considers, these projections to be a reliable predictor of future results for Grace. You should not place undue reliance on the unaudited financial projections for Grace contained in this proxy statement/prospectus.

In the preparation of its financial projections for Grace, A&B management used financial measures that are not in accordance with GAAP, including EBITDA (earnings before interest, taxes, depreciation and amortization). While A&B believes that these non-GAAP financial measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, are not reported by all of Grace's competitors and may not be directly comparable to similarly titled measures of Grace's competitors due to potential differences in the exact method of calculation.

The financial projections for Grace prepared by A&B management include Adjusted EBITDA, which is defined as net income before interest expense, taxes, depreciation and amortization expenses, and excluding EBITDA attributable to minority ownership interests in consolidated entities.

The financial projections prepared by A&B management and provided to the A&B Board of Directors and Houlihan Lokey included revenue and Adjusted EBITDA. Grace revenue, excluding revenue for the Petroleum Businesses, for the fiscal years ended September 30, 2013 through 2020 were projected to be $216.5 million, $233.8 million, $267.8 million, $297.1 million, $297.6 million, $302.9 million, $308.2 million, and $281.8 million, respectively. Grace Adjusted EBITDA, excluding the Petroleum Businesses, for the fiscal years ended September 30, 2013 through 2020 were projected to be $35.4 million, $41.0 million, $46.3 million, $51.2 million, $50.4 million, $50.7 million, $51.1 million, and $45.3 million, respectively.

The increase in revenue and Adjusted EBITDA reflected in the financial projections for Grace incorporates sales growth from the general recovery in the Hawaii construction industry as well as specific additional growth in anticipated paving volume arising from increased infrastructure construction activity, such as the City and County of Honolulu's planned increase in its road rehabilitation budget. Continued strong cost controls along with improved margins from greater throughput and consolidation of Oahu quarrying activities into a single location add to the expected Adjusted EBITDA growth. No assurances can be made regarding these revenue assumptions or margin improvements.

While the unaudited financial projections for Grace summarized above were prepared in good faith and based on information available at the time of preparation, no assurance can be made regarding future events. The estimates and assumptions underlying the unaudited financial projections for Grace involve judgments, which are subjective in many respects and thus subject to interpretation, with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including risks and uncertainties described in the sections entitled "Cautionary Statement Regarding Forward-Looking Statements" on page 28 and "Risk Factors" beginning on page 29, all of which are difficult to predict and many of which are beyond the control of Grace and A&B, respectively, and will be beyond the control of the combined company. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results will differ, and may differ materially, from those reflected in the unaudited financial projections for Grace, whether or not the merger is consummated. As a result, the unaudited financial projections for Grace cannot be considered a reliable predictor of future operating results and should not be relied upon as such.

The unaudited financial projections for Grace were prepared solely for internal use by A&B management and not with a view toward public disclosure or with a view toward complying with the

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guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial data, published guidelines of the SEC regarding forward-looking statements and the use of non-GAAP measures or GAAP. In the view of A&B management, the projections prepared by them were prepared on a reasonable basis based on the best information available to A&B management at the time of their preparation. The unaudited financial projections for Grace, however, are not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on this information. The inclusion of the unaudited financial projections for Grace in this proxy statement/prospectus shall not be deemed an admission or representation by A&B that such information is material. None of the unaudited financial projections for Grace reflect any impact of the merger.

All of the unaudited financial projections for Grace summarized in this section were prepared by and are the responsibility of A&B's management and are unaudited. No independent registered public accounting firm has examined, compiled or otherwise performed any procedures with respect to the prospective financial information contained in these financial projections and, accordingly, no independent registered public accounting firm has expressed any opinion or given any other form of assurance with respect thereto and no independent registered public accounting firm assumes any responsibility for the prospective financial information. The reports of the independent registered public accounting firms included in and incorporated by reference into this proxy statement/prospectus relate to the historical financial information of Grace and A&B, respectively. Such reports do not extend to the unaudited financial projections for Grace and should not be read as such.

By including in this proxy statement/prospectus a summary of certain of the unaudited financial projections regarding the operating results of Grace, none of Grace, A&B or any of their respective representatives has made or makes any representation to any person regarding the ultimate performance of Grace or A&B compared to the information contained in the financial projections. The financial projections for Grace cover multiple years and such information by its nature becomes less predictive with each succeeding year. The financial projections for Grace do not take into account any circumstances or events occurring after the date they were prepared. None of Grace, A&B or, following consummation of the merger, the combined company undertakes any obligation, except as required by law, to update or otherwise revise the unaudited financial projections for Grace contained in this proxy statement/prospectus to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events or to reflect changes in general economic or industry conditions, even in the event that any or all of the underlying assumptions are shown to be in error.

The summary of the unaudited financial projections for Grace are not included in this proxy statement/prospectus in order to induce any Grace Holdings shareholder to vote in favor of the merger proposal at the special meeting of Grace Holdings shareholders or any A&B shareholder to vote in favor of the share issuance proposal to be voted on at the special meeting of A&B shareholders.

Interests of A&B's Executive Officers and Directors in the Merger

In considering the recommendation of the A&B Board of Directors that you vote "FOR" the share issuance proposal, you should note that some of the A&B directors have interests in the merger that are different from, or in addition to, those of other A&B shareholders generally. The A&B Board of Directors was aware of these differences and considered them, among other matters, in approving the merger and in recommending to the A&B shareholders that the share issuance proposal be approved.

Walter A. Dods, Jr., a director and shareholder of both A&B and Grace Holdings will receive up to 730,690 shares of A&B common stock and approximately $4.06 million of cash in the merger (assuming no adjustment to the mix of stock and cash) as a result of his direct and indirect beneficial

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ownership of approximately 18,800 shares, or approximately 11.5%, of the outstanding Grace Holdings common stock.

Jeffrey N. Watanabe, a director and shareholder of both A&B and Grace Holdings will receive up to 52,275 shares of A&B common stock and approximately $290,500 of cash in the merger (assuming no adjustment to the mix of stock and cash) as a result of his direct and indirect beneficial ownership of approximately 1,345 shares, or approximately 0.8%, of the outstanding Grace Holdings common stock.

Robert S. Harrison, a director of A&B, currently serves as president and chief executive officer of First Hawaiian Bank ("FHB"). Although Grace has certain credit facilities and other loan arrangements with FHB, which A&B will assume as part of the merger, Mr. Harrison will not receive any special consideration in the merger as a result of his relationship with FHB. For further information regarding Grace's loans with FHB, see the section entitled "Management and Other Information" on page 123.

The A&B Board of Directors recognized that as a result of the above interests, certain of its members might have conflicts in relation to the merger. Accordingly, as discussed in the section entitled " Background of the Merger," the A&B Board of Directors established a special committee, consisting of members of the A&B Board of Directors whom the A&B Board of Directors determined to be independent and disinterested, to review and evaluate the merger and to make a recommendation to the Board of Directors to approve or disapprove the merger. In addition, in light of these conflicts of interest, none of the interested directors participated on behalf of A&B in any of the deliberations of the A&B Board of Directors or in any vote by the A&B directors on any matters relating to the proposed merger, the merger agreement or the related agreements.

Interests of Grace Holdings' Executive Officers and Directors in the Merger

In considering the recommendation of the Grace Holdings Board of Directors that you vote "FOR" the merger proposal, you should note that some of the Grace Holdings directors and executive officers have interests in the merger that are different from, or in addition to, those of other Grace Holdings shareholders generally. The Grace Holdings Board of Directors was aware of these differences and considered them, among the other matters, in approving the merger and in recommending to the Grace Holdings shareholders that the merger proposal be approved.

As noted above in the section entitled " Interests of A&B's Executive Officers and Directors in the Merger," two directors of Grace and Grace Holdings, Messrs. Dods and Watanabe, are also directors of A&B.

Following the completion of the merger, David C. Hulihee, chairman and chief executive officer of Grace, will continue to serve as the chief executive officer of the Grace Businesses. The A&B Board of Directors will consider adding Mr. Hulihee to the A&B Board of Directors, although no conclusion has been reached by the A&B Board of Directors at this time. In addition, Mr. Hulihee and an affiliated entity will receive up to 2,452,476 shares of A&B common stock and approximately $13.6 million of cash in the merger (assuming no adjustment to the mix of stock and cash) as a result of his direct and indirect beneficial ownership of 63,100 shares, or approximately 38.7%, of the outstanding Grace Holdings common stock.

In addition, certain of Grace's current executive officers may serve as employees of A&B, Merger Sub or Grace after the completion of the merger, although the merger agreement does not require A&B, Merger Sub or Grace to continue or resume the employment of any specific person.

The merger agreement also provides indemnification for all past and present officers and directors of Grace Holdings, Grace and their subsidiaries for acts or omissions occurring at or prior to the effective time of the merger to the fullest extent provided under their respective organizational

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documents in effect on the date of the merger agreement (subject to any limitation imposed from time to time under the HBCA) and the purchase of an extended reporting period (or "tail") for Grace's existing directors' and officers' insurance policy with respect to all actions taken at or prior to the effective time of the merger.

The Grace and Grace Holdings Boards of Directors recognized that as a result of the above interests, certain of its members might have conflicts in relation to the merger with A&B. Accordingly, as discussed in the section entitled " Background of the Merger," the Grace Board of Directors established a special committee, consisting of members of the Grace Board of Directors whom the Grace Board of Directors determined to be independent and disinterested, to review and evaluate the merger, review and negotiate the merger agreement and to make a recommendation to the Grace Board of Directors to approve or disapprove the merger. In addition, in light of these conflicts of interest, Messrs. Dods and Watanabe did not participate in any vote by the Grace or Grace Holdings directors on any matters relating to the proposed merger, the merger agreement or the related agreements and transactions.

Dissenters' Rights

If the merger is consummated, Grace Holdings shareholders will have certain rights under Section 414-342 of the HBCA to dissent and to receive payment in cash of the fair value of their shares of Grace Holdings common stock.

Prior to the vote on the merger proposal at the Grace Holdings special meeting, Grace Holdings shareholders who wish to exercise dissenters' rights must deliver written notice to Grace Holdings of their intent to demand payment for their Grace Holdings shares if the merger is effectuated. Such shareholders must not vote in favor of the merger proposal or they will forfeit their dissenters' rights. If the merger is approved by the requisite number of Grace Holdings shareholders and ultimately consummated, no later than 10 days thereafter Grace Holdings will deliver a dissenters' notice to all dissenting shareholders, which will include additional information on the procedures for perfecting their dissenters' rights.

Shareholders who perfect such rights by complying with the procedures set forth in Sections 414-352 and 414-354 of the HBCA will be paid Grace Holdings' estimate of the fair value of the dissenting shareholder's shares. Section 414-341 of the HBCA defines "fair value" as the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.

Pursuant to Section 414-359 of the HBCA, if the dissenter is not satisfied with Grace Holdings' payment or offer of payment, the dissenter may provide an estimate of the fair value of his or her shares and demand payment of the dissenter's estimate in writing. If a demand for payment under Section 414-359 of the HBCA remains unsettled, Grace Holdings must commence a proceeding in a Hawaii circuit court pursuant to Section 414-371 of the HBCA and petition the court to determine the fair value of the shares and accrued interest, or pay each dissenter whose demand remains unsettled the amount of the demand. In determining the fair value of the shares, the court may appoint appraisers to receive evidence and recommend a decision on the question of fair value. Each dissenter made a party to the proceeding would be entitled to judgment for the amount, if any, by which the court finds the fair value of the dissenter's shares, plus interest, exceeds the amount paid by Grace Holdings.

Failure to follow the steps required by Part XIV of the HBCA for exercising dissenters' rights may result in the loss of dissenters' rights. In that event, you will be entitled to receive the consideration for your shares in accordance with the merger agreement. In view of the complexity of the provisions

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of Part XIV of the HBCA , if you are a Grace Holdings shareholder and are considering exercising your dissenters' rights under the HBCA, you should consult your own legal advisor.

A copy of Part XIV of the HBCA, which contains the sections described above, is included as Annex C to this proxy statement/prospectus.

A&B's obligation to complete the merger is subject to the requirement that holders of no more than 3% of Grace Holdings common stock exercise dissenters' rights.

Financing

The acquisition of Grace by A&B will be accomplished through the issuance of approximately 85% of the purchase price in shares of A&B common stock and 15% in cash. A&B intends to finance the cash portion through a combination of cash on hand and/or through borrowings on its revolving credit facility.

Regulatory Approvals Required for the Merger

A&B and Grace Holdings have agreed to use commercially reasonable efforts to obtain as promptly as practicable all regulatory approvals that are required to complete the transactions contemplated in the merger agreement. This includes filing all required notices to governmental authorities, including the required filings with the DOJ and the FTC, pursuant to the HSR Act. A&B and Grace filed necessary notices with the DOJ and the FTC in accordance with the HSR Act on [ ], 2013.

Based upon an examination of information available relating to the businesses in which the companies are engaged, A&B and Grace Holdings believe that the completion of the merger will not violate any U.S. or Hawaii antitrust laws. However, the DOJ, FTC or Hawaii Attorney General could open an investigation of the merger and could also challenge or seek to block the merger under the antitrust laws, as it deems necessary or desirable in the public interest, even after the statutory waiting period has been early terminated, and even after completion of the merger. In addition, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after completion of the merger. A&B and Grace Holdings cannot be sure that a challenge to the merger will not be made or that, if a challenge is made, A&B and Grace Holdings will prevail.

A&B must also comply with applicable federal and state securities laws and the rules and regulations of the NYSE in connection with the issuance of shares of A&B common stock in the merger and the filing of this proxy statement/prospectus with the SEC.

Registered Shares

The shares of A&B common stock to be issued to Grace Holdings shareholders in the merger will be registered under the Securities Act and, except as described below, generally may be freely traded without restriction.

Lock-up Agreements

Concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders have each entered into a lock-up agreement with A&B and may only dispose of their shares of A&B common stock acquired in the merger in accordance with the terms of the lock-up agreement. The restrictions lapse after a six month period after the effective time of the closing of the merger.

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THE MERGER AGREEMENT

The following description describes the material terms of the merger agreement. This description of the merger agreement is qualified in its entirety by reference to the full text of the merger agreement which is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference. The merger agreement has been included to provide you with information regarding its terms. A&B and Grace Holdings encourage you to read the entire merger agreement. The merger agreement is not intended to provide any other factual information about A&B or Grace Holdings. Such information can be found elsewhere in this proxy statement/prospectus and in the other public filings A&B makes with the SEC.

The Merger

The merger agreement provides for the merger of Grace Holdings with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of A&B.

Merger Consideration

The merger agreement provides that at the effective time of the merger, each share of Grace Holdings common stock issued and outstanding immediately prior to the effective time of the merger, other than shares held by A&B, Grace Holdings and their respective subsidiaries to be canceled prior to the effective time of the merger ("Canceled Shares") and shares held by holders who have exercised dissenters' rights with respect to such shares ("Dissenting Shares"), will be converted into and constitute the right to receive:

- the Closing Per Share Stock Consideration;
- the Closing Per Share Cash Consideration;
- the True Up Per Share Merger Consideration, if any;
- the Holdback Per Share Merger Consideration, if any; and
- a pro rata portion of the Shareholders' Representative Expense Fund Residual, if any.

The aggregate merger consideration to be paid pursuant to the merger agreement, prior to the post-closing true-up procedures described below (the "Closing Aggregate Merger Consideration") equals (a) $235 million, minus (b) the amount, if any, by which $113 million exceeds Grace Holdings' estimated shareholders' equity as of the closing date of the merger, as determined in accordance with the merger agreement and described more fully in the sections entitled " Merger Consideration Adjustments Shareholders' Equity Adjustment."

At the closing of the merger, each share of Grace Holdings will be converted into the right to receive a pro rata share of the Closing Aggregate Merger Consideration, 85% of which will consist of A&B common stock ("Closing Aggregate Stock Consideration") and 15% of which will consist of cash ("Closing Aggregate Cash Consideration"), subject to certain adjustments as more fully described in the section entitled " Merger Consideration Adjustments Tax Adjustments."

The number of shares of A&B common stock to be issued in the merger will be determined by the Weighted Average Stock Price (the volume weighted average trading prices of A&B common stock on the NYSE for the 20 consecutive trading days ending on the third trading day prior to the closing of the merger), subject to a collar of $31.50 and $37.50 (the "A&B Common Stock Value").

The "Closing Per Share Stock Consideration" will consist of the number of shares of A&B common stock equal to (a) (i) the Closing Aggregate Stock Consideration divided by (ii) the A&B Common Stock Value, calculated to the nearest one-ten thousandth of a share, divided by (b) the total number of shares of Grace Holdings common stock issued and outstanding immediately prior to the

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effective time of the merger (other than any Canceled Shares), calculated to the nearest one-ten thousandth of a share.

The "Closing Per Share Cash Consideration" will consist of an amount of cash equal to (a) (i) the Closing Aggregate Cash Consideration minus (ii) the sum of the Holdback Amount and the Shareholders' Representative Expense Fund (each as described below), divided by (b) the total number of shares of Grace Holdings common stock issued and outstanding immediately prior to the effective time of the merger (other than any Canceled Shares), calculated to the nearest one one-hundredth of one cent.

The "Closing Per Share Merger Consideration" will consist of the Closing Per Share Stock Consideration together with the Closing Per Share Cash Consideration.

Holdback Amount; Shareholders' Representative Expense Fund

The Holdback Amount (an amount of cash equal to 12% of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders following the closing of the merger) will be withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any adjustment to the aggregate merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the merger agreement.

In addition, after fully funding the Holdback Amount and making adjustments for payments made with respect to Dissenting Shares in connection with the closing of the merger, an amount of cash equal to $1 million of the aggregate merger consideration otherwise deliverable to Grace Holdings shareholders in the merger (the "Shareholders' Representative Expense Fund") will be delivered to the Shareholders' Representative to cover the costs and expenses incurred by him in performing his duties. These funds will be held and administered by the Shareholders' Representative in accordance with the terms of the merger agreement. Any amounts not used, or retained for future use, by the Shareholders' Representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

Merger Consideration Adjustments

Shareholders' Equity Adjustment

No later than five business days prior to the scheduled closing date of the merger, Grace Holdings will deliver to A&B a statement setting forth Grace Holdings' good faith estimate of Closing Shareholders' Equity (the "Estimated Closing Shareholders' Equity").

"Closing Shareholders' Equity" means the total assets of Grace Holdings minus the sum of (a) total liabilities of Grace Holdings and (b) non-controlling interests in Grace Holdings, but excluding the effects of an interest rate swap mark-to-market liability related to GLP Asphalt LLC's long-term note with Bank of Hawaii, in each case as of the close of business on the closing date of the merger.

No later than 60 days after the closing date of the merger, A&B will prepare and deliver to the Shareholders' Representative a statement setting forth (a) A&B's good faith calculation of Closing Shareholders' Equity, (b) the amount of any Adjustment Payment (as defined below) that is due to or payable by A&B and (c) a description in reasonable detail of each adjustment from the calculation of Estimated Closing Shareholders' Equity. After the Shareholders' Representative has reviewed A&B's good faith calculation of Closing Shareholders' Equity and all disputes, if any, have been resolved in accordance with the terms of the merger agreement, the calculation of Closing Shareholders' Equity will be final and binding upon the parties to the merger agreement.

Within three business days after the calculation of Closing Shareholders' Equity becomes final and binding upon the parties to the merger agreement, (a) A&B will pay to the Shareholders'

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Representative for distribution pro rata to the Grace Holdings shareholders in accordance with their respective ownership of Grace Holdings common stock immediately prior to the effective time of the merger, an amount equal to the amount, if any, by which the Final Aggregate Merger Consideration (as defined below) exceeds the Closing Aggregate Merger Consideration or (b) A&B will receive (in the form of a deduction from the Holdback Amount) an amount of cash equal to the amount, if any, by which the Closing Aggregate Merger Consideration exceeds the Final Aggregate Merger Consideration (the amount of the payment paid or received by A&B being referred to as the "Adjustment Payment").

"Final Aggregate Merger Consideration" means $235 million minus the amount, if any, by which $113 million exceeds Closing Shareholders' Equity.

In the event that an Adjustment Payment is to be paid to the Shareholders' Representative for distribution to Grace Holdings shareholders, each Grace Holdings shareholder will receive, for each share of Grace Holdings common stock owned by such holder immediately prior to the effective time of the merger, its pro rata share of the Adjustment Payment (the "True Up Per Share Merger Consideration"), calculated to the nearest one one-hundredth of one cent. The True Up Per Share Merger Consideration will be paid in the same proportion of cash and A&B common stock in which the Closing Per Share Merger Consideration is paid, subject to certain adjustments as more fully described in the section entitled " Tax Adjustments."

Payment of the Holdback Amount

If the Grace Holdings shareholders receive True Up Per Share Merger Consideration, A&B also will pay to the Shareholders' Representative, for distribution pro rata to the Grace Holdings shareholders in accordance with their respective ownership of Grace Holdings common stock immediately prior to the effective time of the merger, a portion of the Holdback Amount equal to 2% of the Closing Aggregate Merger Consideration (the "Purchase Price Adjustment Holdback Amount") minus one half of the fees and expenses of any independent public accounting firm employed pursuant to the merger agreement in the resolution of any dispute concerning A&B's good faith calculation of Closing Shareholders' Equity.

In the event that an Adjustment Payment is to be paid to A&B and the Adjustment Payment is less than the Purchase Price Adjustment Holdback Amount, then A&B will pay to the Shareholders' Representative, for distribution pro rata to the Grace Holdings shareholders in accordance with their respective ownership of Grace Holdings common stock immediately prior to the effective time of the merger, the difference between the Purchase Price Adjustment Holdback Amount and the Adjustment Payment, minus one half of the fees and expenses of any independent public accounting firm employed pursuant to the merger agreement in the resolution of any dispute concerning A&B's good faith calculation of Closing Shareholders' Equity.

No later than five business days following the 12 month anniversary of the closing date of the merger, A&B will pay to the Shareholders' Representative, for distribution to the Grace Holdings shareholders, based on each Grace Holdings shareholder's ownership of Grace Holdings common stock immediately prior to the effective time of the merger, an amount of cash equal to the excess, if any, of (a) 8% of the Closing Aggregate Merger Consideration over (b) the sum of (i) any amounts in excess of the Purchase Price Adjustment Holdback Amount deducted from the Holdback amount pursuant to the terms of the merger agreement and one half of any fees and expenses of any independent public accounting firm employed pursuant to the merger agreement in the resolution of any dispute concerning A&B's good faith calculation of Closing Shareholders' Equity to the extent not previously adjusted for, (ii) any amounts deducted from the Holdback Amount prior to such date as a result of adjustments to the Holdback Amount or pursuant to the tax provisions of the merger agreement and (iii) the Reserved Amount (as defined below).

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No later than five business days following the 18 month anniversary of the closing date of the merger, A&B will deliver to the Shareholders' Representative, for distribution to the Grace Holdings shareholders, based on each Grace Holdings shareholder's ownership of Grace Holdings common stock immediately prior to the effective time of the merger, an amount of cash equal to the excess, if any, of the remaining balance of the Holdback Amount over the Reserved Amount.

The "Reserved Amount" at any time includes (a) amounts subject to claims notices and taxes and amounts payable pursuant to the tax provisions of the merger agreement for which an objection notice has been delivered and remains unresolved or the period for delivering an objection notice has not yet expired, (b) as agreed by A&B and the Shareholders' Representative, reasonably estimated losses and reasonably estimated taxes and other amounts payable pursuant to the tax provisions of the merger agreement for which a claims notice or other notification has been provided but the amount of which has not become final as of such date and (c) reasonably estimated amounts relating to any scheduled litigation matters that have not been finally resolved.

Following the 18 month anniversary of the closing date of the merger, A&B and the Shareholders' Representative shall meet from time to time with respect to any Reserved Amounts and related claims, with such Reserved Amounts deducted from the Holdback Amount or paid to the Shareholders' Representative for distribution to Grace Holdings shareholders, as applicable.

Amounts of Holdback Per Share Merger Consideration to be paid to Grace Holdings shareholders pursuant to the merger agreement will include the payment of interest, at a fixed rate of 1.48% per annum, payable for the period from the closing date of the merger through the date of payment to the Shareholders' Representative.

"Holdback Per Share Merger Consideration" means the pro rata amounts of payments, if any, of all or a portion of the Holdback Amount, from time to time, in accordance with the provisions described above.

Equitable Adjustment; Fractional Shares

The provisions of the merger agreement related to the exchange of Grace Holdings common stock for A&B common stock and cash in the merger will be equitably adjusted to reflect any change in the outstanding shares of A&B common stock that occurs at any time during the period between the date of the merger agreement and the effective time on the closing date of the merger (or at any later time at which shares of A&B common stock are to be issued pursuant to the merger agreement) as a result of any reclassification, recapitalization, stock split (including a reverse stock split), or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period.

No fractional shares of A&B common stock will be issued in the merger. Instead, each Grace Holdings shareholder that would have been entitled to a fraction of a share of A&B common stock (after aggregating all fractional shares of A&B common stock that would be received by such Grace Holdings shareholder) will receive a cash payment equal to the A&B Common Stock Value multiplied by such fraction.

Tax Adjustments

The Closing Aggregate Cash Consideration will be automatically decreased dollar for dollar for any cash payments made with respect to Dissenting Shares, if any, in connection with the closing of the merger, and the Closing Per Share Cash Consideration and the Closing Per Share Stock Consideration will be recalculated (without including the Dissenting Shares) based on these adjustments to the Closing Per Share Cash Consideration and the Closing Per Share Stock Consideration.

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Subject to the adjustments made for Dissenting Shares described in this section, if the tax opinions to be delivered to A&B and Grace Holdings at the closing of the merger pursuant to the merger agreement cannot be rendered (as reasonably determined by A&B's tax counsel or Grace Holdings' tax counsel, as applicable) as a result of the merger potentially failing to satisfy the "continuity of interest" requirement of Treasury Regulations Section 1.368-1(e) or otherwise or if the Closing Aggregate Cash Consideration would be greater than 17% of the Closing Aggregate Merger Consideration, determined based on the price of A&B common stock on the closing date of the merger, then the percentage used to calculate the Closing Aggregate Stock Consideration will be increased by the minimum amount necessary, and the percentage used to calculate the Closing Aggregate Cash Consideration will be correspondingly reduced to the minimum extent necessary, to enable (a) the tax opinions to be rendered and (b) the Closing Aggregate Cash Consideration to be no more than 17% of the Closing Aggregate Merger Consideration based on the price of A&B common stock on the closing date of the merger, provided, however, that in no event will the Closing Aggregate Cash Consideration be reduced below the Holdback Amount (without adjustment).

Subject to the adjustments made for Dissenting Shares, if any, described in this section, if A&B's tax counsel or Grace Holdings' tax counsel reasonably determine that the conclusions set forth in the tax opinions to be delivered to A&B and Grace Holdings at the closing of the merger pursuant to the merger agreement would reasonably be expected to be adversely affected by the form of the True Up Per Share Merger Consideration, as a result of the merger potentially failing to satisfy the "continuity of interest" requirement of Treasury Regulations Section 1.368-1(e) or otherwise or if the sum of (a) the cash portion of the Final Aggregate Merger Consideration and (b) the aggregate cash payment payable or expected to be paid with respect to Dissenting Shares (such sum, the "Final Aggregate Cash Payment") would be greater than 17% of the Final Aggregate Merger Consideration, determined based on the price of A&B common stock on the closing date of the merger, then the A&B common stock portion of the True Up Per Share Merger Consideration will be automatically set at the minimum amount necessary so as not to adversely affect the conclusions set forth in the tax opinions to be delivered to A&B and Grace Holdings at the closing of the merger pursuant to the merger agreement or cause the Final Aggregate Cash Payment to be more than 17% of the Final Aggregate Merger Consideration, determined based on the price of A&B common stock on the closing date of the merger, and the cash portion of the True Up Per Share Merger Consideration will be correspondingly decreased. The adjustments described in this paragraph will not impact the Holdback Amount.

Withholding Rights

Each of Merger Sub and A&B (or their agents) will be entitled pursuant to the merger agreement to deduct and withhold from any merger consideration otherwise payable pursuant to the merger agreement to any Grace Holdings shareholder the amounts that it is required to deduct and withhold under applicable tax law. To the extent such amounts are withheld and paid to or deposited with the relevant taxing authority, these amounts will be treated as having been paid to the Grace Holdings shareholders from whom they were deducted and withheld. Whenever Merger Sub and A&B (or their agents) deduct or withhold any such amounts, Merger Sub and A&B (or their agents) will send to the applicable Grace Holdings shareholders documentation evidencing that the amounts deducted or withheld have been paid to or deposited with the relevant taxing authority. In addition, the merger agreement provides that each Grace Holdings shareholder shall deliver a certificate to A&B, in form and substance reasonably satisfactory to A&B, establishing that such Grace Holdings shareholder is not a foreign person. If A&B does not receive such certificate from a holder on or before the closing date of the merger, A&B will withhold 10% of the merger consideration otherwise payable to such shareholder in accordance with Section 1445 of the Code and the Treasury Regulations thereunder.

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Completion of the Merger

The merger agreement requires the parties to complete the merger after all of the conditions to the completion of the merger contained in the merger agreement are satisfied or waived. The merger will become effective upon the filing of articles of merger with the Director of Commerce and Consumer Affairs of the State of Hawaii, or at such later time as is agreed to by A&B, Merger Sub, Grace Holdings, Grace and the Shareholders' Representative and specified in the articles of merger, but not later than 30 days after the filing of the articles of merger. Because the completion of the merger is subject to the receipt of governmental and regulatory approvals and the satisfaction of other conditions, the exact timing of the completion of the merger cannot be predicted.

Conversion of Shares; Exchange of Certificates

The conversion of Grace Holdings common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger.

As soon as reasonably practicable after the effective time of the merger, A&B will use commercially reasonable efforts to mail, or will cause to be mailed, to each holder of Grace Holdings stock certificates a letter of transmittal and instructions for effecting the surrender of Grace Holdings stock certificates. Upon surrender of a certificate to A&B's transfer agent, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by A&B, the holder of such certificate will be entitled to receive, in exchange for each share of Grace Holdings common stock represented by such certificate, the Closing Per Share Merger Consideration, as well as the True Up Per Share Merger Consideration, if any, the Holdback Per Share Merger Consideration, if any, and a pro rata portion of the Shareholders' Representative Expense Fund Residual, if any.

All of the shares of A&B common stock to be issued in the merger will be distributed as uncertificated shares registered in book-entry form through the direct registration system. Within a reasonable time after issuance, A&B will send a written notice to each Grace Holdings shareholder who received uncertificated shares of A&B common stock in book-entry form a written notice containing information on certain share transfer and ownership restrictions as set forth in the legend required by A&B's articles of incorporation. For more information on these restrictions, see the section entitled "Comparison of Shareholders' Rights Maritime Restrictions on Share Transfer and Ownership" on page 150.

Representations and Warranties

The merger agreement contains customary representations and warranties made by Grace Holdings, Grace, A&B and Merger Sub regarding aspects of their respective businesses. In particular, the assertions embodied in the representations and warranties contained in the merger agreement are qualified by information in a confidential disclosure schedule delivered to A&B by Grace in connection with the signing of the merger agreement. This disclosure schedule contains information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement. The representations and warranties contained in the merger agreement may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. The representations and warranties contained in the merger agreement were made only as of the date of the merger agreement or such other date or dates as may be specified in the merger agreement and are subject to more recent developments. Moreover, certain representations and warranties in the merger agreement were used for the purpose of allocating risk between A&B and Grace Holdings rather than establishing matters of fact. Accordingly, you should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts about A&B or Grace Holdings.

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The representations and warranties made by Grace Holdings, Grace, A&B and Merger Sub relate to, among other things:

- organization and qualification;
- corporate power and authority to enter into and perform its obligations under, and enforceability of, the merger agreement;
- the absence of conflicts with organizational documents, other material contracts and applicable laws;
- required regulatory filings and consents and approvals of governmental entities;
- litigation;
- the absence of certain changes since a recent balance sheet date;
- broker's fees; and
- tax matters.

In the merger agreement, Grace Holdings and Grace also each made representations and warranties relating to:

- capitalization;
- financial statements;
- the absence of undisclosed liabilities;
- compliance with laws; permits;
- assets;
- real property;
- material contracts;
- the absence of transactions with shareholders and affiliates of shareholders;
- employee benefit plans; ERISA;

labor matters;

intellectual property;

insurance;

environmental matters;

customers and suppliers;

accounts receivable;

the absence of certain liabilities following the Restructuring; and

information supplied to A&B.

In the merger agreement, A&B and Merger Sub also each made representations and warranties relating to:

SEC filings;

A&B common stock; and

ownership of Merger Sub; no prior activities of Merger Sub.

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The representations and warranties of Grace Holdings, Grace, A&B, Merger Sub contained in the merger agreement will survive the merger for a period of 18 months from the closing date of the merger, except that any representation or warranty that would otherwise terminate shall survive with respect to losses, provided that notice is given pursuant to the merger agreement prior to the end of the period of 18 months from the closing date of the merger.

Material Adverse Effect

Several of the representations, warranties, covenants, closing conditions and termination provisions in the merger agreement use the phrase "company material adverse effect." The merger agreement provides that "company material adverse effect" means any change, circumstance, occurrence, state of facts, development, event or effect that, individually or in the aggregate, (a) is or is reasonably likely to be materially adverse to the business, assets (whether tangible or intangible), properties, financial condition, operations or capitalization of Grace Holdings and its subsidiaries, taken as a whole or (b) materially impairs the ability of either Grace Holdings or Grace to perform its obligations under the merger agreement or any agreement related to the Restructuring to which it is or will be a party or to consummate the transactions contemplated by the merger agreement; provided, however, that in no event will any of the following constitute a "company material adverse effect" or otherwise be taken into account in determining whether a "company material adverse effect" has occurred: (i) any change that is the result of general economic conditions in Hawaii or factors generally affecting the industries in Hawaii in which Grace Holdings or any of its subsidiaries conduct business, except to the extent that such change disproportionately impacts Grace Holdings or any of its subsidiaries compared to other companies in the industries in which Grace Holdings or any of its subsidiaries operate; (ii) any change in law or GAAP or the interpretation thereof applicable to Grace Holdings or any of its subsidiaries, except to the extent that such change disproportionately impacts Grace Holdings or any of its subsidiaries compared to other companies in the industries in which Grace Holdings or any of its subsidiaries operate; (iii) any change that is the result of the announcement or pendency of the transactions contemplated by the merger agreement; and (iv) any change that results from any action taken by Grace Holdings or any of its subsidiaries pursuant to the merger agreement or any agreement related to the Restructuring to which it is or will be a party or at the written request or with the written consent of A&B.

Several of the representations, warranties, covenants, closing conditions and termination provisions in the merger agreement use the phrase "parent material adverse effect." The merger agreement provides that "parent material adverse effect" means any change, circumstance, occurrence, state of facts, development, event or effect that, individually or in the aggregate, (a) is or is reasonably likely to be materially adverse to the business, assets (whether tangible or intangible), properties, financial condition, operations or capitalization of A&B and A&B's subsidiaries, taken as a whole, or (b) materially impairs the ability of A&B or Merger Sub to perform their obligations under the merger agreement or any agreement related to the Restructuring to which they are or will be a party or to consummate the merger and the other transactions contemplated by the merger agreement; provided, however, that in no event will any of the following constitute a "parent material adverse effect" or otherwise be taken into account in determining whether a "parent material adverse effect" has occurred: (i) any change that is the result of general economic conditions or factors generally affecting the industries in which A&B or any of its subsidiaries conduct business, except to the extent that such change disproportionately impacts A&B or any of its subsidiaries compared to other companies in the industries in which A&B or any of its subsidiaries operate; (ii) any change in law or GAAP or the interpretation thereof applicable to A&B or any of its subsidiaries, except to the extent that such change disproportionately impacts A&B or any of its subsidiaries compared to other companies in the industries in which A&B or any of its subsidiaries operate; (iii) any change that is the result of the announcement or pendency of the merger and the other transactions contemplated by the merger agreement; and (iv) any change that results from any action taken by A&B or any of its subsidiaries

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pursuant to the merger agreement or any agreement related to the Restructuring to which it is or will be a party or at the written request or with the written consent of Grace Holdings or the Shareholder Representative.

Covenants; Conduct of Business Prior to the Merger

Interim Conduct of Grace Holdings' Business

Grace Holdings has undertaken customary covenants that place restrictions on it and its subsidiaries until the earlier of the effective time of the merger or the termination of the merger agreement. In general, Grace Holdings has agreed to cause its subsidiaries to carry on their respective businesses in the ordinary course of business consistent with past practice and in compliance with all applicable laws and to use their commercially reasonable efforts to (a) preserve intact the businesses of Grace Holdings and its subsidiaries, (b) retain the services of current officers and employees and (c) preserve relationships with customers, suppliers and others with whom Grace Holdings or its subsidiaries have material business dealings.

Grace Holdings has further agreed that, except (a) as expressly contemplated or permitted by the merger agreement and (b) as specifically set forth in the disclosure schedule that was delivered by Grace to A&B at the time of signing the merger agreement, Grace Holdings will not, and will cause each of its subsidiaries not to, among other things, undertake the following actions without the prior written consent of A&B:

sell, lease, license, transfer or dispose of, or acquire, any real property or, except in the ordinary course of business, any other material assets;

terminate, materially extend or materially modify (a) any material contract, other than any material contract (excluding any lease) in the ordinary course of business or (b) any affiliate arrangements;

enter into a contract (a) that would have been a material contract had it been entered into prior to the date of the merger agreement or (b) with any of the Principal Shareholders or any of their affiliates;

amend, breach, terminate or allow to lapse or become subject to default or termination any permit, other than amendments required by applicable law;

amend any of its organizational documents;

(a) authorize for issuance, issue, sell, pledge, dispose of or encumber any shares of its capital stock or any other voting securities or securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any of the foregoing, (b) split, combine, subdivide or reclassify any class or series of its capital stock, (c) declare, set aside or pay any dividend or distribution (whether in cash, stock or other property) in respect of any capital stock (other than dividends or distributions) (i) from a wholly owned subsidiary of Grace Holdings payable to Grace Holdings and/or one or more Grace Holdings subsidiaries, (ii) of up to $5 million to the Grace or Grace Holdings shareholders in June or July 2013 or (iii) to the Grace Holdings shareholders prior to the closing of the merger in the event that Estimated Closing Shareholders' Equity, absent such dividend or distribution, is projected to exceed $113 million; provided that such dividends or distributions do not adversely affect the treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code or (d) repurchase, redeem or otherwise acquire any shares of its common stock or any securities convertible into or exchangeable or exercisable for any shares of its common stock;

settle any proceeding against it unless such settlement (a) requires payment of less than $100,000, (b) involves its unconditional release with respect to the subject matter of the

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proceeding and (c) does not impose any material obligations on its business or operations after the closing of the merger;

make any capital expenditure (or series of related capital expenditures) other than (a) as may be required to comply with applicable law, (b) as set forth in the applicable disclosure schedule to the merger agreement or (c) other capital expenditures that are not in excess of $100,000;

except as required by the terms of any benefit plan set forth on the applicable disclosure schedule to the merger agreement as in effect on the date of the merger agreement or by applicable law (a) grant, increase or accelerate the vesting or payment of, or announce or promise to grant, increase or accelerate the vesting or payment of, any wages, salaries, bonuses, incentives, severance pay, other compensation, pension or other benefits payable or potentially available to any employees, including any increase or change pursuant to any benefit plan or (b) establish, adopt or amend (or promise to take any such action(s)) any benefit plan or any benefits potentially available thereunder, provided that Grace Holdings or any Grace Holdings subsidiaries may increase base salaries or wages of employees other than officers in the ordinary course of business consistent with past practice;

terminate the employment of any executive officer other than for cause;

merge or consolidate with any person, other than a merger of one subsidiary of Grace Holdings with another subsidiary of Grace Holdings, or adopt a plan of complete or partial liquidation or authorize or undertake a dissolution, consolidation, restructuring, recapitalization or other reorganization (other than the Restructuring);

incur any indebtedness other than in the ordinary course of business;

make any material change in any of its financial accounting methods and practices, except as required by applicable law or changes in GAAP;

fail to renew any insurance policy naming it as a beneficiary or a loss payee, or take any steps or fail to take any steps that would permit any insurance policy naming it as a beneficiary or a loss payee to be canceled, terminated or materially altered, except in the ordinary course of business and consistent with past practice;

maintain its books and records in a manner other than in the ordinary course of business and consistent with past practice;

(a) make a change in its tax accounting principles, methods or policies, (b) make any new tax election or change or revoke any existing tax election, (c) settle or compromise any tax liability or refund, (d) file any amended tax return or claim for refund, (e) enter into any closing agreement affecting any tax liability or refund, (f) execute or consent to any waiver extending the statutory period of limitations with respect to the collection or assessment of taxes or (g) obtain any tax ruling (other than any tax ruling obtained from the U.S. Internal Revenue Service relating to the Grace Separation), in the case of any of the foregoing, which are or could reasonably be expected to be material to the business, financial condition or the results of operations of Grace Holdings;

(a) exercise any option or first refusal rights relating to any real property that is either leased or owned by Grace Holdings as of the date of the merger agreement, (b) exercise any term renewal with respect to any such leased real property, except in the ordinary course of business consistent with past practice, (c) enter into any contract with respect to real property that is not such real property including any commitment to lease, purchase or sell any real property or (d) enter into or materially modify any contract relating to such real property;

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sell, transfer, dispose of, license to any person, or create any lien, pledge, security interest, claim, charge, restriction or other encumbrance on any intellectual property owned by Grace Holdings or any subsidiary of Grace Holdings;

negotiate, enter into, modify, amend or terminate any collective bargaining contract or contract with any labor union, labor organization or works council; or

authorize or enter into any binding agreement or commitment with respect to any of the foregoing.

Other Covenants

The merger agreement also contains covenants relating to, among other things, the preparation of this proxy statement/prospectus, the holding of meetings of Grace Holdings shareholders and A&B shareholders, the granting of access to information of Grace Holdings, cooperation regarding regulatory filings, use of commercially reasonable efforts to obtain necessary consents, waivers and approvals, employee benefit plans, and other matters as described further below.

Limitation on the Solicitation, Negotiation and Discussion of Other Acquisition Proposals by Grace Holdings

The merger agreement contains provisions prohibiting Grace Holdings from seeking or discussing alternative transactions. Under these "non-solicitation" provisions, Grace Holdings has agreed that it will not, and will cause its subsidiaries not to, directly or indirectly, authorize or permit any of their respective officers, directors, employees, agents or representatives to:

initiate, solicit, knowingly encourage or take any other action designed to facilitate any takeover proposals (as defined below);

enter into any agreement with respect to any takeover proposal; or

engage or otherwise participate in discussions or negotiations regarding, or provide any information with respect to, or otherwise cooperate with, any proposal that constitutes, or could reasonably be expected to lead to, a takeover proposal.

As used in the merger agreement, the term "takeover proposal" means any inquiry, proposal or offer relating to, or that could reasonably be expected to lead to:

any direct or indirect acquisition or purchase in one transaction or in a series of transactions, of (a) assets or businesses that constitute 15% or more of the revenues, EBITDA (earnings before interest expense, taxes, depreciation and amortization) or assets of Grace Holdings and its subsidiaries, taken as a whole or (b) 15% or more of any class of equity securities of Grace Holdings;

any tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of Grace Holdings; or

any merger, consolidation, business combination, recapitalization, liquidation, dissolution, joint venture, binding share exchange or similar transaction involving Grace Holdings pursuant to which any person or the shareholders of any person would own 15% or more of any class of equity securities of Grace Holdings or of any resulting parent company of Grace Holdings, other than the transactions contemplated by the merger agreement.

Subject to compliance with the non-solicitation provisions described in this section and notwithstanding the limitations described above, the merger agreement does not prevent Grace Holdings, prior to obtaining the approval of the merger by Grace Holdings shareholders, from furnishing information pursuant to a customary confidentiality agreement or participating in discussions

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or negotiations with any person in response to an unsolicited, bona fide written takeover proposal that Grace Holdings' Board of Directors determines (after consultation with outside counsel and a financial advisor of nationally recognized reputation) constitutes, or is reasonably expected to lead to, a "superior proposal," as defined below. However, Grace Holdings or its Board of Directors may take such action only if:

Grace Holdings' Board of Directors determines (after receiving the advice of outside counsel) that failure to take these actions would be inconsistent with its fiduciary duties under applicable law;

Grace Holdings gives A&B written notice of this determination prior to taking such action;

Such takeover proposal was not solicited after the date of the merger agreement, was made after the date of the merger agreement and did not otherwise result from a breach of the non-solicitation limitations described above;

Any information provided has previously been provided to A&B or is provided to A&B at the same time it is provided to such person; and

Any such information is furnished pursuant to a customary confidentiality agreement not less restrictive than the confidentiality agreement entered into by A&B and Grace, and such customary confidentiality agreement expressly provides the right for Grace Holdings to comply with the terms of the merger agreement.

In addition, Grace Holdings has agreed to notify A&B as soon as practicable (and in any event within 24 hours) orally, and promptly thereafter in writing, if any person makes any takeover proposal and to describe in reasonable detail the identity of any such person and the substance and material terms and conditions of any such takeover proposal. Grace Holdings has agreed to keep A&B fully and promptly informed of the status and material details of any such takeover proposal and to provide A&B with copies of all correspondence and other written material sent or provided to Grace Holdings or any of its subsidiaries that describes any of the terms or conditions of any takeover proposal promptly after receipt or delivery thereof.

As used in the merger agreement, the term "superior proposal" means a bona fide takeover proposal (as defined above, except that all references to 15% should instead be deemed to be references to 50%) which Grace Holdings' Board of Directors determines in good faith (after consultation with outside counsel and a financial advisor of nationally recognized reputation) to be (a) more favorable to the shareholders of Grace Holdings from a financial point of view than the merger, taking into account all relevant factors (including all the terms and conditions of such proposal and the merger agreement and including any changes to the terms of the merger agreement proposed by A&B in response to such offer or otherwise) and (b) reasonably capable of being completed, taking into account all financial, legal, regulatory and other aspects of such proposal.

Shareholder Meetings

Grace Shareholder Meeting (Holding Company Reorganization). In connection with the Restructuring, Grace agreed to, no later than promptly following the effective date of the registration statement on Form S-4 of which this proxy statement/prospectus is a part, take all actions necessary to hold a special meeting of its shareholders for the purpose of considering and voting upon approval of the Holding Company Reorganization. Grace agreed to, as promptly as practicable after the date of the merger agreement, (a) prepare any disclosure or other documents (the "Holding Company Reorganization Disclosure Materials") to be sent to the shareholders of Grace in connection with the special meeting for the approval of the Holding Company Reorganization and (b) use its commercially reasonable efforts to cause the Holding Company Reorganization Disclosure Materials to be mailed to the shareholders of Grace and, if applicable, to solicit proxies from the shareholders of Grace to obtain

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the affirmative vote of the holders of not less than 75% of the outstanding shares of common stock of Grace entitled to vote in favor of the Holding Company Reorganization. Under the merger agreement, subject to the good faith exercise by the Board of Directors of Grace of its fiduciary duties, Grace was required to include in the Holding Company Reorganization Disclosure Materials the recommendation of its Board of Directors that shareholders of Grace vote in favor of the Holding Company Reorganization. Grace also agreed to take all other action reasonably necessary to secure the approval of the Holding Company Reorganization by its shareholders. The Holding Company Reorganization Disclosure Materials were prepared and mailed in accordance with the above requirements on [ ], 2013, and the special meeting of the shareholders of Grace was held on [ ], at which time the Holding Company Reorganization was approved by the shareholders of Grace.

Grace Holdings Shareholder Meeting (Merger). Grace Holdings has agreed to, promptly following the later of the consummation of the Holding Company Reorganization and the effective date of the registration statement on Form S-4 of which this proxy statement/prospectus is a part, take all actions necessary to hold a special meeting of the Grace Holdings shareholders for the purpose of considering and voting upon approval of the merger proposal. Grace Holdings has agreed to, as promptly as practicable after the date of the merger agreement, (a) prepare any disclosure or other documents (the "Merger Disclosure Materials") to be sent to the holders of Grace Holdings common stock in connection with the special meeting for the approval of the merger proposal and (b) use Grace Holdings' commercially reasonable efforts to cause the Merger Disclosure Materials to be mailed to the Grace Holdings shareholders and, if applicable, to solicit proxies from the Grace Holdings shareholders to obtain the affirmative vote of the holders of not less than a majority of the outstanding shares of Grace Holdings common stock entitled to vote in favor of the merger. Under the merger agreement, subject to the good faith exercise by the Board of Directors of Grace Holdings of its fiduciary duties, Grace Holdings is required to include in the Merger Disclosure Materials the recommendation of the Board of Directors of Grace Holdings that Grace Holdings shareholders vote in favor of the merger proposal. Grace Holdings has agreed to take all other action reasonably necessary to secure the approval of the merger by the Grace Holdings shareholders.

A&B Shareholder Meeting. A&B has agreed to take all actions necessary to hold a special meeting of the A&B shareholders for the purpose of considering and voting upon the proposal to issue A&B common stock in the merger. A&B has agreed to use its commercially reasonable efforts to cause this proxy statement/prospectus to be mailed to the A&B shareholders as promptly as possible after the effectiveness of the registration statement on Form S-4 of which this proxy statement/prospectus is a part and to solicit proxies from its shareholders to obtain the affirmative vote of the holders of a majority of the shares of A&B common stock represented in person or by proxy at a meeting of A&B shareholders at which a quorum is present in favor of the issuance of the A&B common stock in the merger. Under the merger agreement, subject to the good faith exercise by the Board of Directors of A&B of its fiduciary duties, A&B is required to include in this proxy statement/prospectus the recommendation of the Board of Directors of A&B that A&B shareholders vote in favor of the issuance of the A&B common stock in the merger.

Filings and Authorizations

The merger agreement provides that each of A&B and Grace Holdings will (a) make or cause to be made the filings required of such party under the HSR Act with respect to the merger and the other transactions contemplated by the merger agreement as promptly as practicable after the date of the merger agreement, but in no event later than 20 business days after the date of the merger agreement, subject to the parties cooperation, (b) comply at the earliest practicable date with any request under the HSR Act for additional information, documents or other materials received by such party from the FTC or the DOJ or any other governmental authority in respect of such filings or such transactions and (c) act in good faith and reasonably cooperate with the other party in connection with any such filing

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and in connection with resolving any investigation or other inquiry of any such agency or other governmental authority under any antitrust laws with respect to any such filing or any such transaction. To the extent not prohibited by applicable laws, each party to the merger agreement will use all commercially reasonable efforts to furnish to each other all information required for any application or other filing to be made pursuant to any applicable laws in connection with the transactions contemplated by the merger agreement. Each party to the merger agreement will give the other party reasonable prior notice of any communication with, and any proposed understanding, undertaking or agreement with, any governmental authority regarding any such filings or any such transaction. None of the parties to the merger agreement will independently participate in any meeting, or engage in any substantive conversation, with any governmental authority in respect of any such filings, investigation or other inquiry without giving the other party prior notice of the meeting or conversation and, unless prohibited by such governmental authority, the opportunity to attend or participate. The parties to the merger agreement will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party to the merger agreement in connection with proceedings under or relating to the HSR Act or other antitrust laws. A&B will take the lead in coordinating any filings and obtaining any necessary approvals under the HSR Act or any other federal or state antitrust laws.

Each of A&B and Grace Holdings will use its commercially reasonable efforts to resolve such objections, if any, as may be asserted by any governmental authority with respect to the merger and the other transactions contemplated by the merger agreement under the HSR Act or other antitrust laws. In connection therewith, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging any transaction contemplated by the merger agreement as inconsistent with or violative of any antitrust law, each of A&B and Grace Holdings will (by negotiation, litigation or otherwise) cooperate and use its commercially reasonable efforts vigorously to contest and resist any such action or proceeding, including any administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, delays or restricts consummation of the merger and the other transactions contemplated by the merger agreement, including by vigorously pursuing all available avenues of administrative and judicial appeal, unless, by mutual agreement, A&B and Grace Holdings decide that litigation is not in their respective best interests. Each of A&B and Grace Holdings will use its commercially reasonable efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other antitrust laws with respect to the merger and the other transactions contemplated by the merger agreement as promptly as possible after the signing of the merger agreement.

The parties have agreed, on the terms and subject to the conditions set forth in the merger agreement, to use their respective commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties to the merger agreement in doing, all things necessary, proper or advisable to consummate, in the most expeditious manner practicable, the transactions contemplated by the merger agreement, including (a) obtaining all other necessary actions or nonactions, waivers, consents, licenses, permits, authorizations, orders and approvals from governmental authorities and making all other necessary registrations and filings (including filings with governmental authorities, if any), (b) obtaining all consents, approvals or waivers from third parties related to or required in connection with the transactions contemplated by the merger agreement that are necessary to consummate the transactions contemplated by the merger agreement, (c) executing and delivering any additional instruments reasonably necessary to consummate the transactions contemplated by the merger agreement, and to fully carry out the purposes of, the merger agreement and (d) providing all such information concerning such party, its subsidiaries, its affiliates and its subsidiaries' and affiliates' officers, directors, employees and partners as may be reasonably requested in connection with any of the matters discussed above in this section.

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Notwithstanding anything to the contrary in this section, A&B is not required, in order to resolve any objections asserted under antitrust laws by any governmental authority with respect to the merger and the other transactions contemplated by the merger agreement, to divest any of its businesses or assets, or take or agree to take any other action or agree to any limitation or restriction, that the Board of Directors of A&B reasonably determines in good faith, after considering the advice of its management and legal and financial advisors, (a) to be materially adverse to A&B and its subsidiaries taken as a whole or (b) would materially impair the overall benefits expected, as of the date of the merger agreement, to be realized from the acquisition of Grace Holdings.

Employee Matters

Grace has agreed to terminate each Grace 401(k) plan (excepting any Grace 401(k) plan that relates solely to the Petroleum Businesses), effective no later than the day immediately preceding the closing date of the merger. Three business days prior to the closing date of the merger, Grace will provide A&B with evidence that such Grace 401(k) plans have been terminated (pursuant to resolutions adopted by the Board of Directors of Grace, the form and substance of which will be subject to the review and approval of A&B). Grace will take such other actions in furtherance of terminating such Grace 401(k) plans as A&B may reasonably require. In the event that termination of Grace 401(k) plans would reasonably be anticipated to trigger liquidation charges, surrender charges or other fees, then Grace will take such actions as are necessary to reasonably estimate the amount of such charges or fees and provide such estimate in writing to A&B no later than 30 business days prior to the closing date of the merger.

Merger Sub will, with respect to employees of Grace Holdings or its subsidiaries who become employees of Merger Sub immediately upon the closing of the merger (the "Former Grace Employees") and subject to the approval of the applicable insurance carriers, continue the health and welfare benefit plans of Grace Holdings' subsidiaries on substantially similar terms until such time as it is administratively practicable to transition and enroll the Former Grace Employees in Merger Sub's health and welfare benefit plans for which such employees are eligible.

Merger Sub will, with respect to the Former Grace Employees and subject to the approval of the applicable third-party administrator, continue the Flexible Benefits Plan (Section 125 Plan) of Grace Holdings' subsidiaries, including its medical care reimbursement plan and its dependent care reimbursement plan, on substantially similar terms until such time as it is administratively practicable to transition and enroll the Former Grace Employees in Merger Sub's Section 125 Plan for which such employees are eligible.

Merger Sub has agreed to take all necessary action so that after the closing date of the merger each Former Grace Employee will continue to be credited with the unused vacation and sick leave credited to such Former Grace Employee through the closing date of the merger under the applicable vacation and sick leave policies of Grace Holdings or its subsidiaries, and Merger Sub will permit or cause its affiliates to permit such employees to use such vacation and sick leave. Merger Sub will take all necessary action so that, for all purposes under each employee benefit plan maintained by Merger Sub or any of its affiliates in which Former Grace Employees become eligible to participate upon or after the closing date of the merger, each such employee will be given credit for all service with Grace Holdings or subsidiaries of Grace Holdings (or all service credited by Grace Holdings or subsidiaries of Grace Holdings) to the same extent as if rendered to Merger Sub or any of its affiliates other than for benefit accrual purposes under any defined benefit plan and except to the extent such crediting would result in duplication of benefits.

Merger Sub will, or will cause its affiliates to, waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Former Grace Employees under any welfare or fringe benefit plan in which such Former Grace

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Employees may be eligible to participate after the closing of the merger, other than limitations or waiting periods that are in effect with respect to such employees and that have not been satisfied under the corresponding welfare or fringe benefit plan maintained by Grace Holdings or the subsidiaries of Grace Holdings for the Former Grace Employees prior to the closing of the merger. To the extent permitted by the applicable insurance carriers, Merger Sub will, or will cause its affiliates to, provide each Former Grace Employee with credit under any welfare plans in which such Former Grace Employee becomes eligible to participate after the closing of the merger for any co-payments and deductibles paid by such Former Grace Employee for the then current plan year under the corresponding welfare plans maintained by Grace Holdings or its subsidiaries prior to the closing of the merger

Director and Officer Indemnification

The merger agreement provides that each of A&B and Merger Sub will, jointly and severally, indemnify and hold harmless all past and present officers and directors of Grace, Grace Holdings and their subsidiaries for acts or omissions occurring at or prior to the effective time of the merger to the fullest extent provided under their respective organizational documents in effect on the date of the merger agreement (and will also advance expenses as incurred in defense of any action, suit or proceeding to the fullest extent provided under such organizational documents, provided that the person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification) and provided, further, that such indemnification will be subject to any limitation imposed from time to time under the HBCA. A&B will purchase a "tail" for "Grace's existing directors' and officers' insurance policy with respect to all actions taken at or prior to the effective time of the merger.

Indemnification

The merger agreement provides that Grace Holdings shareholders will indemnify, defend and hold harmless A&B, affiliates of A&B (including Grace) and their respective directors, officers, shareholders and employees, and their heirs, successors and permitted assigns, each in their capacity as such, to the extent of the Holdback Amount from and against certain items set forth in the disclosure schedule to the merger agreement and any losses actually suffered or incurred by them, to the extent arising out of:

- any breach of any representation or warranty of Grace Holdings or Grace (other than with respect to certain tax matters and employee benefit plans, which are covered in the section entitled " Tax Matters"); and

- any breach prior to the closing of the merger by Grace Holdings or Grace of any covenant or agreement made by Grace Holdings or Grace in the merger agreement.

For purposes of determining the indemnification obligations of Grace Holdings shareholders, the determination of whether any representations and warranties have been breached and the determination and calculation of any losses resulting from such breach will be determined without giving effect to any qualification in the merger agreement as to "materiality" (including the words "material" or "company material adverse effect").

In addition, A&B will indemnify, defend and hold harmless the Grace Holdings shareholders and their respective affiliates, directors, officers, shareholders, trustees and employees, and their heirs, successors and permitted assigns, each in their capacity as such, from and against any and all losses actually suffered or incurred by them, to the extent arising out of any breach of any representation, warranty, covenant or agreement of A&B or Merger Sub in the merger agreement; provided, however, that A&B will not provide any indemnity with respect to qualification of the Grace Separation as a transaction described in Section 355 of the Code. For purposes of determining the indemnification obligations of A&B, the determination of whether any representations and warranties have been

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breached and the determination and calculation of any losses resulting from such breach will be determined without giving effect to any qualification in the merger agreement as to "materiality" (including the words "material" or "parent material adverse effect").

The indemnification obligations of Grace Holdings shareholders and A&B pursuant to the merger agreement are subject to limitations providing that:

- in no event will the aggregate indemnification obligations of either A&B or of Grace Holdings shareholders described in this section exceed the Holdback Amount minus the Purchase Price Adjustment Holdback Amount;

- except with respect to (a) taxes and other matters summarized in the section entitled " Tax Matters," (b) any loss arising out of any breach of certain fundamental representations and warranties or (c) items set forth in the disclosure schedule to the merger agreement, notwithstanding anything to the contrary in the merger agreement, no indemnification claims for losses described in this section will be paid by an indemnifying party unless the aggregate amount of the losses that would otherwise be payable by that party exceeds $1 million, in which case the indemnified party will be entitled to receive only amounts for losses in excess of $1 million;

- notwithstanding anything to the contrary set forth in the merger agreement, nothing in the merger agreement will limit the liability of any party in respect of losses arising out of any fraud on the part of such party;

- if any indemnified party collects an amount in discharge of a claim in respect of a loss pursuant to the indemnification provisions of the merger agreement and such indemnified party, or an affiliate of such indemnified party, subsequently recovers (by payment of cash) from a third party a sum which is related to that claim in respect of a loss pursuant to the indemnification provisions of the merger agreement such that the indemnified party has received an amount in connection therewith in excess of its related losses, such indemnified party will (or, as appropriate, will ensure that such affiliate will) promptly repay to the indemnifying party or parties an amount equal to the excess recovery less any costs or expenses incurred by the indemnified party in procuring the excess recovery (but no more than the amount paid by the indemnifying party to the indemnified party pursuant to the indemnification provisions of the merger agreement);

- the amount of losses otherwise recoverable under the indemnification provisions described in this section will be limited to the amount of any loss that remains after deducting from such loss any insurance proceeds and any indemnity, contribution or other similar cash payment actually received by the indemnified parties from any third party with respect to such loss; and

- notwithstanding anything to the contrary in the merger agreement, in no event will an indemnifying party be liable under the indemnification provisions described in this section for any exemplary, punitive, special, consequential or incidental damages, except to the extent any such damages are included in any third-party claim against an A&B indemnified party for which such party is entitled to indemnification under the merger agreement.

For purposes of the merger agreement, an "indemnified party" means a person making a claim for indemnification pursuant to the merger agreement and an "indemnifying party" means the person from whom indemnification is sought (which, if the claim is against the Grace Holdings shareholders, will be the Shareholders' Representative).

A&B and the Shareholders' Representative have agreed to meet from time to time to review claims for indemnification submitted by A&B indemnified parties to the Shareholders' Representative and amounts payable under the tax matters provisions of the merger agreement ("Holdback Amount

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Adjustment Meetings"). A&B and the Shareholders' Representative will convene Holdback Amount Adjustment Meetings (a) as soon as reasonably practicable once the losses that are the subject of such indemnification claims and any taxes or other amounts payable under the tax matters provisions of the merger agreement aggregate at least $500,000, and each time such losses, taxes or amounts since the most recent Holdback Amount Adjustment Meeting aggregate at least $500,000, (b) prior to the 12 month anniversary of the closing date of the merger and (c) prior to the 18 month anniversary of the closing date of the merger.

In the event that the Shareholders' Representative disputes all or any portion of the amount of losses subject to an indemnification claims or any taxes or other amounts payable pursuant to the tax matters provisions of the merger agreement, the Shareholders' Representative will deliver an objection notice to A&B no later than five business days prior to the upcoming Holdback Amount Adjustment Meeting. Any amount that is not the subject of an objection notice will be deemed accepted by the Shareholders' Representative and such amount will be deducted from the Holdback Amount.

If an objection notice is timely delivered, A&B and the Shareholders' Representative will use good faith efforts to resolve the dispute. If the dispute cannot be resolved within 30 days following the applicable Holdback Amount Adjustment Meeting, A&B and the Shareholders' Representative will submit the dispute to a mutually acceptable mediator, whose determination will be final and binding. The mediator will be instructed to render its decision in accordance with the terms of the merger agreement and will consider only those items or amounts that are the subject of disagreement between the parties. Once amounts subject to an objection notice are finally resolved, whether by mutual agreement or mediation, any amounts payable to an A&B indemnified party will be deducted from the Holdback Amount.

Tax Matters

On the closing date of the merger, any tax sharing agreement or other similar arrangement to which Grace Holdings or any of its subsidiaries is a party (other than any such agreement entered into in connection with the Grace Separation) will be terminated.

To the extent that they are not filed before the closing date of the merger, A&B has agreed to timely prepare and file all tax returns of Grace Holdings or any of its subsidiaries for (a) a taxable period ending on or before the closing date of the merger (a "Pre-Closing Tax Period") or (b) a taxable period that includes (but does not end on) the closing date of the merger (a "Straddle Period"). The Shareholders' Representative will be provided with copies of drafts of any such returns for his review and approval no later than 30 days prior to the due date of such tax returns. The Shareholders' Representative will have 20 days following the date of delivery of the draft tax return to notify A&B in writing of any objection to such draft tax return. A&B and the Shareholders' Representative are required to use their commercially reasonable efforts to resolve all disputed items and amounts pursuant to good faith negotiations. If A&B and the Shareholders' Representative are unable to resolve the disagreement within 30 days of A&B's receipt of the written objection, the unresolved disputes will be referred to an independent accountant for resolution. A&B, Grace Holdings, Merger Sub and the Shareholders' Representative are required to cooperate in connection with the preparation and filing of tax returns and any audit, litigation or other proceeding with respect to taxes or pertaining to the transactions contemplated by the merger agreement.

No later than five days prior to the due date of any tax return to be filed by A&B on behalf of Grace Holdings and any of its subsidiaries, the Holdback Amount will be reduced by an amount equal to the excess of the total liability for taxes shown to be due and payable over the amount, if any, of the corresponding taxes taken into account in the calculation of Closing Shareholders' Equity. Subject to the Shareholders' Representative's review, A&B will timely and duly file such tax return and timely pay an amount equal to the total liability for taxes shown to be due and payable.

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To the extent set forth in a tax matters agreement entered into in connection with the Restructuring and governing tax matters related to KI (the "Tax Matters Agreement"), if any additional taxes are assessed against A&B, Grace Holdings or any of their respective subsidiaries attributable to KI or the Petroleum Businesses as a result of an audit that is initiated prior to the 18 month anniversary of the closing date of the merger, A&B and the Shareholders' Representative are required to agree upon an appropriate reserve for such taxes and such funds, to the extent of the remaining Holdback Amount, will be held back until the audit is resolved and the additional taxes are fully paid. If the additional taxes exceed the Holdback Amount, or if any taxes are assessed pursuant to any audit commenced after the 18 month anniversary of the closing date of the merger, KI will pay such taxes. Any refunds received within such 18 month period with respect to KI and the Petroleum Businesses will, to the extent not taken into account in the calculation of Closing Shareholders' Equity, be paid to KI. To the extent of any inconsistencies between any of the foregoing and the Tax Matters Agreement, the Tax Matters Agreement will control.

If Grace Holdings' taxes (excluding the taxes relating to KI and the Petroleum Businesses or the Restructuring) with respect to any Pre-Closing Tax Period or pre-closing portion of any Straddle Period are greater than the taxes taken into account in the calculation of Closing Shareholders' Equity, such taxes will be borne by A&B and any refunds of such taxes will belong to A&B.

If Grace Holdings or any of its subsidiaries incurs any taxes as a result of the Restructuring in excess of the amount of taxes estimated to arise from the Grace Separation that were taken into account in the calculation of the Closing Shareholders' Equity, A&B will pay 25% of such taxes and the other 75% will be paid out of the Holdback Amount, until A&B has contributed a maximum of $1,000,000. Any such additional taxes in excess of that amount will be taken out of the Holdback Amount. If an audit is commenced with respect to the Restructuring prior to the 18 month anniversary of the closing date of the merger, A&B and the Shareholders' Representative will agree on an amount to be held in reserve out of the Holdback Amount, and such amount will be retained until the audit is resolved and will be used to pay the additional taxes, if any. If an audit of the Restructuring is commenced after the 18 month anniversary of the closing date of the merger or if there is no Holdback Amount or reserved amounts available, KI will pay any additional taxes arising as a result of the Grace Separation pursuant to the Tax Matters Agreement. Any refund of taxes arising as a result of the Grace Separation that is in excess of the amounts taken into account in the calculation of Closing Shareholders' Equity will be paid to KI pursuant to the Tax Matters Agreement.

A&B will be held harmless, through a reduction in the Holdback Amount, against any losses and taxes suffered by Grace Holdings, any subsidiary of Grace Holdings, A&B or any of A&B's affiliates (including Merger Sub) that are not described in the previous three paragraphs and arise out of: (a) the breach of any representation or warranty of Grace Holdings and Grace regarding tax matters or employee benefit plans; (b) any breach of any covenant of the Shareholders' Representative regarding tax matters; (c) taxes of or attributable to Grace Holdings or any of its subsidiaries for any Pre-Closing Tax Periods (including taxes of attributable or allocable to KI for tax periods ending on or prior to the date on which the Grace Separation is consummated and any taxes arising as a result of the Grace Separation) but only to the extent such taxes were not taken into account in the calculation of Closing Shareholders' Equity; (d) taxes payable by Grace Holdings or any of its subsidiaries in any period by reason of Grace Holdings or any of its subsidiaries being severally liable for the tax of any person pursuant to Treasury Regulations Section 1.1502-6 or any analogous foreign, state or local tax law in any Pre-Closing Tax Period or pre-closing portion of any Straddle Period; and (e) any amount required to be paid by Grace Holdings or any of its subsidiaries under an indemnification agreement (other than the merger agreement) or on a transferee or successor liability theory, which indemnification agreement or application of transferee or successor liability theory relates to an acquisition, disposition or similar transaction occurring on or prior to the closing date of the merger.

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Conditions to Completion of the Merger

Conditions to the Obligations of A&B, Merger Sub and Grace Holdings

The respective obligations of A&B, Merger Sub and Grace Holdings to complete the merger are subject to the satisfaction or waiver of each of the following conditions:

- the absence of any injunction or law preventing consummation of the merger or the other transactions contemplated by the merger agreement and the absence of any pending action or proceeding before any governmental authority seeking any such injunction (provided that prior to asserting this condition, a party must have used its commercially reasonable efforts to prevent the entry of any injunction and to promptly appeal any injunction that may be entered);

- the expiration or termination of any waiting period (and any extension thereof) applicable to the merger under the HSR Act;

- the approval of the share issuance proposal by A&B shareholders;

- the approval of the merger proposal by Grace Holdings shareholders;

- the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, and the absence of any stop order or proceedings initiated by the SEC for that purpose;

- the authorization for listing on the NYSE of the A&B common stock issuable in connection with the merger; and

- the absence of any threatened or pending action by a governmental authority seeking to prohibit or impose material limitations on A&B's ownership or operation of Grace Holdings or the operation of all or a material portion of A&B's or Grace Holdings' businesses or assets, or to compel A&B or Grace Holdings to dispose of or hold separate any material portion of their businesses or assets.

Conditions to the Obligations of A&B and Merger Sub

In addition, the obligations of A&B and Merger Sub to complete the merger are further subject to the satisfaction or waiver of each of the following conditions:

- the accuracy of the representations and warranties of Grace Holdings and Grace set forth in the merger agreement, generally both when made and at the time of the closing of the merger, subject to certain specified materiality standards;

- the performance and compliance by Grace Holdings and Grace in all material respects with all covenants and obligations required to be performed and complied with by them on or prior to the closing date of the merger;

- receipt of a certificate executed by an executive officer of Grace Holdings and Grace as to the satisfaction of the conditions described in the preceding two bullets;

- the absence of any event, development or change that, individually or in the aggregate, has resulted or would reasonably be expected result in a "company material adverse effect;"

receipt of an opinion from A&B's tax counsel to the effect that the merger will qualify as reorganization within the meaning of Section 368(a) of the Code;

receipt of an independent fairness opinion with respect to the merger that is acceptable to A&B;

receipt of certain third-party approvals and consents;

holders of no more than 3% of Grace Holdings common stock outstanding at the time of the merger exercising dissenters' rights; and

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the final forms of the agreements related to the Restructuring being reasonably acceptable to A&B, the approval of the Holding Company Reorganization by the shareholders of Grace and the consummation of the Restructuring (including the Grace Separation).

Conditions to the Obligations of Grace Holdings

In addition, the obligation of Grace Holdings to complete the merger is further subject to the satisfaction or waiver of each of the following conditions:

the accuracy of the representations and warranties of A&B and Merger Sub set forth in the merger agreement, generally both when made and at the time of the closing of the merger, subject to certain specified materiality standards;

the performance and compliance by A&B and Merger Sub in all material respects with all covenants and obligations required to be performed and complied with by them on or prior to the closing date of the merger;

receipt of a certificate executed by an executive officer of A&B as to the satisfaction of the conditions described in the preceding two bullets;

the absence of any event, development or change that, individually or in the aggregate, has resulted or would reasonably be expected result in a "parent material adverse effect;" and

receipt of an opinion from Grace Holdings' tax counsel to the effect that the merger will qualify as reorganization within the meaning of Section 368(a) of the Code.

Termination of the Merger Agreement

Termination by A&B or Grace Holdings

The merger agreement may be terminated at any time prior to the effective time of the merger by the mutual written consent of A&B and Grace Holdings.

In addition, either A&B or Grace Holdings may terminate the merger agreement at any time prior to the effective time of the merger if:

the merger has not been completed on or before November 30, 2013; provided that this right to terminate will not be available to any party whose failure to fulfill any obligation under the merger agreement caused or resulted in the failure of the merger to be consummated by such date;

a governmental authority of competent jurisdiction has issued an order, decree or ruling or taken other action restraining, enjoining or otherwise prohibiting the merger and such order, decree, ruling or other action has become final and nonappealable;

the other party materially breaches its covenants or breaches any of its representations and warranties such that the closing conditions with respect to such representations and warranties would not be satisfied, and, in each case, such breach is not cured within 30 days after receipt of written notice of such breach; or

A&B submits the share issuance proposal to A&B shareholders and the proposal is not approved.

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Termination by A&B

A&B may terminate the merger agreement at any time prior to the effective time of the merger if:

- the agreements related to the Restructuring have not been finalized to A&B's reasonable satisfaction within 60 days after the date of the merger agreement;
- Grace Holdings shareholders do not approve the merger proposal prior to the date of the A&B special meeting to approve the share issuance proposal;
- Grace Holdings materially breaches any of the non-solicitation provisions of the merger agreement and such breach is not cured within three days after receipt of written notice of such breach;
- Grace Holdings supplements the disclosure schedule delivered with the merger agreement to disclose facts that would constitute a breach of its representations and warranties, A&B and Grace Holdings discuss the matter in good faith but are unable to resolve the matter, and A&B provides written notice of termination within 10 days after receipt of any such supplemental disclosure; or
- the Weighted Average Stock Price is greater than $40.00.

Termination by Grace Holdings

Grace Holdings may terminate the merger agreement at any time prior to the effective time of the merger if the Weighted Average Stock Price is less than $29.00.

In addition, Grace Holdings may terminate the merger agreement at any time prior to obtaining its shareholders' approval of the merger proposal in order to accept and enter into a binding agreement with respect to a superior proposal, provided that the following conditions are met, collectively referred to as a "superior transaction event":

- at least five business days prior to terminating the merger agreement to accept a superior proposal, Grace Holdings provides A&B with written notice advising A&B that the Board of Directors of Grace Holdings has received a superior proposal that it intends to accept, specifying the material terms and conditions of such superior proposal and identifying the person making such superior proposal;
- Grace Holdings and its financial and legal advisors negotiate in good faith with A&B during such five business day period to make adjustments in the terms of a revised agreement between Grace Holdings and A&B that are equal or superior to the terms of such superior proposal;
- simultaneously with any termination of the merger agreement to accept a superior proposal, Grace Holdings pays A&B the termination fee (as described in the section entitled " Expenses and Termination Fees"); and
- Grace Holdings has not materially breached any of the non-solicitation provisions of the merger agreement.

Expenses and Termination Fees

The merger agreement provides also that all fees and expenses incurred in connection with the merger agreement and the merger will be paid by the party incurring such expenses except as provided below, and except for:

- the fees and expenses of any independent public accounting firm employed pursuant to the merger agreement in the resolution of any dispute concerning A&B's good faith calculation of Closing Shareholders' Equity, which will be paid one-half by the Grace Holdings shareholders,

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on the one hand (with such amount being deducted from the Purchase Price Holdback Amount), and one-half by A&B, on the other hand;

the fees of any independent public accounting firm employed pursuant to the merger agreement in the resolution of any dispute concerning tax returns, which will be paid one-half by the Shareholders' Representative (on behalf of the Grace Holdings shareholders) to the extent that funds are available in the Shareholders' Representative Expense Fund, and thereafter paid out of the Holdback Amount, on the one hand, and one-half by A&B, on the other hand; and

the fees and expenses relating to any mediation undertaken pursuant to the merger agreement in the resolution of any dispute concerning indemnification claims submitted by A&B or amounts payable under the tax matters provisions of the merger agreement, which will be allocated between the Grace Holdings shareholders, on the one hand (with such amounts being deducted from the Holdback Amount), and A&B, on the other hand, in inverse proportion to the resolution of the disagreements by the mediator such that the party or parties whose determination of the amount in question as first submitted to the mediator is closer to the mediator's determination pays a smaller percentage of such fees and expenses.

Grace Holdings Payments

The merger agreement provides that Grace Holdings will reimburse the expenses incurred by A&B up to a maximum of $3 million in the event that the merger agreement is terminated:

by A&B because the agreements related to the Restructuring have not been finalized to A&B's reasonable satisfaction within 60 days after the date of the merger agreement;

by A&B because the Grace Holdings shareholders have not approved the merger proposal prior to the date of the A&B special meeting to approve the share issuance proposal; or

by Grace Holdings because the Weighted Average Stock Price is less than $29.00.

The merger agreement provides that Grace Holdings will pay A&B a termination fee of $7 million, plus the amount of all expenses incurred by A&B up to a maximum of $3 million, if either of the following events occur:

the merger agreement is terminated by Grace Holdings in connection with a superior transaction event; or

(a) after the date of the merger agreement a takeover proposal has been made to Grace Holdings, (b) the merger agreement is terminated by A&B because (i) the merger has not been consummated on or before November 30, 2013 and the failure of the merger agreement to be consummated on or before such date has not been caused by or resulted from the failure of A&B to fulfill any obligation under the merger agreement or (ii) Grace Holdings has materially breached the non-solicitation provisions of the merger agreement and such breach has not been cured within three days after receipt of written notice of such breach and (c) within 12 months following the termination of the merger agreement, Grace Holdings enters into a definitive agreement to consummate or consummates a takeover proposal (solely for purposes of this clause (c), a "takeover proposal" has the same meaning as a takeover proposal, except that "50%" should be substituted for all references to "15%").

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A&B Payments

The merger agreement provides that A&B will reimburse the expenses incurred by Grace Holdings up to $3 million in the event that the merger agreement is terminated:

by A&B or Grace Holdings because A&B has submitted the share issuance proposal to A&B shareholders and the proposal was not approved in a vote taken on such proposal; or

by A&B because the Weighted Average Stock Price is greater than $40.00.

Shareholders' Representative

Under the terms of the merger agreement, in the event that Grace Holdings shareholders approve the merger at the special meeting of Grace Holdings shareholders, Grace Holdings will appoint David C. Hulihee as the Shareholders' Representative for each Grace Holdings shareholder, as each Grace Holdings shareholder's agent and attorney-in-fact, to execute and deliver all documents necessary or desirable to carry out the intent of the merger agreement and any other documents and agreements contemplated by the merger agreement with respect to Grace Holdings shareholders, to make all elections or decisions contemplated by the merger agreement and any other agreements contemplated by the merger agreement, including the initiation or defense of claims for indemnification or other litigation or proceedings, to give and receive on behalf of Grace Holdings shareholders any notices from or to any Grace Holdings shareholder and to engage such third parties as the Shareholders' Representative determines to be appropriate and in the best interests of Grace Holdings shareholders.

Grace Holdings has given and granted to the Shareholders' Representative the power and authority to do and perform each act and thing that the Grace Holdings shareholders may be or are required to do pursuant to the merger agreement and all other documents and agreements executed and delivered by such shareholders in connection with the merger agreement, and to amend, modify or supplement any of the foregoing in each Grace Holdings shareholder's name, as if such Grace Holdings shareholder had personally done such act. Any proceeds received by the Shareholders' Representative from A&B or Merger Sub on behalf of Grace Holdings shareholders will be turned over to such Grace Holdings shareholders as promptly as practicable by the Shareholders' Representative, in accordance with the terms and provisions of the merger agreement. The death, incapacity, dissolution, liquidation, insolvency or bankruptcy of any Grace Holdings shareholder will not terminate such appointment or the authority and agency of the Shareholders' Representative. The power-of-attorney granted to the Shareholders' Representative pursuant to the merger agreement is coupled with an interest and is irrevocable. A&B and Merger Sub may conclusively rely upon, without independent verification or investigation, all decisions made by the Shareholders' Representative on behalf of Grace Holdings shareholders. The Shareholders' Representative will have the discretion to award bonuses to Former Grace Employees following the date of the closing of the merger, to the extent funds for such bonuses were reserved in the determination of Closing Shareholders' Equity.

The Shareholders' Representative will not be liable for acts done or omitted under the merger agreement in its capacity as the Shareholders' Representative. The Shareholders' Representative may refuse to take any action under the merger agreement or any related document or agreement unless it has received such advice or concurrence of the Grace Holdings shareholders as it deems appropriate or it shall have been expressly indemnified to its satisfaction by the Grace Holdings shareholders, severally according to their respective ownership percentages, against any and all liabilities that the Shareholders' Representative may incur by reason of taking or continuing to take any such action.

By approving the merger agreement, Grace Holdings shareholders agree to indemnify the Shareholders' Representative (in its capacity as such) and its agents and other representatives ratably according to their respective ownership percentages, and to hold the Shareholders' Representative (in its capacity as such) and its agents and other representatives harmless from any and all losses which

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may at any time be imposed upon, incurred by or asserted against the Shareholders' Representative and its agents and other representatives in such capacity.

David C. Hulihee will be the initial Shareholders' Representative and will serve as the Shareholders' Representative until his resignation or he is otherwise unable to continue to serve. Upon the resignation of David C. Hulihee or if he is not able to continue to serve, Bill D. Mills will serve as the Shareholders' Representative until his resignation or he is otherwise unable to continue to serve. Thereafter, Grace Holdings shareholders representing a majority of the aggregate ownership percentages of all Grace Holdings common stock will select a new Shareholders' Representative by written consent signed by such majority. Each time a new Shareholders' Representative is appointed pursuant to the merger agreement, such person will accept such position in writing as a condition precedent to the effectiveness of such appointment.

The Shareholders' Representative will hold and administer the Shareholders' Representative Expense Fund. The Shareholders' Representative from time to time may withdraw monies from the Shareholders' Representative Expense Fund to pay the costs and expenses incurred by the Shareholders' Representative in performing its duties as Shareholders' Representative under the merger agreement, however in no event will the Shareholders' Representative be entitled to receive payment from the Shareholders' Representative Expense Fund as compensation for the performance of its duties under the merger agreement. Upon release to A&B or the Grace Holdings shareholders of any and all remaining portions of the Holdback Amount to which they then may be entitled, the Shareholders' Representative may elect either (a) to disburse the then-remaining balance of the Shareholders' Representative Expense Fund, if any, to Grace Holdings shareholders in accordance with their respective ownership of Grace Holdings common stock immediately prior to the effective time of the merger (the "Shareholders' Representative Expense Fund Residual"), or (b) to hold such then-remaining balance in an account, for the benefit of the Grace Holdings shareholders, and apply the same to the costs and expenses incurred by the Shareholders' Representative in performing his duties as Shareholders' Representative under the merger agreement.

Amendment and Waiver

The merger agreement provides that the parties may amend the merger agreement by written instrument signed by each of A&B and Grace Holdings prior to the effective time of the merger or executed by A&B and the Shareholders' Representative following the effective time of the merger. Any waiver of rights under the merger agreement must be set forth in writing.

A&B will disclose any material amendments or waivers to the merger agreement on a current report on Form 8-K. In addition, A&B will issue a press release concurrently with the filing of the Form 8-K to notify shareholders promptly upon the occurrence of a material amendment or waiver to the merger agreement.

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OTHER AGREEMENTS

Voting Agreement

Concurrently with the execution of the merger agreement, and in consideration thereof, the Principal Shareholders entered into a voting agreement with A&B and Merger Sub. Pursuant to the terms of the voting agreement, these shareholders have agreed, solely in their capacity as shareholders, to vote the shares of Grace Holdings common stock beneficially owned by them (a) in favor of the merger proposal, (b) in favor of the actions contemplated by the merger agreement, (c) against any proposal that would result in a breach of the merger agreement and (d) against any proposal that would interfere with the merger.

Subject to certain exceptions described in the voting agreement, these shareholders have also agreed, among other things, not to offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of their shares of Grace Holdings common stock, or to enter into any agreement related to any of the foregoing transactions. The voting agreement will terminate at the earliest to occur of (a) the mutual consent of the parties, (b) the termination of the merger agreement and (c) the effective time of the merger.

As of [ ], 2013, the Principal Shareholders collectively owned 115,200 shares of Grace Holdings common stock, or approximately 71% of the outstanding Grace Holdings common stock as of that date. As a result of the voting agreement, approval of the merger proposal is assured.

Lock-Up Agreements

Concurrently with the execution of the merger agreement, and in consideration thereof, each of the Principal Shareholders entered into a lock-up agreement with A&B and Merger Sub pursuant to which each of the Principal Shareholders has agreed, subject to certain exceptions, not to offer, sell, pledge, hypothecate or otherwise transfer or dispose of, directly or indirectly, any shares of A&B common stock issued to such Principal Shareholder pursuant to the merger agreement for a period of six months following the effective time of the merger.

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THE A&B ADJOURNMENT PROPOSAL

General

If there are not sufficient votes at the time of the A&B special meeting to approve the share issuance proposal, A&B's Chairman may propose to adjourn the special meeting to a later date or dates in order to permit the solicitation of additional proxies. Under Hawaii law and the provisions of A&B's bylaws, no notice of adjournment need be given to you other than the announcement of the adjournment at the special meeting.

In order to permit proxies that have been received by A&B at the time of the special meeting to be voted for an adjournment, if necessary, A&B has submitted the adjournment proposal to you as a separate matter for your consideration.

In the adjournment proposal, A&B is asking you to authorize the holder of any proxy solicited by the Board of Directors to vote in favor of adjourning the special meetings and any later adjournments. If A&B's shareholders approve the adjournment proposal, A&B could adjourn the special meeting, and any adjourned session of the special meeting, to use the additional time to solicit additional proxies in favor of the share issuance proposal, including the solicitation of proxies from shareholders that have previously voted against the share issuance proposal. As a result, even if proxies representing a sufficient number of votes against the share issuance proposal have been received, A&B could adjourn the special meeting without a vote on the share issuance proposal and seek to convince the holders of those shares of common stock to change their votes to votes in favor of the share issuance proposal.

The Board of Directors believes that if the number of shares of common stock present or represented at the special meeting and voting in favor of the share issuance proposal is insufficient to approve the share issuance proposal, it is in the best interests of the shareholders to enable the Board of Directors, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes to approve the share issuance proposal.

Required Vote

The affirmative vote of a majority of the shares present in person or by proxy at the special meeting, and entitled to vote thereat, is required to approve the adjournment proposal. Abstentions will be treated as a vote "AGAINST" the adjournment proposal. However, the failure to vote, either by proxy or in person, will have no effect on the outcome of the vote on the adjournment proposal.

The A&B Board of Directors recommends that A&B shareholders vote "FOR" the share issuance proposal.

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INFORMATION ABOUT THE COMPANIES

Alexander & Baldwin, Inc.

A&B is a premier Hawaii land company with interests in real estate development, commercial real estate and agriculture. With ownership of over 87,000 acres in Hawaii, A&B is the state's fourth largest private landowner, and is one of the state's most active real estate investors. A&B has a diverse portfolio of real estate development projects throughout Hawaii, and a commercial portfolio comprising eight million square feet of leasable space in Hawaii and on the U.S. Mainland. It is also the owner and operator of the Hawaiian Commercial & Sugar plantation on Maui, and a significant provider of renewable energy on the islands of Maui and Kauai.

A&B's common stock trades on the NYSE under the ticker symbol "ALEX." The principal executive offices of A&B are located at 822 Bishop Street, P.O. Box 3440, Honolulu, Hawaii 96801, and its telephone number is (808) 525-6611. Additional information about A&B and its subsidiaries is included in documents incorporated by reference into this document. See "Where You Can Find More Information" beginning on page 152.

A&B II, LLC

Merger Sub, a wholly owned subsidiary of A&B, was formed solely for the purpose of completing the merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. The principal executive offices of Merger Sub are located at 822 Bishop Street, P.O. Box 3440, Honolulu, Hawaii 96801, and its telephone number is (808) 525-6611.

GPC Holdings, Inc.

Grace Holdings is a newly formed holding company that conducts all of its operations through its direct subsidiary, Grace. Prior to [ ], 2013, Grace Holdings was a wholly owned subsidiary of Grace. As of [ ], as a result of the Holding Company Reorganization, Grace Holdings became the direct parent of Grace.

Grace is a vertically integrated natural materials, construction services, and petroleum distribution company that operates in the State of Hawaii. Key facts about Grace, which was founded in 1921 and incorporated in Hawaii in 1931, include the following:

- One of the largest aggregate producers in the State of Hawaii (based on tonnage).
- Owns two quarries one on the island of Oahu and one on the island of Molokai.
- Leading asphalt paving contractor in the state (based on tonnage and revenue).
- Total construction backlog of almost $200 million as of March 31, 2013, including the backlog of Maui Paving, LLC, a 50% owned non-consolidated affiliate.
- Importer of liquid asphalt and majority owner of one of two liquid asphalt distributors in the state.
- Majority owner of the only architectural precast/prestressed concrete manufacturer and supplier in the state.
- Fourth largest petroleum distributor in the state based on gallons sold.

Grace is headquartered in Honolulu, HI and operates the following two businesses the Natural Materials and Construction business and the Petroleum business.

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Natural Materials and Construction business mines, processes, and sells basalt aggregate; imports Canadian sand and aggregates for sale and use; imports and markets liquid asphalt; manufactures and markets asphaltic concrete; accepts for a fee, recycles and sells for reuse, demolition pavement and concrete; performs asphalt paving as prime contractor and subcontractor; manufactures and supplies precast/prestressed concrete products; provides construction-related services, including guardrail, fencing and sign installation, and the rental and sales of safety and specialty traffic control equipment and supplies; provides traffic control services; manufactures commercial signs and banners; and performs application of maintenance-related encapsulation product.

Petroleum business acquires, distributes and directly markets petroleum products in Hawaii; owns the exclusive rights to use the 76 brand in Hawaii and provides 76 branded fuel to 73 retail gas stations on Oahu, Maui, Kauai and Hawaii Island; holds a Chevron jobbership license, facilitating the delivery of refined petroleum to gas stations and other end users on the islands of Kauai and Molokai; markets bulk petroleum products to unbranded locations and end users; and operates petroleum product terminals.

The following table provides a summary of key information for each of Grace's businesses.

	2012 Revenue(1) (in millions)	Percentage of Total 2012 Revenue	2012 Operating Profit(1) (in millions)	Percentage of Total 2012 Operating Profit
Natural Materials and Construction	$ 194.4	39.2%	$ 20.5	82.0%
Petroleum	$ 301.5	60.8%	$ 4.5	18.0%
Total	$ 495.9	100.0%	$ 25.0	100.0%

(1) Revenues of Grace during its fiscal year ended September 30, 2012.

Further information about the revenue and operating profits of Grace's businesses for the three years ended September 30, 2012 are contained in the section entitled "Grace Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 108.

Grace began operations as a specialized equipment and materials distributor serving Hawaii's construction industry. Grace entered the paving industry in 1973 when it purchased the paving and asphaltic concrete operations of Nanakuli Paving and Rock Company, shortly after which the equipment and parts business was sold. Grace started mining and processing basalt aggregate in 1984 when it acquired Pacific Concrete and Rock Company, Ltd. Today, Grace's vertically integrated natural materials and construction business encompasses operations spanning from the mining of rock, importation and distribution of liquid asphalt, and production of asphaltic concrete to the paving of roads, provision of traffic control, installation of guardrail and roadway signage, and the manufacture of precast/prestressed concrete products.

In calendar year 2011, Grace entered the petroleum distribution business through the acquisitions of Mid Pac Petroleum, LLC ("MPP") and Inter Island Petroleum, Inc. ("IIP") in two separate transactions. Prior to the merger, Grace Holdings, Grace and KI will enter into a Separation Agreement pursuant to which all of the shares of KI, the subsidiary of Grace Holdings that holds the Petroleum Businesses, will be distributed to Grace Holdings shareholders on a pro rata basis. Consequently, the Petroleum Businesses will not be acquired by A&B in the merger.

Natural Materials and Construction Business

The Natural Materials and Construction business conducts its operations through various wholly owned and majority owned consolidated subsidiaries and an equity method investment. See "Grace

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Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 108.

The market for the Natural Materials and Construction business can be generally divided into the public sector market and the private sector market. The public sector construction market includes spending by federal, state and county governments for road and highway paving, aggregate materials, and highway-related maintenance and management services. In general, public sector spending is less cyclical than private sector construction projects. Approximately 90% of Grace's fiscal 2012 paving revenue is directly or indirectly attributable to public sector contracts. Private sector construction market includes spending for non-residential and residential asphalt paving and material sales. Private sector spending is generally more cyclical than public sector spending and is primarily driven by economic conditions in the state, such as tourism and construction growth and spending, which in turn affects job and personal income growth.

Crushed basalt aggregate, liquid asphalt and asphaltic concrete are primarily used by Grace in its paving contracting business, but are also sold to third parties. Approximately 8.7%, 7.5% and 6.5% of revenue were from sales of crushed basalt aggregate, liquid asphalt, and asphaltic concrete, respectively, to third parties in fiscal 2012. In fiscal 2012, completed contracts with federal, state and county agencies in Hawaii represented approximately 65% of total Natural Materials and Construction revenue. The State of Hawaii and the County of Honolulu collectively represented more than 40% of total Natural Materials and Construction revenue in fiscal 2012.

Aggregate Grace mines, processes, and markets basalt aggregate from its Makakilo quarry on the island of Oahu. Additionally, Grace owns a quarry on the island of Molokai and licenses approximately 264 acres to an unrelated party that mines and processes basalt aggregate. Aggregate production involves drilling and blasting rock from quarries, crushing the rock to appropriate sizes and screening materials after extraction to separate aggregate into two grades with more than 20 gradations with varying specifications. Basalt aggregate is used in the construction industry for residential and commercial developments, highways, roads, asphaltic concrete, and ready-mix concrete products. Based on production in 2012, Grace was one of the largest producers of basalt aggregate in the state. Grace's primary competitors in the aggregate sector on Oahu are quarries operated by Ameron Hawaii (on land owned by the John C. Baldwin Trust, James C. Baldwin Trust, James C. Castle Trust and James C. McIntosh Trust) and by Hawaiian Cement (on land owned by Queen Emma Land Company). Aggregate can also be imported into Hawaii from abroad to meet the state's needs. Due to the high cost of handling and transporting aggregate, location is an important driver in determining a customer's preferred source.

Asphaltic Concrete Grace imports liquid asphalt through its 70% owned consolidated subsidiary, GLP Asphalt, LLC ("GLP"), for use in the manufacture of asphaltic concrete or hot mix asphalt. Asphaltic concrete is produced by heating asphalt cement to a liquid consistency, drying the aggregate to remove moisture, and mixing the liquid asphalt with the aggregate. Asphaltic concrete consists of approximately 94% aggregate and 6% asphalt. To produce asphaltic concrete, Grace uses basalt aggregate from its own quarries, as well as from competitors' quarries and reclaimed asphalt pavement ("RAP," or existing road surfaces that are removed and recycled). Due to the high cost of transporting rock, Grace will generally utilize aggregate sources nearest to its hot mix plant and/or locate its hot mix plant next to the aggregate resource. Grace sources liquid asphalt through GLP, which purchases asphalt mainly from Canada, but GLP also purchases asphalt from other foreign locations, typically once or twice a year, depending on demand, and from a local refinery owned by Tesoro. GLP is one of two distributors of liquid asphalt, and approximately 60% of GLP asphalt sales are to Grace. Grace's primary competition for liquid asphalt in Hawaii is the Tesoro refinery on Oahu. This refinery produces liquid asphalt as a by-product of petroleum its refining operation and also imports crude oil specifically to produce liquid asphalt. In June 2013, Tesoro announced that it had reached an agreement to sell the refinery to Par Petroleum. Although Par Petroleum has announced its intent to operate the refinery,

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the extent to which the pending transaction will impact the state's supply of liquid asphalt is not currently known.

Once mixed, asphaltic concrete can remain in a truck for approximately one to one and a half hours before it cools below a specified temperature and can no longer be compacted properly at the job site, and therefore, becomes unusable. Asphaltic concrete is manufactured at Grace's asphaltic concrete plants located throughout the state. Grace's seven hot mix plants are located on Oahu (two locations), Maui (one location), Kauai (one location), Hawaii island (two locations), and Molokai (one location). Grace locates its hot mix plants near or within areas with sufficient market demand due to the limited "shelf life" of asphaltic concrete. Approximately 22% of asphaltic concrete produced by Grace is sold to third parties and the remainder is used on Grace construction jobs by its asphalt paving division. To the extent allowed by contract specifications, Grace will use up to 40% RAP in its asphaltic concrete mixes. Additionally, Grace's Oahu asphaltic concrete plants have been retrofitted to produce warm mixes which require less heating fuel. To the extent available, Grace also uses bio-diesel and Ecodiesel at its facilities where appropriate. Grace's primary competition for asphaltic concrete is from other paving construction firms that operate their own asphaltic concrete plants. Many of these operators, however, are not as vertically integrated and do not produce their own aggregate or independently source their asphalt supplies.

Asphalt Paving Asphalt paving generally involves the removal of the existing surface layer of asphalt pavement in a process called cold planing, the placement of asphaltic concrete with a mechanical spreader, and the compaction of the asphalt mat with rollers. The asphalt paving market is predominately composed of paving projects contracted by federal, state and county agencies. The contracts are based on competitive sealed bids, with the bid awarded to a qualified contractor with the lowest bid. Depending on contract requirements, Grace may serve as prime contractor or subcontractor. Depending on the available workflow, Grace operates six to seven paving crews on Oahu and one or more on each of the other major islands in the state. On the islands of Maui and Molokai, Grace provides asphalt paving through Maui Paving, LLC, a non-consolidated 50% owned joint venture. Approximately 90% of all asphalt paving work is performed for federal, state and county governmental entities. The remainder of the work consists of private contracts, such as residential and commercial developments.

Grace competes by striving to be the most efficient, highest quality, lowest cost and safest operator in the state through its difficult to replicate vertically integrated business model and the employment of the best management practices, commitment to training, adherence to stringent safety standards, maintenance of best-in-class quality control, use of recycled materials, rapid adoption of new technology, use of integrated cost controls, and use of expert outside consultants. Grace's primary competitors include Jas A. Glover, Ltd., and on the island of Oahu, Roads and Highways, LLC (a division of Sterling Construction NASDAQ: STRL) and Road Builders Corp., and on the island of Maui, Maui Master Builders.

Construction-Related Services Through various consolidated subsidiaries, Grace provides a range of construction-related services. Grace's subsidiary, GP Roadway Solutions, Inc. ("GPRS") operates as a subcontractor and prime contractor and provides guardrail, fencing and sign installation and maintenance; rents and sells safety and traffic control equipment and supplies; provides traffic control services; provides road and parking lot striping, seal coating and crack sealing, and security services; and performs application of maintenance-related encapsulation product. Grace's 51% owned GP/RM Prestress, LLC ("GP/RM") is a manufacturer and supplier in the prestressed and precast concrete industry. GP/RM fabricates architectural concrete products such as exterior columns, walls and spandrels in a variety of colors with varying finishes and features used in the construction of parking structures, buildings and high rises. GP/RM is also a major supplier of structural concrete products such as rectangular, hexagonal, and octagonal columns, various types of beams, double tees, walls,

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spandrels, stairs, flat slabs, bridge girders, planks, and stadium bleachers used to support various types of structures.

At March 31, 2013, Grace's total paving and construction-related backlog, which consists of signed contracts and pending contracts (awarded contracts not yet executed), including the backlog of Maui Paving, LLC, a 50% owned non-consolidated affiliate, totaled nearly $200 million, compared to $152 million at March 31, 2012. Over the next 12 months, Grace expects that approximately 70% 80% of its existing backlog at March 31, 2013 will be completed, subject to the customers' timing of project commencement.

Petroleum Business

Mid Pac Petroleum, LLC, a wholly owned subsidiary of KI, which is a wholly owned subsidiary of Grace, is primarily in the business of the acquisition, distribution and direct marketing of petroleum products in Hawaii. MPP has the exclusive rights to use the 76 brand in Hawaii and provides 76 branded fuel to 73 retail gas stations on Oahu (47 locations), Maui (10 locations), Kauai (three locations) and Hawaii Island (13 locations). In addition, through its subsidiaries, MPP also holds a Chevron jobbership (facilitating delivery of refined petroleum to gas stations and other end users) on the islands of Kauai and Molokai. In addition, MPP markets bulk petroleum products to unbranded locations and end users and operates petroleum product terminals at three locations in Hawaii. MPP and its subsidiaries were acquired by Grace in calendar year 2011.

The retail gas market is characterized by modestly contracting demand, as well as a declining number of competitors and locations. Large retailers such as Costco and Sam's Club have also impacted the demand available for the traditional retail outlets. Hawaii gross fuel margins are significantly higher than mainland markets, justified by the much higher land values and higher cost of labor. With supply costs pegged to U.S. and international markets, fuel margins are typically volatile throughout the year relative to the price of crude oil and the performance of other Grace businesses, without a particularly clear seasonality.

The bulk petroleum product market is characterized by a smaller number of direct competitors, but also a limited number of significant customers. As a result, the bulk petroleum market is a very competitive environment with relatively thin margins. Demand in the bulk petroleum market can be more seasonal than the retail gas market, often driven by construction activity.

Prior to the merger, Grace Holdings, Grace and KI will enter into a Separation Agreement pursuant to which all of the shares of KI, the subsidiary of Grace Holdings that holds the Petroleum Businesses, will be distributed to Grace Holdings shareholders on a pro rata basis. Consequently, the Petroleum Businesses will not be acquired by A&B in the merger.

Competitive Strengths

Leading Market Position Grace holds a leading market position in asphalt paving and in the production of asphaltic concrete and is one of the largest producers of aggregate in the State of Hawaii. Due to relatively high capital requirements needed to compete in the market, Grace's scale provides a cost advantage relative to other competitors in the state. Due to its leading market position, Grace expects to benefit disproportionately from the improving Hawaii economy and the positive impact that such improvement is expected to have on infrastructure spending. For example, the condition of Hawaii's roads, in general, and Oahu's roads, in particular, are consistently ranked near the bottom as compared to other states and metropolitan areas, and as a result, the City and County of Honolulu administration recently announced an intent to increase its road maintenance budget from $100 million in 2012 to a range of $120 million to $150 million in each of the next five years.

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Unique Assets Grace owns over 800 acres in the state related to its quarrying operations. Due to the high cost of transporting aggregate, Grace's 541 owned acres in west Oahu, which includes land used for quarrying operations, are ideally located adjacent to Oahu's primary area of growth in leeward Oahu and Kapolei. Additionally, approximately 50 of these acres have mid-term redevelopment potential. Grace also owns strategically placed asphaltic concrete plants located throughout the state, including Oahu (two locations), Maui (one location), Kauai (one location), Hawaii island (two locations), and Molokai (one location).

In addition to its unique tangible assets, Grace's assets include an experienced management team with extensive expertise in quarry management and operations, asphaltic concrete production and asphalt paving.

Vertically Integrated Business Model Grace's vertically integrated business model, which includes the mining of basalt aggregate and the importation and distribution of liquid asphalt, provides it with cost benefits at higher throughput rates, while also increasing cost certainty due to the ability to manage costs throughout the supply chain. This cost certainty allows Grace to compete effectively as an efficient, high-quality, low-cost provider.

Strategy

Leverage Vertically Integrated Business Model to Lower Costs Grace maintains cost benefits through a vertically integrated business model that encompasses the production of aggregate and the importation of liquid asphalt. Grace also imports Canadian aggregates and sand for sales to third parties and for use in its asphaltic concrete. These activities help ensure that Grace has adequate access to raw materials needed to produce asphaltic concrete and, therefore, also provides for a level of cost certainty that allows Grace to compete effectively on sealed bid contracts.

Capitalize on Strategically Located Quarry Adjacent to Fast-Growing Area on Oahu Grace owns one of three operating quarries on the island of Oahu, and the only quarry located adjacent to the fast-growing region on the west side of Oahu. Approximately 15,000 residential units are projected in the future and numerous commercial projects are planned. Additionally, Grace's Kalaeloa asphaltic concrete plant is ideally located on the west side of Oahu near its quarry (and Grace's Makakilo quarry is also permitted to operate an asphalt plant on site). Due to the high cost of transporting aggregate and the limited shelf life of asphaltic concrete once it is produced, Grace's quarry and hot mix plant locations are ideally located to service the growth in the area for the foreseeable future.

Properties

Natural Materials and Construction Business

Quarries: Grace's Natural Materials and Construction business owns 541 acres of land on the island of Oahu, of which approximately 200 acres are used for its quarrying operations. Approximately 1.1 million tons of rock were mined and processed in 2012. The operation of the quarry is governed by Special and Conditional use permits, which allow Grace to extract aggregate through 2032.

Grace also owns 264 acres of land on the island of Molokai used for quarrying operations. The mining activities have been licensed to an unrelated party who pays Grace royalties for the aggregate produced. Approximately 45,000 tons of rock were mined and processed in 2012. Grace retains the right to operate an asphaltic concrete plant in the quarry. Grace is in the process of seeking the necessary permits to re-establish a hot mix plant on site and intends to license the asphalt plant operations to a non-consolidated affiliated company.

Equipment: Grace owns 548 pieces of on and off highway rolling stock, which consists of heavy duty trucks, passenger vehicles and various road paving, quarrying and operations equipment.

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Additionally, Grace owns 549 pieces of non-rolling stock items used in its operations, such as generators, transit tankers, light towers, message boards and nuclear gauges. Grace also owns seven asphaltic concrete plants and six crushers. Grace is in the process of installing new crushing plants at the Makakilo quarry with the finishing plant expected to be online before the end of July 2013 for "A" grade production. The primary and secondary plants are expected to be completed by December 31, 2013 for surge and "B" grade production. The new facilities will significantly increase the productivity and efficiency of the operations resulting in lower production costs. The total cost of the quarry improvements is expected to be approximately $33.0 million, of which $26.6 million has been incurred through March 31, 2013, and all remaining work, other than approximately $2 million of work, is anticipated to be completed prior to consummation of the merger.

Other: Grace owns an 8,300 square foot building on 0.56 acres of fee simple land on Maui. The property houses a GPRS showroom and is also used for warehouse and storage yard space.

Petroleum Business

Real Estate: MPP owns 27 fee simple properties, including 20 that are improved retail fueling stations, two petroleum terminals, a warehouse and an unmanned commercial fueling station where cardholders can access gas, and four vacant lots that are available for development. Additionally, MPP owns an office condominium in downtown Honolulu, which is used for MPP's corporate office.

Equipment: MPP owns 40 pieces of rolling stock that consist of heavy duty and passenger vehicles.

Other: MPP owns the canopies, tanks and fuel pumps at 63 fueling locations operated by MPP or 7-11 convenience stores and other independent operators through reciprocal arrangements.

Seasonality

The financial results for any quarter are not necessarily indicative of the results that might be projected for the year because of seasonal changes and the impact that weather can have on aggregate production and tonnage of asphalt sold /paved. The highest sales volume normally occurs in the third and fourth quarters of Grace's fiscal year, which corresponds to lower levels of precipitation during the months of April through September in Hawaii.

Employees and Labor Relations

As of March 31, 2013, Grace and its subsidiaries had approximately 708 regular full-time and part-time employees. Approximately 572 employees were employed in the Natural Materials and Construction business and 136 employees were employed in the Petroleum business. Approximately 54% of the employees were covered by collective bargaining agreements with two unions.

A collective bargaining agreement with the International Union of Operating Engineers AFL-CIO, Local Union 3 ("IUOE") covers approximately 196 of Grace's employees who are primarily classified as heavy duty equipment operators, paving construction site workers, quarry workers, truck drivers, and mechanics. The current agreement with IUOE expires August 31, 2014.

Collective bargaining agreements with Laborers International Union of North America Local 368 ("Laborers") cover approximately 193 employees who engage in various types of work. The agreements with Laborers cover wage and fringe benefits packages for specific sets of employees and expire as follows: the fence, guardrail, and sign installation laborers' agreement expires September 30, 2014; the traffic and rentals laborers' agreement expires August 31, 2013; and the precast/prestressed laborers' agreement expires August 31, 2015. Negotiations to renew the traffic and rental laborers agreement have begun.

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Approximately 380 Grace employees are participants in three multiemployer plans. As of March 31, 2013, Grace employees represented approximately 0.55% of all participants in the IUOE pension plan, 0.13% of all participants in the Laborers International Union pension plan, and 2.32% of all participants in the Laborers Union Hawaii pension plan.

During 2012, Grace contributed a total of $4.2 million to three multiemployer pension plans. As of January 1, 2012, the IUOE pension plan had a funded status of approximately 66.9%. A 10-year rehabilitation plan was implemented that reduced member benefits and allocated a greater portion on the negotiated annual contract wage and fringe cost increase to the pension fund. Beginning in September 2014, a 10% pension surcharge on hourly wages will be incorporated into the new collective bargaining agreement when the current agreement expires on August 31, 2013. The Laborers International Union Pension Fund adopted a Rehabilitation Funding Plan in July of 2010 to restore its position over a 10-year period. Member benefits were reduced and employer contribution rates were increased and are reflected in the current labor agreements. The Laborers Union Hawaii Pension Fund is over 98% funded. If Grace were to withdraw from, or significantly reduce its obligation to contribute to, one of the plans, Grace may be subject to a withdrawal liability.

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GRACE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the financial condition and results of operations of Grace Pacific Corporation and subsidiaries ("Grace") and should be read in conjunction with its historical consolidated financial statements and notes thereto included elsewhere in this proxy statement/prospectus.

In addition to historical financial information, the following discussion and analysis contains "forward-looking" information, as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, which represent beliefs and assumptions concerning future events. Forward-looking statements include the information concerning possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "might," "should," "could" or the negative of these terms or similar expressions.

Forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements. You should not put undue reliance on any forward-looking statements in this proxy statement/prospectus. Neither Grace nor A&B has any intention or obligation to update forward-looking statements subsequent to the effectiveness of this proxy statement/prospectus.

You should understand that many important factors, in addition to those discussed in or incorporated by reference into this proxy statement/prospectus, could cause Grace's results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect Grace's results include those described in this proxy statement/prospectus in the section entitled "Risk Factors" beginning on page 29. In light of these risks and uncertainties, the forward-looking results discussed in or incorporated by reference into this proxy statement/prospectus might not occur.

Introduction

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

Business Overview: This section provides a general description of Grace's business, as well as recent developments that Grace believes are important in understanding its results of operations and financial condition or in understanding anticipated future trends.

Basis of Presentation: This section provides a discussion of the basis on which Grace's consolidated financial statements were prepared.

Critical Accounting Estimates: This section identifies and summarizes those accounting policies that significantly impact Grace'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 Grace's results of operations for the three years ended September 30, 2012, 2011 and 2010 and for the six month interim periods ending March 31, 2013 and 2012.

Analysis of Operating Revenue and Profit by Business: This section provides an analysis of Grace's results of operations by business.

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Liquidity and Capital Resources: This section provides a discussion of Grace's financial condition and an analysis of Grace's cash flows for the years ended September 30, 2012, 2011, and 2010, the six month periods ending March 31, 2013 and 2012, as well as a discussion of Grace'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 Grace's contractual obligations and other commitments and contingencies.

Quantitative and Qualitative Disclosures about Market Risk: This section discusses how Grace monitors and manages exposure to potential gains and losses associated with changes in interest rates.

Outlook: This section provides a discussion of management's general outlook about its markets and Grace's competitive position.

Business Overview

Grace is a vertically integrated natural materials, construction services, and petroleum distribution company that operates in the State of Hawaii. Key facts about Grace, which was founded in 1921 and incorporated in Hawaii in 1931, include the following:

One of the largest aggregate producers in the State of Hawaii (based on tonnage).

Owns two quarries one on the island of Oahu and one on the island of Molokai.

Leading asphalt paving contractor in the state (based on tonnage and revenue).

Total construction backlog of almost $200 million as of March 31, 2013, including the backlog of Maui Paving, LLC, a 50% owned non-consolidated affiliate.

Importer of liquid asphalt and majority owner of one of two liquid asphalt distributors in the state.

Majority owner of the only architectural precast/prestressed concrete manufacturer and supplier in the state.

Fourth largest petroleum distributor in the state based on gallons sold.

Grace is headquartered in Honolulu, HI and operates the following two businesses the Natural Materials and Construction business and the Petroleum business.

Natural Materials and Construction business mines, processes, and sells basalt aggregate; imports Canadian sand and aggregates for sale and use; imports and markets liquid asphalt; manufactures and markets asphaltic concrete; accepts for a fee, recycles and sells for reuse, demolition pavement and concrete; performs asphalt paving as prime contractor and subcontractor; manufactures and supplies precast/prestressed concrete products; provides construction-related services, including guardrail, fencing and sign installation, and the rental and sales of safety and specialty traffic control equipment and supplies; provides traffic control services; manufactures commercial signs and banners; and performs application of maintenance-related encapsulation product.

Petroleum business acquires, distributes and directly markets petroleum products in Hawaii; owns the exclusive rights to use the 76 brand in Hawaii and operates retail gasoline stations and supplies retail gasoline stations under the 76 brand on Oahu, Maui, Kauai and Hawaii Island; holds a Chevron jobbership license, facilitating the delivery of refined petroleum to gas stations and other end users on the islands of Kauai and Molokai; markets bulk petroleum products to unbranded locations and end users; and operates petroleum product terminals.

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The following table provides a summary of key information for each of Grace's businesses.

	2012 Revenue(1) (in millions)	Percentage of Total 2012 Revenue	2012 Operating Profit(1) (in millions)	Percentage of Total 2012 Operating Profit
Natural Materials and Construction	$ 194.4	39.2%	$ 20.5	82.0%
Petroleum	$ 301.5	60.8%	$ 4.5	18.0%
Total	$ 495.9	100.0%	$ 25.0	100.0%

(1) Revenues of Grace during its fiscal year ended September 30, 2012.

Prior to the merger, Grace Holdings, Grace and KI will enter into a Separation Agreement pursuant to which all of the shares of KI, the subsidiary of Grace Holdings that holds the Petroleum Businesses, will be distributed to Grace Holdings shareholders on a pro rata basis. Consequently, the Petroleum Businesses will not be acquired by A&B in the merger.

Basis of Presentation

The consolidated financial statements include the accounts of Grace and its subsidiaries, all of which are wholly owned except for GP/RM Prestress, LLC and GLP Asphalt, LLC, which are owned 51% and 70%, respectively. The remaining interest in GP/RM Prestress, LLC and GLP Asphalt, LLC is reported as non-controlling interest in the consolidated financial statements. Significant intercompany balances and transactions have been eliminated in consolidation.

Grace's consolidated subsidiaries include the following entities:

Grace Pacific Precast, Inc. (GPP) GPP is a former manufacturer and supplier in the precast concrete industry. The assets and operations of GPP were contributed to GP/RM Prestress LLC in 2006. GPP is the 51% member manager of GP/RM Prestress LLC.

GP/RM Prestress, LLC (GP/RM) GP/RM is a manufacturer and supplier in the prestressed and precast concrete industry. GP/RM fabricates architectural concrete products such as exterior columns, walls and spandrels in a variety of colors with varying finishes and features used in the construction of parking structures, buildings and high rises. GP/RM is also a major supplier of structural concrete products such as rectangular, hexagonal, and octagonal columns, various types of beams, double tees, walls, spandrels, stairs, flat slabs, bridge girders, planks, and stadium bleachers used to support various types of structures. Grace has a 51% economic and voting interest in GP/RM. The accounts of GP/RM have been consolidated with Grace and the non-controlling interest's share of income has been reflected in the consolidated statements of income and stockholders' equity of Grace.

GP Roadway Solutions, Inc. (GPRS) GPRS operates as a subcontractor and prime contractor of construction operations. GPRS provides guardrail, fencing and sign installation and maintenance; rents and sells safety and traffic control equipment and supplies; provides traffic control services; provides road and parking lot striping, seal coating and crack sealing, and security services; and performs application of maintenance-related encapsulation product.

GLP Asphalt, LLC (GLP) GLP imports, stores, and sells liquid asphalt. Grace has a 70% economic and voting interest in GLP. The accounts of GLP have been consolidated with Grace and the non-controlling interest's share of income has been reflected in the consolidated statements of income and stockholders' equity of Grace.

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Koko'oha Investments, Inc. (KI) KI was acquired by Grace on January 1, 2011 for $48.3 million through the issuance of Grace common stock to KI shareholders. KI is the parent company of Mid Pac Petroleum, LLC (MPP), which operates retail gasoline stations, supplies retail gasoline stations under the 76 brand, markets bulk petroleum products, and operates product terminals in the state of Hawaii. On November 1, 2011, MPP acquired Inter Island Petroleum, Inc. (IIP), a petroleum fuel and products provider with operations primarily on Kauai that operates commercial sites, a Chevron branded fuel and lubricants jobber, and a petroleum bulk terminal. Prior to the merger, Grace Holdings, Grace and KI will enter into a Separation Agreement pursuant to which all of the shares of KI will be distributed to Grace Holdings shareholders on a pro rata basis. Consequently, the Petroleum Businesses will not be acquired by A&B in the merger.

Grace also holds a 50% economic and voting interest in Maui Paving, LLC (MP LLC), which provides asphalt paving and sells asphaltic concrete on the islands of Maui and Molokai. MP LLC is accounted for using the equity method because Grace does not have a controlling financial interest, but has the ability to exercise significant influence over MP LLC.

Critical Accounting Estimates

Grace's significant accounting policies are described in Note 2 to the Consolidated Financial Statements of Grace. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the MD&A is based, requires that Grace 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 will, inevitably, differ from those critical accounting estimates. These differences could be material.

Grace considers an accounting estimate to be critical if: (i)(a) the accounting estimate requires Grace to make assumptions that are difficult or 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) use of different estimates by Grace 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 Grace. The critical accounting estimates inherent in the preparation of Grace's financial statements are described below.

Principles of Consolidation

The consolidated financial statements of Grace include the accounts of Grace and its subsidiaries, all of which are wholly owned except for GP/RM and GLP, which are owned 51% and 70%, respectively. The remaining interests are reported as non-controlling interest in Grace's consolidated financial statements. Significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Grace has a variety of revenue sources, including natural material sales, petroleum sales, and paving contracts. For each revenue source, Grace assesses the underlying terms of the transaction to ensure that recognition of revenue meets the requirements of relevant accounting standards. In general, Grace recognizes revenue when persuasive evidence of an arrangement exists, delivery or receipt of the service or product has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

Natural Materials Revenues from natural material sales, which include basalt aggregate, liquid asphalt, and imported sand and aggregates, are recognized when title to the product and risk of loss

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passes to third parties (generally this occurs when the product is picked up by customers or their agents) and when collection is reasonably assured.

Construction Revenues from paving contracts are generally recognized using the percentage-of-completion method with progress toward completion measured on the basis of units (tons, cubic yards, square yards or square feet) of work completed as of a specific date to an estimate of the total units of work to be delivered under each contract. Grace uses this method as its management considers units of work completed to be the best available measure of progress on paving contracts. Contracts in progress are reviewed regularly, and sales and earnings may be adjusted based on revisions to assumption and estimates, including, but not limited to, revisions to job performance, job conditions, changes to the scope of work, estimated contract costs, progress toward completion, changes in internal and external factors or conditions and final contract settlement. Contract costs include all direct material, labor, equipment utilization, hired truckers, traffic control, bonds and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, field office rentals, utilities, certain repair costs and other expenses attributable to the contracts. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The life cycle for contracts generally ranges from several months to three years in duration.

Petroleum Revenues from petroleum products are recognized at the time customers take possession of products sold or when services are rendered. Grace reports revenues net of sales, fuel, and other excise taxes collected from or passed on to customers.

Goodwill

Grace reviews goodwill for impairment annually and whenever events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In estimating the fair value of a reporting unit, Grace uses a combination of a discounted cash flow model and fair value based on market multiples of EBITDA (earnings before interest, taxes, depreciation and amortization). The discounted cash flow approach requires Grace to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a discount rate that considers the risks related to the amount and timing of the cash flows. Although the assumptions used by Grace in its discounted cash flow model are consistent with the assumptions Grace used to generate its internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from the reporting unit and the risk of achieving those cash flows. When using market multiples of EBITDA, Grace must make judgments about the comparability of those multiples in closed and proposed transactions. Accordingly, changes in assumptions and estimates, including, but not limited to, changes driven by external factors, such as industry and economic trends, and those driven by internal factors, such as changes in Grace's business strategy and its internal forecasts, could have a material effect on Grace's business, financial condition and results of operations.

Income Taxes

Grace 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. Significant changes to these estimates may result in an increase or decrease to Grace's tax provision in a subsequent period.

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In addition, the calculation of tax liabilities involves significant judgment in determining the existence and estimation of the impact of uncertain tax positions taken or expected to be taken with respect to the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with Grace management's expectations could materially affect Grace's financial condition or its future operating results.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements of Grace 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 Grace's results of operations and financial condition.

Consolidated Results of Operations

The following analysis of the consolidated financial condition and results of operations of Grace and its subsidiaries (collectively, "Grace") 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 more accurate amounts included herein.

(dollars in millions)	**2012**	**Chg.**	**2011**	**Chg.**	**2010**
Operating revenue	**$ 495.9**	32.5%	$ 374.3	88.9%	$ 198.1
Operating costs and expenses	**472.0**	30.7%	361.0	2X	178.7
Operating income	**23.9**	79.7%	13.3	-31.4%	19.4
Other income and (expense)	**(3.5)**	2X	(1.5)	NM	2.6
Income tax expense	**6.9**	2X	2.8	-61.1%	7.2
Net income	**13.5**	50.0%	9.0	-39.2%	14.8
Income attributed to non-controlling interests	**(0.5)**	-54.5%	(1.1)	-26.7%	(1.5)
Net income attributable to Grace	**$ 13.0**	64.6%	$ 7.9	-40.6%	$ 13.3

Year Ended September 30, 2012 vs. Year Ended September 30, 2011

Operating Revenue for 2012 increased 32.5%, or $121.6 million, to $495.9 million. Petroleum business revenue increased $119.1 million in 2012 and Natural Materials and Construction revenue increased $2.5 million. The reasons for business-specific year-to-year fluctuations in revenue are further described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

Operating Costs and Expenses for 2012 increased by 30.7%, or $111.0 million, due principally to $103.6 million in higher Petroleum business costs and $10.0 million in higher general and administrative costs due principally to the incremental general and administrative costs related to the petroleum businesses, which were acquired in January 2011 (MPP) and November 2011 (IIP), partially offset by $2.6 million in lower costs related to the Natural Materials and Construction business. The reasons for changes in business-specific year-to-year fluctuations in operating costs, which affect operating profit, are more fully described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

Other Income and Expense: Other income (expense) was ($3.5) million in 2012 compared with ($1.5) million in 2011. The change in other income (expense) was mainly due to the incremental

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interest expense related to the petroleum businesses, which were acquired in January 2011 (MPP) and November 2011 (IIP).

Income Taxes: Income taxes and the effective rate were higher in 2012 compared with 2011 due principally to higher taxable income in 2012 and the favorable impact of solar tax credits utilized in fiscal 2011.

Year Ended September 30, 2011 vs. Year Ended September 30, 2010

Operating Revenue for 2011 increased 88.9%, or $176.2 million, to $374.3 million. Petroleum revenue increased $182.4 million in 2011 primarily due to the acquisition of MPP in January 2011. Natural Materials and Construction revenue decreased $6.2 million, primarily due to lower asphaltic concrete, liquid asphalt and roadway services results, partially offset by higher aggregate and precast/prestressed sales. The reasons for business-specific year-to-year fluctuations in revenue are further described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

Operating Costs and Expenses for 2011 increased $182.3 million, due principally to $167.1 million in higher Petroleum business costs and $12.4 million in higher general and administrative costs due to the acquisition of MPP in January 2011. The reasons for changes in business-specific year-to-year fluctuations in operating costs, which affect operating profit, are more fully described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

Other Income and Expense: Other income (expense) was ($1.5) million in 2011 compared with $2.6 million in 2010. The change in other income (expense) was due to a $3.3 million decrease in earnings from an unconsolidated affiliate and a $1.3 million increase in interest expense related to the MPP acquisition.

Income Taxes: Income taxes and the effective tax rate were lower in 2011 compared with 2010 due principally to a $10.2 million reduction in taxable income and the favorable impact of solar tax credits utilized in fiscal 2011.

Six Months Ended March 31, 2013 compared with 2012

(dollars in millions)	**2013**	**2012**	**Chg.**
Operating revenue	**$ 246.9**	$ 231.2	6.8%
Operating costs and expenses	**237.1**	222.5	6.6%
Operating income	**9.8**	8.7	12.6%
Other income and (expense)	**(1.6)**	(1.7)	-5.9%
Income tax expense	**2.6**	2.3	13.0%
Net income	**5.6**	4.7	19.1%
(Income) loss attributed to non-controlling interests	**(0.5)**	0.1	NM
Net income attributable to Grace	**$ 5.1**	$ 4.8	6.3%

Six Months Ended March 31, 2013 vs. Six Months Ended March 31, 2012

Operating Revenue for the six months ended March 2013 increased 6.8%, or $15.7 million, to $246.9 million. Petroleum business revenue decreased $3.0 million in 2013 and Natural Materials and Construction revenue increased $18.7 million. The reasons for business-specific year-to-year fluctuations in revenue are further described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

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Operating Costs and Expenses for 2013 increased by 6.6%, or $14.6 million, due principally to $14.6 million in higher cost related to the Natural Materials and Construction business and $1.3 million in higher general and administrative costs related to KI and earned incentives, partially offset by $1.6 million in lower Petroleum business costs. The reasons for changes in business-specific year-to-year fluctuations in operating costs, which affect operating profit, are more fully described below in the section entitled " Analysis of Operating Revenue and Profit by Business."

Other Income and Expense: Other income (expense) was ($1.6) million in 2013, which was comparable to 2012.

Income Taxes and the effective rate were lower in 2013 compared with 2012 due principally to a higher qualified production activity deduction partially offset by decreases in investment, energy and other tax credits.

Analysis of Operating Revenue and Profit by Business

Natural Materials and Construction*; 2012 compared with 2011*

(dollars in millions)	**2012**	**2011**	**Change**
Natural materials and construction revenue	**$ 194.4**	$ 191.9	1.3%
Cost of natural materials and construction	**157.2**	159.8	-1.6%
Selling, general and administrative expenses	**16.7**	16.2	3.1%
Operating profit	**$ 20.5**	$ 15.9	28.9%
Operating profit margin	**10.5%**	8.3%	
Depreciation and amortization	**$ 11.1**	$ 10.9	1.8%
Operating Statistics:			
Aggregate produced (tons in thousands)	**1,053**	736	43.1%
Aggregate sold (tons in thousands)	**735**	861	-14.6%
Asphaltic concrete placed (tons in thousands)	**469**	426	10.1%
Backlog (at 9/30)*	**$ 188**	$ 173	8.7%

* Includes the backlog of MP LLC, a 50% owned non-consolidated affiliate.

Natural Materials and Construction revenue for 2012 increased by $2.5 million, or 1.3%, as compared to 2011. The increase was due principally to a $7.6 million increase in contract paving revenue resulting from an increase in tonnage paved, partially offset by a $4.5 million decrease in precast/prestressed revenues due to a change in the sales mix to lower yielding structural product and a $1.2 million decrease in roadway services revenue due to a decrease in guardrail, sign and fencing contract work.

Operating profit in 2012 increased by $4.6 million, or 28.9%, as compared to 2011. The increase in operating profit was due to the revenue increases described previously, as well as $1.1 million in lower aggregate costs, partially offset by higher steel costs and remedial costs on certain precast/prestressed contracts.

Backlog at year-end 2012 was $15 million higher than at year-end 2011, due principally to $120.0 million in awarded paving contracts, partially offset by $113.0 million of contracts completed and $24.0 million of awarded precast/prestressed supply contracts, partially offset by $14.0 million of contracts completed.

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***Natural Materials and Construction**; 2011 compared with 2010*

(dollars in millions)	2011	2010	Change
Natural materials and construction revenue	**$ 191.9**	$ 198.1	-3.1%
Cost of natural materials and construction	**159.8**	160.2	-0.2%
Selling, general and administrative expenses	**16.2**	13.4	20.9%
Operating profit	**$ 15.9**	$ 24.5	-35.1%
Operating profit margin	**8.3%**	12.4%	
Depreciation and amortization	**$ 10.9**	$ 12.4	-12.1%
Operating Statistics:			
Aggregate produced (tons in thousands)	**736**	853	-13.7%
Aggregate sold (tons in thousands)	**861**	747	15.3%
Asphaltic concrete placed (tons in thousands)	**426**	421	1.2%
Backlog (at 9/30)*	**$ 173**	$ 155	11.6%

* Includes the backlog of MP LLC, a 50% owned non-consolidated affiliate.

Natural Materials and Construction revenue decreased $6.2 million, or 3.1%, as compared to 2010. The decrease was due principally to a $4.7 million decrease in roadway construction services revenue, partially offset by a $1 million increase in traffic control rental and services revenues; a $3.7 million decrease in liquid asphalt revenue due to reduced demand; and a $3.4 million decrease in asphaltic concrete sales primarily due to a 22.7% decrease in tonnage sold to third parties, partially offset by a price increase of $4.61 per ton. The decrease in revenue was partially offset by a $3.9 million increase in precast/prestressed concrete revenues attributable to the higher amount of architectural products sold.

Operating profit decreased by $8.6 million, or 35.1%, as compared to 2010. The decrease in operating profit was largely due to a 64% increase in subcontracted work, which carries higher costs relative to the related revenue than direct work performed by the Company. Selling, general and administrative expenses increased $2.8 million, due principally to a $3.3 million decrease in earnings from a non-consolidated affiliate.

Backlog at September 30, 2011 was 11.6% higher than at September 30, 2010, due principally to $128.0 million in paving contracts awarded, partially offset by $104.0 million completed, $13.0 million of GPRS contracts awarded, offset by $18.0 million completed, and $17.0 million in GP/RM contracts awarded, offset by $19.0 million completed.

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***Natural Materials and Construction**; Six Months Ended March 31, 2013 compared with 2012*

(dollars in millions)	2013	2012	Change
Natural materials and construction revenue	**$ 107.6**	$ 88.9	21.0%
Cost of natural materials and construction	**87.9**	73.3	19.9%
Selling, general and administrative expenses	**9.1**	8.1	12.3%
Operating profit	**$ 10.6**	$ 7.5	41.3%
Operating profit margin	**9.9%**	8.4%	
Depreciation and amortization	**$ 4.7**	$ 5.3	-11.3%
Operating Statistics:			
Aggregate produced (tons in thousands)	**520**	520	
Aggregate sold (tons in thousands)	**331**	396	-16.4%
Asphaltic concrete placed (tons in thousands)	**257**	199	29.1%
Backlog*	**$ 198**	$ 152	30.3%

* Includes the backlog of MP LLC, a 50% owned non-consolidated affiliate.

Natural Materials and Construction revenue for the six months ended March 31, 2013 was $18.7 million, or 21% higher than the amount reported for 2012. The increase was due principally to a $13.4 million increase in paving revenue due to an increase in contract paving tonnage, a $4.5 million increase in precast/prestressed revenue due to an increase in cubic yards poured, and a $2.2 million increase in imported aggregate sales. The revenue increases were partially offset by a $1.1 million decrease in "B" grade aggregate revenue due to a reduction in volume sold.

Operating profit was 41.3% higher for the six months ended March 31, 2013, compared with 2012, due principally to lower per unit paving costs resulting from higher combined efficiency in plant and equipment utilization and lower precast/prestressed unit costs arising from volume efficiencies. The lower operating costs and the resulting improvement in operating profit was partially offset by an increase in "A" grade aggregate per unit costs, which resulted from the shutdown of the lower Makakilo finish plant on December 31, 2012 in connection with the relocation of the quarry.

Backlog at March 31, 2013 was 30.3% higher than March 31, 2012, due principally to $155.0 million in new construction bids awarded, partially offset by $123.0 million completed, as well as $34.0 million in GP/RM supply contracts awarded, partially offset by $20.0 million completed.

***Petroleum**; 2012 compared with 2011*

(dollars in millions)	2012	2011	Change
Petroleum products and other revenues	**$ 301.5**	$ 182.4	65.3%
Cost of petroleum products and other expenses	**270.7**	167.1	62.0%
Selling, general and administrative expenses	**26.3**	15.6	68.6%
Operating profit (loss)	**$ 4.5**	$ -0.3	NM
Operating profit (loss) margin	**1.5%**	-0.2%	
Operating Statistics:			
Gallons sold (in millions)	**80.0**	51.0	56.9%

Petroleum business revenue for 2012 was 65.3% higher than the amount reported for 2011. The increase was due principally to the acquisition of IIP in November 2011 and the impact of a full year of results for MPP reflected in 2012, compared to nine months of results reflected in 2011 due to the acquisition of MPP by Grace in January 2011. Additionally, revenue also increased due to a 7.2%

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increase in the average price of petroleum and a 29.3% volume increase of gallons sold by MPP. There were no Petroleum business revenues or expenses in 2010 since MPP and IIP were acquired in calendar 2011.

Operating profit was $4.5 million in 2012 compared with an operating loss of $0.3 million in 2011. The improvement in results was due principally to the $0.19 per gallon average increase in retail fuel prices, partially offset by an $0.11 per gallon average increase in fuel costs and $10.7 million in higher selling, general, and administrative expenses principally attributable to the inclusion of IIP for eleven months following the acquisition.

***Petroleum**; Six Months Ended March 31, 2013 compared with 2012*

(dollars in millions)	2013	2012	Change
Petroleum products and other revenues	**$ 139.3**	$ 142.3	-2.1%
Cost of petroleum products and other expenses	**126.5**	128.1	-1.2%
Selling, general and administrative expenses	**12.9**	12.4	4.0%
Operating profit (loss)	**$ -0.1**	$ 1.8	NM
Operating profit (loss) margin	**-0.1%**	1.3%	
Operating Statistics:			
Gallons sold (in millions)	**37.5**	37.7	(0.5)%

Petroleum business revenue for the six months ended March 31, 2013 was 2.1% lower than the amount reported for 2012. The decrease was due principally to a reduction in the average price per gallon of $0.23 for petroleum sales and a $1.1 million reduction in convenience store revenues.

Operating loss was $(0.1) million for the six months ended March 31, 2013, compared with an operating profit of $1.8 million in 2012. The decrease in operating profit was due principally to $1.6 million related to site abandonment costs for several locations, $1.4 million reduction in fuel margin due to an increase in the average fuel price per gallon, and a $0.9 million write-down of convenience store inventory, partially offset by a $1.0 million reversal of contingent consideration related to the IIP acquisition.

Liquidity and Capital Resources

Overview: Grace's liquidity needs are primarily to support working capital requirements and fund capital expenditures for equipment. Grace's principal sources of liquidity have been cash flows provided by operating activities, available cash and cash equivalent balances, and its credit facilities.

Grace has committed revolving bank credit facilities with a total capacity of $52 million. Grace believes its operating cash flow and availability of borrowings under its credit agreements will provide sufficient liquidity to support Grace's financing needs. Grace'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 29.

Cash Flows Years Ended September 30, 2012, 2011 and 2010

Net cash flows from operating activities totaled $18.8 million for 2012, $28.6 million for 2011, and $29.2 million for 2010. Cash flows for 2012 decreased by $9.8 million, compared to 2011, due to higher purchases of inventory in 2012, principally related to fuel. Cash flows from operating activities in 2011 were comparable to 2010.

Net cash flows used in investing activities were $37.4 million for 2012, $21.1 million for 2011, and $30.8 million for 2010. Of the 2012 amount, $21.3 million was related to the acquisition of IIP,

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$6.7 million was related to the new quarry crushing facility, and $4.5 million was related to a new warehouse and building for GPRS on Maui and KI station and facilities improvements, with the balance primarily related to routine replacements for construction and quarry related equipment.

Net cash flows used in investing activities for 2011 included $23.1 million for capital expenditures, composed of $12.1 million related to the new quarry crushing facility, $4.0 million related to the purchase of real property at Maui Lani for GPRS's new warehouse and building, as well as the Kele street location for a future KI petroleum site, and $1.5 million related to KI station improvements, with the balance primarily related to routine replacements for construction and quarry related equipment.

For fiscal 2013, Grace expects that its required minimum capital expenditures will be approximately $23.9 million, of which $16.7 million has been expended, including $4.4 million for a new asphaltic concrete plant and generator, $3.1 million for the purchase of real property, $4.4 million for the new crushing facilities, and $3.4 million for buildings and improvements. Grace's total capital budget for fiscal 2013, includes continued expenditures of $2.7 million related to the new crushing facility, with the balance primarily related to routine replacements for construction and quarry related equipment. Should investment opportunities in excess of the amounts budgeted arise, Grace believes it has adequate sources of liquidity to fund these investments.

Net cash flows provided by (used in) financing activities totaled $5.3 million, $(13.5) million, and $6.4 million in 2012, 2011, and 2010, respectively. The increase in cash flows from financing activities in 2012 was due principally to an increase in proceeds from net borrowings of $12.2 million and the issuance of $14.8 million in common stock in connection with the redemption of shares of Grace common stock totaling $26.9 million. These sources of financing were partially offset by the repurchase of $15.8 million in common stock. The decrease in cash flows from financing activities in 2011 was due principally to a $10.8 million pay down on the line of credit.

Cash Flows Six Months Ended March 31, 2013 Compared with 2012

Net cash flows used in operating activities totaled $7.7 million for the six months ended March 31, 2013, compared with $0.5 million for the six months ended March 31, 2012. Cash flows used in operating activities for the six months ended March 31, 2013 were higher than 2012 due to higher levels of required working capital, including asphalt inventories.

Net cash flows used in investing activities were $16.4 million for the six months ended March 31, 2013, compared with $28.4 million for the six months ended March 31, 2012. The increase in net cash used in investing activities in 2013 was related to $16.7 million of capital expenditures for property and equipment, which consisted primarily of $4.4 million related to the continued installation of the new quarry crushing plant, $4.4 million for a new asphaltic concrete plant, and $3.1 million related to the purchase of real property for KI.

Net cash flows provided by financing activities for the six months ended March 31, 2013 was $13.1 million, compared to $26.8 million for the six months ended March 31, 2012. The net increase in cash flows provided by financing activities in 2013 was primarily due to net borrowings on the GLP line of credit of $13.5 million for the purchase of liquid asphalt inventory.

Other Sources of Liquidity: Additional sources of liquidity for Grace consisted of cash and cash equivalents and trade receivables that totaled approximately $69.4 million at September 30, 2012, a decrease of $1.8 million from September 30, 2011. This net decrease was due primarily to a $13.3 million decrease in cash balances, partially offset by an $11.5 million increase in trade receivable balances. As of March 31, 2013, cash and cash equivalents and trade receivables totaled approximately $64.2 million. The decrease from September 30, 2012 was due to a $11.0 million decrease in cash balances, partially offset by a $5.8 million increase in trade receivables.

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Grace also has revolving credit facilities that provide additional sources of liquidity for working capital requirements. Total debt was $109.8 million as of September 30, 2012 compared with $85.9 million as of September 30, 2011. Grace's debt balances on its revolving credit line are subject to significant fluctuations resulting from the timing of inventory purchases, such as asphalt purchases, which can be significant since purchases are generally made only once or twice a year. As of September 30, 2012, available borrowings under Grace's facilities, which are more fully described below, totaled $37.2 million.

Grace has a revolving credit facility that provides for an aggregate $10 million secured commitment ("Grace Credit Facility") that expires on May 9, 2014. The Grace Credit Facility also provides for a $4 million sub-limit for the issuance of standby and commercial letters of credit. Amounts drawn under the facilities bear interest at London Interbank Offered Rate ("LIBOR") plus a margin based on a ratio of consolidated funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization) pricing grid that ranges from 1.25% to 3.00%. The Grace Credit Facility is secured by Grace's assets and Grace stock, including member interests in affiliated LLCs. At March 31, 2013, no amount was outstanding, $0.5 million in letters of credit had been issued against the facility, and $9.5 million remained available for borrowing.

GLP has a revolving credit facility that provides for an aggregate $40 million secured commitment ("GLP Asphalt Credit Facility"), which expires on August 31, 2014. The GLP Asphalt Credit Facility also provides for a $20 million sub-limit for the issuance of standby and commercial letters of credit. Amounts drawn under the facilities bear interest at LIBOR plus 1.5%, which is currently 1.75%. The GLP Asphalt Credit Facility is secured by accounts receivable and inventory of GLP. Grace is severally liable and guarantees 70% of the amounts outstanding under the facility, and Jas. W. Glover Holding Company, Ltd., the other member in GLP, is severally liable and guarantees 30% of the amounts outstanding under the facility. At March 31, 2013, $26.0 million was outstanding, no letters of credit had been issued against the facility, and $14.0 million remained available for borrowing.

GP/RM has a revolving credit facility that provides for an aggregate $4 million secured commitment (GP/RM Credit Facility), which expires on May 9, 2014. Amounts drawn under the facilities bear interest at LIBOR plus 2.25%, which is currently 2.5%. The GP/RM Credit Facility is secured by all of the personal property of GP/RM. Grace has several liability and guarantees 51% of the amounts outstanding under the facility. Phelps-Tointon, Inc., the other member in GP/RM, has several liability and guarantees 49% of the amounts outstanding under the facility. At March 31, 2013, $2.0 million was outstanding, no letters of credit had been issued against the facility, and no additional amounts were available for borrowing.

Grace's ability to access its credit facilities is subject to its compliance with the terms and conditions of the credit facilities, including financial covenants. The financial covenants under current agreements require Grace to maintain certain financial covenants, such as the maintenance of minimum tangible net worth, maximum consolidated funded debt to earnings before interest, taxes, depreciation, and amortization, minimum debt service coverage ratios, and maximum annual capital expenditure limits. At March 31, 2013, Grace was in compliance with all such covenants. While there can be no assurance that Grace will remain in compliance with its covenants, Grace expects that it will remain in compliance. Credit facilities are more fully described in Note 10 to the Consolidated Financial Statements of Grace.

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Contractual Obligations, Commitments, Contingencies and Off-Balance Sheet Arrangements

Contractual Obligations: At September 30, 2012, Grace, including the Petroleum Businesses, had the following estimated contractual obligations (in millions):

		Payment due by period			
Contractual Obligations	**Total**	**2013**	**2014 - 2015**	**2016 - 2017**	**Thereafter**
Long-term debt obligations (including current portion)(a)	$ 109.8	$ 28.5	$ 21.2	$ 21.3	$ 38.8
Estimated interest on debt(b)	18.2	4.1	6.1	4.6	3.4
Aggregate Supply Contract(c)	4.0	0.2	0.4	0.4	3.0
Operating lease obligations(d)	42.8	7.2	9.1	6.1	20.4
Total	$ 174.8	$ 40.0	$ 36.8	$ 32.4	$ 65.6

(a) Long-term debt obligations (including current portion) include principal repayments of short-term and long-term debt for the respective period(s) described (see Note 10 to the Consolidated Financial Statements of Grace for principal repayments for each of the next five years). Short-term debt includes amounts borrowed under revolving credit facilities and have been reflected as payments due in 2013.

(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 on September 30, 2012 for variable rate debt. Because Grace's variable rate date may be rolled over, actual interest may be greater or less than the amounts indicated.

(c) Grace's asphaltic concrete plants have certain aggregate supply arrangements, under which there are minimum purchase requirements in lieu of lease rent payments. Certain leases (or licenses) may have a graduated fee scale whereby diminishing levels of rents will be assessed as the quantity purchased increases above various levels.

(d) Operating lease obligations include principally land, office space and equipment under non-cancelable, long-term lease arrangements that do not transfer the rights and risks of ownership to Grace. These amounts are further described in Note 14 to the Consolidated Financial Statements of Grace.

Grace has various supply arrangements under which it purchases its petroleum and aggregate products. The petroleum arrangements do not require the purchase of any minimum quantities and do not specify a minimum price. Additionally, the arrangements provide that Grace will receive "most-favored nation" pricing, or the lowest prices that are offered to other similar customers, on purchases under the supply arrangement.

Other Commitments and Contingencies: A description of other commitments, contingencies, and off-balance sheet arrangements is described in Note 17 to the Consolidated Financial Statements of Grace in this proxy statement/prospectus.

Quantitative and Qualitative Disclosures about Market Risk

Grace 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, Grace utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. The nature and amount of Grace's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions, and other factors.

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As of September 30, 2012, Grace's fixed rate debt consists of $95.5 million in term notes ($53.0 million related to Grace excluding the Petroleum Businesses and $42.5 million related to the Petroleum Businesses). Grace's variable rate debt consists of $14.3 million under its revolving credit facilities (all related to the Grace Businesses) as of September 30, 2012. As of March 31, 2013, Grace's variable rate debt increased to $33 million, principally related to asphalt purchases, which generally occur once or twice a year. Other than in default, Grace does not have an obligation 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 Grace's financial condition or results of operations unless Grace was required to refinance such debt. For Grace's variable rate debt, a 1% increase in interest rates would have a $0.3 million impact on Grace's results of operations for 2012.

The following table summarizes Grace's debt obligations at September 30, 2012, presenting principal cash flows and related interest rates by the expected fiscal year of repayment.

	Expected Fiscal Year of Repayment as of September 30, 2012 (dollars in millions)							
Long-term debt	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**	**Total**	**Fair Value at September 30, 2012**
Fixed rate	$ 14.2	$ 10.8	$ 10.4	$ 10.7	$ 10.6	$ 38.8	$ 95.5	$ 98.2
Average interest rate	4.30%	4.27%	4.25%	4.26%	4.35%	5.39%	4.74%	
Variable rate	$ 14.3	$	$	$	$	$	$ 14.3	$ 14.3
Average interest rate(1)	1.84%							

(1) Estimated interest rates on variable debt are determined based on the rate in effect on September 30, 2012. Actual interest rates may be greater or less than the amounts indicated when variable rate debt is rolled over.

From time to time, Grace may invest its excess cash in short-term money market funds that purchase government securities or corporate debt securities. At September 30, 2012, Grace had $2.5 million invested in money market funds. These money market funds maintain a weighted average maturity of less than 90 days, and accordingly, a 1% change in interest rates is not expected to have a material impact on the fair value of these investments or on interest income.

Grace has no material exposure to foreign currency risks, although it is indirectly affected by changes in currency rates to the extent that changes in rates affect tourism in Hawaii.

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MANAGEMENT AND OTHER INFORMATION

Information relating to the management, executive compensation, certain relationships and related transactions and other related matters pertaining to A&B is contained in or incorporated by reference into A&B's Annual Report on Form 10-K, which is incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 152.

In addition, Grace has certain credit facilities and other loan arrangements with First Hawaiian Bank ("FHB"), which A&B will assume as part of the merger. Robert S. Harrison, a member of the A&B Board of Directors, currently serves as president and chief executive officer of FHB. A&B believes that the loans to Grace were made in the ordinary course of FHB's business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the FHB, and did not involve more than the normal risk of collectability for FHB or present FHB with other unfavorable features. Due to his relationship with FHB, and the existence of Grace's credit facilities and other loan arrangements with FHB, Mr. Harrison recused himself from the A&B Board of Directors' consideration of and vote on the merger.

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SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF GRACE HOLDINGS

The following table provides information relating to the beneficial ownership of Grace Holdings common stock, as of [ ], 2013, except where otherwise noted, by:

- each shareholder known by Grace Holdings to own beneficially more than 5% of Grace Holdings common stock;
- each of Grace Holdings' Chief Executive Officer, Chief Financial Officer and its three other most highly compensated executive officers;
- each of Grace Holdings' current directors; and
- all of Grace Holdings' directors and executive officers as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole voting power, shared voting power, or investment power and includes any shares that the individual has the right to acquire within 60 days of [ ], 2013 through the exercise of any stock option or other right. The number and percentage of shares "beneficially owned" is computed on the basis of 163,155 shares of Grace Holdings common stock outstanding as of [ ], 2013.

To Grace Holdings' knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person or entity named in the table has sole voting and dispositive power with respect to the shares set forth opposite such person's or entity's name. The address for those persons for whom an address is not otherwise provided is c/o GPC Holdings, Inc., P.O. Box 78, Honolulu, Hawaii 96810.

Name of Beneficial Owner(1)	Number of Shares	Percent Owned
Directors and Executive Officers		
David C. Hulihee(2)	63,100	38.67%
Robert M. Creps(3)	6,550	4.01%
Walter A. Dods, Jr.(4)	18,800	11.52%
Jeffrey N. Watanabe(5)	1,345	*
Bill D. Mills(6)	33,300	20.41%
Oswald K. Stender(7)	360	*
Robert W. Wo, Jr.	3,300	2.02%
Jim R. Yates(8)	6,768	4.15%
Leonard K.P. Leong	200	*
Stephen D. Goodfellow	9,400	5.76%
Darrell S.K. Goo(9)	1,088	*
Tracy K. Niau	816	*
Gordon C.K. Yee(10)	2,763	1.69%
All Directors and Executive Officers as a Group (13 persons)	147,790	90.58%
Beneficial Owners of More than 5% of the Grace Holdings Common Stock		
RCCI Management, LLC(11)	44,300	27.15%
Waikoloa Heights Investment Partners(12)	23,490	14.40%

* Indicates ownership of less than 1.00%.

(1)

This table does not include shares held in Grace's 401(k) plans for Robert M. Creps, Darrell Goo, Tracy K. Niau and Gordon C. K. Yee.

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(2) Includes shares held by David C. Hulihee, individually and as Trustee of the David C. Hulihee Revocable Trust, and RCCI Management, LLC.

(3) Includes shares held by Robert M. Creps, as Trustee under the Robert M. Creps Trust.

(4) Includes shares held by Walter A. Dods, Jr. , as Trustee of the Walter A. Dods, Jr. Revocable Living Trust.

(5) Includes shares held by Jeffrey N. Watanabe, as Sub-Trustee of the Jeffrey N. Watanabe Profit-Sharing Plan Sub-Trust.

(6) Includes shares held by Bill D. Mills, as Trustee of the Bill D. Mills Revocable Trust, and Waikoloa Heights Investment Partners.

(7) Includes shares held by Oswald K. Stender, as Trustee of the O.K. Stender Trust, and Oswald. K. Stender and Samantha L.U. Stender, Joint Tenancy with Rights of Survivorship.

(8) Includes shares held by Jim R. Yates, as Trustee of the Jim R. Yates Revocable Living Trust.

(9) Includes shares held jointly by Darrell S.K. Goo and Janelle Goo.

(10) Includes shares held jointly by Gordon C.K. Yee and Lianne M. Yee and Gordon C.K. Yee & James C.W. Yee, Joint Tenancy with Rights of Survivorship.

(11) The address of RCCI Management, LLC is 677 Ahua Street, Honolulu, Hawaii 96819.

(12) The address of Waikoloa Heights Investment Partners is 1100 Alakea Street, Suite 2200, Honolulu, Hawaii 96813.

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ACCOUNTING TREATMENT

The merger will be accounted for by applying the acquisition method, which requires the determination of the acquiror, the acquisition date, the fair value of assets and liabilities of the acquiree and the measurement of goodwill. Accounting Standards Codification Topic 805-10, "Business Combinations Overall" provides that in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including the relative voting rights of the shareholders of the constituent companies in the combined entity, the composition of the board of directors and senior management of the combined company, the relative size of each company and the terms of the exchange of equity securities in the business combination, including payment of any premium. Based on A&B being the entity issuing its equity interests in the merger, and the other terms of the merger, A&B will be considered to be the acquiror of Grace for accounting purposes. This means that A&B will allocate the purchase price to the fair value of Grace's assets and liabilities at the acquisition date, with any excess purchase price being recorded as goodwill. Financial statements of A&B issued after the merger will reflect only the operations of Grace after the merger and will not be restated retroactively to reflect the historical financial position or results of operations of Grace.

All unaudited pro forma condensed combined financial information contained in this proxy statement/prospectus were prepared using the acquisition method of accounting. The final allocation of the purchase price will be determined after the merger is completed and after completion of an analysis to determine the fair value of Grace's assets and liabilities. Accordingly, the final purchase accounting adjustments may be materially different from the unaudited pro forma adjustments. Any decrease in the fair value of the assets or increase in the fair value of the liabilities of Grace as compared to the unaudited pro forma information included in this proxy statement/prospectus will have the effect of increasing the amount of the purchase price allocable to goodwill.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion describes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Grace Holdings common stock. The discussion is based upon the Code, applicable Treasury Regulations, judicial decisions and administrative rulings and practice, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion does not address any tax consequences of the merger under state, local or foreign laws, or any federal laws other than those pertaining to income tax. In addition, this discussion does not address any tax consequences of the Restructuring, any alternative minimum tax consequences of the merger, any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010 or any tax consequences to U.S. holders who exercise dissenters' rights.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner that is: an individual citizen or resident of the United States; a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions; a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or an estate that is subject to U.S. federal income taxation on its income regardless of its source.

This discussion addresses only those holders of Grace Holdings common stock that hold their Grace Holdings common stock as a capital asset within the meaning of Section 1221 of the Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of Grace Holdings common stock in light of their individual circumstances or to holders of Grace Holdings common stock that are subject to special rules, such as:

financial institutions;

insurance companies;

tax-exempt organizations;

cooperatives;

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting;

persons that hold Grace Holdings common stock as part of a straddle, hedge, constructive sale or conversion transaction;

regulated investment companies;

real estate investment trusts;

persons whose "functional currency" is not the U.S. dollar;

persons who are not U.S. holders (as defined above); and

holders who acquired their shares of Grace Holdings common stock through the exercise of an employee stock option or otherwise as compensation.

If a partnership (or other entity that is taxed as a partnership for federal income tax purposes) holds Grace Holdings common stock, the tax treatment of a partner in that partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in partnerships should consult their own tax advisors about the tax consequences of the merger to them.

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The parties intend for the merger to be treated as a "reorganization" for U.S. federal income tax purposes. A&B's and Merger Sub's obligation to complete the merger is conditioned upon A&B's receipt of an opinion of its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, dated the closing date of the merger, substantially to the effect that the merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Code. Grace Holdings' obligation to complete the merger is conditioned upon its receipt of an opinion of its counsel, Sidley Austin LLP, dated the closing date of the merger, substantially to the effect that the merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Code. These conditions are waivable, and A&B and Grace Holdings undertake to recirculate and resolicit if these conditions are waived and the change in tax consequences is material. In addition, in connection with the effectiveness of the registration statement of which this document is a part, each of Skadden, Arps, Slate, Meager & Flom LLP and Sidley Austin LLP will deliver an opinion to A&B and Grace Holdings, respectively, to the same effect as the opinions described above. These opinions will rely on customary representations of A&B and Grace Holdings and assumptions as to certain factual matters, and will be subject to certain qualifications and limitations as set forth in the opinions. If any of the facts, representations or assumptions upon which the opinions are based is inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected. Neither A&B nor Grace Holdings has sought, and neither of them will seek, any ruling from the Internal Revenue Service (the "IRS") regarding the tax treatment of the merger, and the opinions described above will not be binding on the IRS or any court. Consequently, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

The actual tax consequences of the merger to you may be complex and will depend upon your specific situation and upon factors that are not within the control of A&B or Grace Holdings. You should consult with your own tax advisor as to the tax consequences of the merger in light of your particular circumstances, including the applicability and effect of any state, local or foreign and other tax laws.

Tax Consequences of the Merger Generally. Assuming that the merger is treated as a "reorganization" within the meaning of Section 368(a) of the Code, the material U.S. federal income tax consequences of the merger will be as follows:

- gain (but not loss) will be recognized by each U.S. holder of Grace Holdings common stock who receives shares of A&B common stock and cash in exchange for shares of Grace Holdings common stock pursuant to the merger in an amount equal to the lesser of (a) the amount by which the sum of the fair market value of the A&B common stock and cash received by such holder exceeds such holder's basis in its Grace Holdings common stock (determined immediately before the merger and after the Restructuring) and (b) the amount of cash received by such holder (except with respect to U.S. holders who receive payments, if any, from the Holdback Amount and/or potentially payments from the Shareholders' Representative Expense Fund Residual as discussed below under " Tax Consequences of the Shareholders' Representative Expense Fund Residual and the Holdback Amount");

- the aggregate basis of the shares of A&B common stock received by a U.S. holder of Grace Holdings common stock in the merger (including fractional shares of A&B common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the Grace Holdings common stock (determined immediately before the merger and after the Restructuring) for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of a fractional share in A&B common stock and cash received from the Shareholders' Representative Expense Fund Residual and/or the Holdback Amount, if any, to the extent such cash represents interest income, as discussed below under " Tax Consequences of the Shareholders' Representative Expense Fund Residual and the Holdback Amount"), and increased by the amount of gain recognized on the exchange, other

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than with respect to cash received instead of a fractional share in A&B common stock (regardless of whether such gain is classified as capital gain or as dividend income, as discussed below under " Potential Recharacterization of Gain as a Dividend"); and

the holding period of A&B common stock received in exchange for shares of Grace Holdings common stock (including fractional shares of A&B common stock deemed received and redeemed as described below) will include the holding period of the Grace Holdings common stock for which it is exchanged.

If a U.S. holder of Grace Holdings common stock acquired different blocks of Grace common stock (converted into Grace Holdings common stock in the Restructuring) at different times or at different prices, any gain or loss will be determined separately with respect to each block of such Grace Holdings common stock. In computing the amount of gain recognized, if any, an eligible shareholder may not offset a loss realized on one block of shares against the gain realized on another block of shares. A U.S. holder's holding period for Grace Holdings common stock will include such holder's holding period of the Grace common stock converted into Grace Holdings common stock in the Restructuring. U.S. holders should consult their own tax advisors with regard to identifying the gain recognized and bases or holding periods of the particular shares of A&B common stock received in the merger.

Taxation of Capital Gain. Except as described under " Potential Recharacterization of Gain as a Dividend" below, gain that U.S. holders of Grace Holdings common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such U.S. holders have held (or are treated as having held) their Grace Holdings common stock for more than one year as of the date of the merger.

Potential Recharacterization of Gain as a Dividend. All or part of the gain that a particular U.S. holder of Grace Holdings common stock recognizes could be treated as dividend income rather than capital gain if (a) such U.S. holder is a significant shareholder of A&B or (b) such U.S. holder's percentage ownership, taking into account constructive ownership rules, in A&B after the merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of A&B common stock rather than a combination of cash and shares of A&B common stock in the merger. This could happen, for example, because of ownership of additional shares of A&B common stock by such holder, ownership of shares of A&B common stock by a person related to such holder or a share repurchase by A&B from other holders of A&B common stock. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon the particular circumstances of a holder of Grace Holdings common stock, including the application of certain constructive ownership rules, holders of Grace Holdings common stock should consult their own tax advisors regarding the potential tax consequences of the merger to them.

Cash Received Instead of a Fractional Share of A&B Common Stock. A U.S. holder of Grace Holdings common stock who receives cash instead of a fractional share of A&B common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by A&B. As a result, such U.S. holder of Grace Holdings common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period for the relevant fractional share is greater than one year (as discussed above, the holding period of the fractional share of A&B common stock deemed received in exchange for shares of Grace

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Holdings common stock will include the holding period of the Grace Holdings common stock for which it is exchanged). The deductibility of capital losses is subject to limitations. Because any cash received instead of a fractional share of A&B common stock will be treated differently than the cash received in exchange for shares of Grace Holdings common stock and cash payments from the Shareholders' Representative Expense Fund Residual or the Holdback Amount, U.S. holders should consult their own tax advisors.

Tax Consequences of the Shareholders' Representative Expense Fund Residual and the Holdback Amount. If certain terms and conditions are met, U.S. holders of Grace Holdings common stock may receive a cash payment from the Holdback Amount. U.S. holders of Grace Holdings common stock may also receive their respective pro rata portions of the Shareholders' Representative Expense Fund Residual, if any. Except as described below, and to the extent a cash payment received by a holder of Grace Holdings common stock from the Shareholders' Representative Expense Fund Residual or the Holdback Amount is not treated as dividend income as described above under " Potential Recharacterization of Gain as a Dividend," such holder generally will be able to report such cash payment from the Holdback Amount, and may be able to report such cash payment from the Shareholders' Representative Expense Fund Residual, under the installment method pursuant to Section 453(a) of the Code; provided that certain requirements are met and that such holder does not elect out of the application of the installment method. Generally, under the installment method, each cash payment received in the merger is taxable in the year of receipt. Therefore, if the installment method applies, a U.S. holder will generally report the portion of such holder's gain allocable to the cash payments from the Shareholders' Representative Expense Fund Residual or the Holdback Amount on a deferred basis as such amounts are received by such holder, generally assuming that the maximum amount of distributions from the Shareholders' Representative Expense Fund and the Holdback Amount to which such holder may be entitled in the current year and all future years will be paid to such holder. In certain circumstances, a U.S. holder may be subject to an interest charge on such holder's deferred federal income tax under Section 453A of the Code. The total gain recognized will not exceed the cash received. Because the law relating to the tax treatment of deferred cash payments received pursuant to the merger is not completely settled, there can be no assurance, particularly with respect to the Shareholders' Representative Expense Fund Residual, that a U.S. holder can in fact report such deferred cash payments on the installment method. The installment sale rules are highly complex and you are urged to discuss the application of the installment sale rules with your tax advisor with respect to the tax consequences of a payment, if any, you may receive from the Shareholders' Representative Expense Fund Residual or the Holdback Amount.

In addition, a portion of the cash payments that a U.S. holder receives after the close of the taxable year in which the merger occurs will be treated as interest income. A U.S. holder will be taxable on such interest income at ordinary income tax rates when it is received.

Finally, the installment method will not apply to U.S. holders of Grace Holdings common stock who recognize a taxable loss as a result of the merger or who elect out of the installment method by filing a form with such holder's U.S. federal income tax return for the tax year in which the merger occurs. If a U.S. holder elects out of the installment method, or if the installment method is otherwise inapplicable, then the U.S. holder generally may be required to calculate the amount of gain recognized in the taxable year of the merger, taking into account the full amount of such holder's portion of the Shareholders' Representative Expense Fund and the Holdback Amount. Such U.S. holder may be entitled to claim a loss in a subsequent taxable year for any amounts not received. The deductibility of such loss may be subject to limitations.

Given the complexities of the application of the installment method rules to deferred cash payments received in the merger, you are strongly urged to consult with your tax advisor regarding the U.S. federal income tax consequences of consideration you receive in the merger.

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Withholding and Information Reporting. Payments of cash to a U.S. holder of Grace Holdings common stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules or under Section 1445 of the Code and the Treasury Regulations thereunder discussed below are not additional tax and generally will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

The merger agreement provides that each Grace Holdings shareholder shall deliver a certificate to A&B, in form and substance reasonably satisfactory to A&B, establishing that such Grace Holdings shareholder is not a foreign person. If A&B does not receive such certificate from a holder on or before the closing date of the merger, A&B will withhold 10% of the merger consideration otherwise payable to such shareholder in accordance with Section 1445 of the Code and the Treasury Regulations thereunder.

A U.S. holder of Grace Holdings common stock who receives A&B common stock as a result of the merger will be required to retain records pertaining to the merger. Each U.S. holder of Grace Holdings common stock who is required to file a U.S. federal income tax return and who is a "significant holder" that receives A&B common stock in the merger will be required to file a statement with such U.S. federal income tax return in accordance with Treasury Regulations Section 1.368-3 setting forth such holder's basis in the Grace Holdings common stock surrendered and the fair market value of the A&B common stock and cash received in the merger. A "significant holder" is a holder of Grace Holdings common stock who, immediately before the merger, owned at least 1% of the outstanding stock of Grace Holdings or securities of Grace Holdings with a tax basis of at least $1 million.

This discussion does not address tax consequences that may vary with, or are contingent upon, individual circumstances. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On June 6, 2013, A&B entered into a definitive merger agreement with Grace and Grace Holdings, under which A&B will acquire the Grace Businesses. The acquisition of the Grace Businesses by A&B will be accounted for under the acquisition method of accounting with A&B treated as the accounting acquirer.

The following unaudited pro forma condensed combined financial information is intended to reflect the effect of the merger on the historical financial statements. The unaudited pro forma condensed combined balance sheet is based on the individual historical consolidated balance sheets of A&B as of March 31, 2013 and Grace as of March 31, 2013. The unaudited pro forma condensed combined statements of operations are based on the individual historical consolidated statements of operations of A&B and Grace and combine the results of operations of A&B for the year ended December 31, 2012 and Grace for its fiscal year ended September 30, 2012 and the interim results of operations of A&B for the three months ended March 31, 2013 and Grace for the three months ended March 31, 2013 as if the merger had been completed on January 1, 2012. The historical financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the merger, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results. Additionally, the unaudited pro forma condensed combined financial statements do not reflect any costs or other one-time charges that may be incurred in connection with the merger or any cost reductions, operating synergies, or revenue enhancements that may result from the merger.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the companies been combined during the periods presented. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the preliminary acquisition-date fair value of the identifiable assets acquired and liabilities assumed reflected in the unaudited pro forma condensed combined financial statements is preliminary and subject to adjustment and will vary from the actual amounts that will be recorded upon completion of the merger when valuations and other studies are completed.

The pro forma purchase price adjustments are preliminary and based on management's indentification and estimates of the fair value and useful lives of the Grace assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition and certain other adjustments. These fair values are dependent upon certain valuations and other studies that are not yet final. Upon completion of the merger, final valuations will be performed, which will result in differences between the preliminary estimates and the amounts determined under the final acquisition accounting. These differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future financial position and results of operations. Fair values presented are based on the most recently available information. To the extent there are significant changes to A&B or Grace's business, including facts, events, and other developments, the assumptions and estimates reflected in the unaudited pro forma condensed combined financial information could change significantly. In addition, the aggregate purchase price will be based on the actual market price of A&B's common stock on the closing date of the merger multiplied by the number of shares issued, which could differ materially from the value assumed in the unaudited pro forma condensed combined financial information.

Grace has a fiscal year ending September 30th. Accordingly, the pro forma condensed combined statement of operations for the year ended December 31, 2012 includes Grace's consolidated statement of operations for its fiscal year ended September 30, 2012.

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Koko'oha Investments, Inc. ("KI") is a wholly owned subsidiary of Grace. KI is the parent company of Mid Pac Petroleum, LLC ("Mid Pac"), which operates the Petroleum Businesses. Prior to the acquisition of Grace by A&B, 100% of the common stock of KI will be distributed to Grace Holdings shareholders. Accordingly, the unaudited pro forma condensed combined financial information that follows is adjusted to remove KI and Mid Pac from the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical financial statements of A&B and Grace that are contained in or incorporated by reference into this proxy/prospectus.

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ALEXANDER & BALDWIN, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of March 31, 2013

(In millions)	A&B Historical	Grace Historical	
Common units (basic and diluted)	$ 0.44		$ 0.19
Weighted-average units outstanding:			
Common units (basic and diluted)(*)	37,958,265		61,862,070

(*) The pro forma weighted average number of units, basic and diluted, presented in the unaudited pro forma condensed combined income statement for the six month period ended June 30, 2011, include (i) CPLP weighted average number of units for the six month period ended June 30, 2011, (ii) Crude weighted average number of common and class B shares for the six month period ended June 30, 2011, multiplied by the exchange ratio of 1.56 and (iii) the weighted average of 20,000 Crude shares representing awards to a number of members of the Crude Independent Committee who are not designated by Crude to serve as members of the CPLP Board, whose vesting will be accelerated upon closing of the merger multiplied by the exchange ratio of 1.56.

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The two class method was used to calculate pro forma combined earnings per unit for the six months ended June 30, 2011 as follows:

	For the Six Month Period Ended June 30, 2011 (Dollars in thousands, except per unit data)		
Numerators			
Partnership s pro forma combined net income			$ 11,988
Less:			
General Partner s interest in Partnership s pro forma combined net income			(240)
Partnership s pro forma combined net income allocable to unvested units			(257)
Partnership s pro forma combined net income available to common unit holders			**$ 11,491**
Denominators	Actual	Pro forma Adjustment	Pro forma
CPLP weighted average number of common units outstanding, basic and diluted	37,958,265	(471,605)	37,486,660
Weighted average number of common units outstanding, representing converted Crude weighted average number of shares, basic and diluted (15,605,263 X 1.56)		24,344,210	24,344,210
Weighted average number of common units outstanding, representing converted Crude share based payment awards whose vesting will be accelerated, basic and diluted		31,200	31,200
Total weighted average number of units	37,958,265	23,903,805	61,862,070
Pro forma combined net income per common unit: Basic and diluted			**$ 0.19**

The pro forma adjustment of 471,605 for the six month period ended June 30, 2011 represents the weighted average number of 499,346 common units that must be converted into general partner units in order for Capital GP to maintain its 2% interest in CPLP.

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(Amounts expressed in thousands of United States Dollars except for unit/share and per unit/share data, unless otherwise stated)

Note 1 Description of transaction and basis of presentation:

Description of Merger

On May 5, 2011, CPLP announced that it had entered into an Agreement and Plan of Merger, dated May 5, 2011, with Crude, Capital GP and MergerCo. The merger is more fully described in this prospectus and should be read in conjunction with these unaudited pro forma condensed combined financial statements.

Assumptions

Pro forma adjustments giving effect to the merger have been reflected in the unaudited pro forma condensed combined income statements assuming the merger was completed on January 1, 2010 and carried forward to the six-months period ended June 30, 2011 and are discussed in Note 2. Pro forma adjustments giving effect to the merger have been reflected in the unaudited pro forma condensed combined balance sheet assuming the merger was completed on June 30, 2011 and are discussed in Note 2.

With respect to the pro forma adjustments related to the unaudited pro forma condensed combined balance sheet, recurring and non recurring adjustments are taken into consideration.

With respect to the pro forma adjustments related to the unaudited pro forma condensed combined income statements, only adjustments that are expected to have a continuing effect on the financial information are taken into consideration.

Only adjustments that are factually supportable and that can be estimated reliably are taken into consideration. For example, the unaudited pro forma condensed combined financial information does not reflect any cost savings potentially realizable from the elimination of certain expenses.

Note 2 Pro forma Adjustments related to the Merger:

The pro forma adjustments giving effect to the merger are as follows:

a) In accordance with U.S. GAAP, the fair value of the common unit consideration to be issued by CPLP representing the consideration transferred for the acquisition of Crude, has been allocated as of June 30, 2011 to the estimated fair value of Crude identifiable assets and liabilities to be acquired in accordance with the acquisition method prescribed by Accounting Standards Codification, Business Combinations, or ASC-805 and is based on preliminary estimates of their respective fair values. The merger consideration will be determined on the acquisition date value of CPLP common units, which will be the date on which CPLP will obtain a control of Crude and when CPLP will legally transfer units issued as consideration to Crude and will acquire its assets and assume its liabilities.

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements (Continued)

Description	Notes	Crude Book Value as of June 30, 2011	Adjustments	Crude Fair Value as of June 30, 2011
Net assets				
Current assets		$ 15,422	$	$ 15,422
Vessel, net	2(b)	385,327	$ 6,423	391,750
Other non-current assets	2(c)	6,770	(1,464)	5,306
Total liabilities		(145,623)		(145,623)
Total Net assets		**$ 261,896**		**$ 266,855**
Merger Consideration				
Fair value of CPLP s units issued to Crude stockholders	2(d)	$	$	$ 186,233
Fair-value-based measure of vested share based payment awards attributable to pre-combination service	2(f)	$	$	217
Fair-value-based measure of unvested awards attributable to pre-combination service	2(f)	$	$	1,264
Total consideration provided				**$ 187,714**
Gain from bargain purchase				**$ 79,141**
Less:				
General Partner interest in gain from bargain purchase				$ 1,583
Limited Partners interest in gain from bargain purchase				$ 77,558

The gain from bargain purchase of $79,141 has resulted from the difference between the unit price of CPLP units to be issued to Crude stockholders and the fair value of Crude s net assets. Gain from bargain purchase is presented as a non recurring transaction in the unaudited pro forma condensed combined balance sheet under Partners Capital / Stockholders Equity, and is allocated between the Partnership s general partner and limited partners based on their ownership percentage. A sensitivity analysis showing how the merger consideration is impacted from a change in the CPLP s unit price is presented below:

	CPLP s Units Price	(Goodwill)/Gain from Bargain Purchase
CPLP s unit price 52-week high as of August, 3, 2011	$ 11.39	$ (11,906)
CPLP s unit price -52-week low as of August, 3, 2011	$ 7.42	$ 84,740

CPLP s unit price on May 4, 2011 (Closing price per unit on a day prior to the merger announcement)	$ 11.27	$ (8,985)

b) The amount of $6,423 represents the difference between the fair market value of Crude s vessels of $391,750, which reflects the average of two valuations from independent third party ship brokers, and their respective net book value of $385,327 as of June 30, 2011;

c) Following the merger, Crude s credit facility is expected to be refinanced by the available liquidity in CPLP s credit facility of $350,000, which is non-amortizing up to June 30, 2013. Therefore the current portion of long term debt of $19,305 will be converted into long term debt. As a result deferred financing charges of Crude s existing credit facility of $1,464 as reflected in the June 30, 2011 balance sheet will be written off.

d) Upon the closing of the merger each share of Crude common stock and Crude Class B stock will be converted into 1.56 CPLP common units. The amount of $186,233 (Note 2a) reflects the result of this

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements (Continued)

conversion and is the product of 13,500,000 shares of Crude common stock and 2,105,263 shares of Crude Class B stock issued and outstanding as of June 30, 2011 multiplied by the exchange ratio of 1.56 times the price per CPLP s unit of $7.65 as quoted on Nasdaq on August 3, 2011. Furthermore out of the $186,233 the amount of $3,725 has been allocated to Capital GP in order for it to maintain its 2% interest in CPLP and the remaining amount of $182,508 is allocated to CPLP s limited partners.

e) Upon the consummation of the merger agreement the equity of Crude will be eliminated.

f) Upon the effective time of the merger, Crude s share based payment awards granted on August 31, 2010 will be converted into equivalent CPLP common unit awards using an exchange ratio of 1.56 and all the terms of such awards will remain the same. Crude s share based payment awards to the members of the Crude Independent Committee who are not designated by Crude to serve as a member of the CPLP Board, will lapse immediately prior to the effective time of the merger, and such 20,000 shares of Crude common stock based payment awards will vest in full immediately prior to the effective time of the merger.

The acquisition date fair value of the awards vesting upon merger as noted above is included as part of the consideration transferred in the business combination (Note 2a) and is calculated based on 20,000 shares multiplied by the price per Crude common share of $10.87 on the NYSE on August 3, 2011. The acquisition date fair value is estimated at $217 as of August 3, 2011.

The remaining unvested share based payment awards will be valued at fair value as of the acquisition date. The fair-value-based measure of the replaced awards (Crude measured awards) will be split into two portions: (i) fair value assigned to pre-combination services to be recognized as part of the consideration transferred in the business combination; and (ii) fair value assigned to post-combination services to be recognized as equity compensation expense in the post-combination financial statements of CPLP over the remaining vesting period.

The calculation related to unvested awards is as follows:

Fair-value-based measure of the CPLP replacement awards.	379,400 Crude shares multiplied by 1.56 exchange ratio resulting in 591,864 units of CPLP and multiplied by 7.65 per CPLP unit.*	$ 4,528***
Fair-value-based measure of the Crude awards being replaced.	379,400 Crude shares multiplied by $10.87 per Crude share.**	4,124
Excess of fair-value-based measure of replacement awards over fair-value based measure of awards being replaced.	Attributable to post-combination service period.	404
Unvested portion of the fair value of awards attributable to post-combination services.	Fair-value-based measure of the Crude awards being replaced divided by the total service period of 3 years and multiplied by the days of the post-combination service period since August 31, 2010.	2,860
Total attributable to post-combination services.		**$ 3,264**
Fair-value-based measure attributable to pre-combination services.	Fair-value-based measure of the Crude awards being replaced divided by the total service period of 3 years and multiplied by the days of the pre-combination service period since August 31,	**$ 1,264**

2010.

* CPLP per unit closing price of $7.65 as quoted on Nasdaq on August 3, 2011.

** Crude per share closing price of $10.87 as quoted on the NYSE on August 3, 2011.

*** The replacement awards will have a continuing effect on CPLP as the fair value of the unvested portion of the replacement awards issued will be recognized in income over the remaining term of the awards from the grant date. Accordingly, an adjustment has been made to the historical compensation expense

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements (Continued)

recognized by Crude on the previously existing awards in order to reflect the estimated compensation expense based upon the terms of the replacement awards as set out in the merger agreement. The adjustment amounted to $(305) and $(267) and is presented as a pro forma adjustment to general and administrative expenses in the unaudited pro forma condensed combined income statement for the six month period ended June 30, 2011 and for the year ended December 31, 2010, respectively. An analysis of this pro forma adjustment is as follows:

	For the Six Month Period Ended June 30, 2011	For the Year Ended December 31, 2010
Equity compensation expense, historical	$ 1,050	$ 768
Equity compensation expense based on terms of replacement awards	745	501
Pro forma adjustment	**$ (305)**	**$ (267)**

(g) Vessel depreciation was adjusted by replacing the Crude vessels carrying values with their respective fair values and using Crude vessels estimated useful life of 25 years from vessels delivery from respective shipyards. In the case of four out of five of Crude s vessels that were acquired during 2010, vessel depreciation for the year ended December 31, 2010 was calculated from the dates of their acquisitions. In the case of the fifth Crude vessel, depreciation for the year ended December 31, 2010 was calculated for the period from January 1, 2010 to December 31, 2010 as the vessel owning company of the respective vessel and Crude were under common control prior to Crude s initial public offering that was completed in March 2010. An analysis of vessel depreciation for the six months ended June 30, 2011 and for the year ended December 31, 2010 is as follows:

	For the Six Month Period Ended June 30, 2011	For the Year Ended December 31, 2010
Depreciation based on fair value of vessels	$ 7,499	$ 10,301
Depreciation based on carrying value of vessels	8,011	11,317
Pro forma adjustment	**$ (512)**	**$ (1,016)**

(h) Interest expense was recalculated as if the refinancing of the amount of $134,580 drawn-down under Crude s credit facility by CPLP s credit facility of up to $350,000 had occurred in June 2010 when the two advances of $75,000 and $59,580 under the Crude credit facility were originally drawn down. Calculations of the interest expense for these two advances have been based on the six months actual LIBOR plus the funding cost plus the margin of CPLP s credit facility of up to $350,000 according to the last interest fixation for the three month period starting on June 30, 2011 and ending on September 30, 2011. In addition non-cash amortization expense of deferred finance charges as well as loan commitment fees calculated on the undrawn portion of the Crude credit facility for the six month period ended

June 30, 2011 and for the year ended December 31, 2010 has been reversed. For the same period commitment fees calculated on the undrawn portion of CPLP s credit facility of up to $350,000 have been reduced by the assumed drawn-down of $134,580 in June 2010. For the refinancing of the Crude credit facility expenses that could affect materially the unaudited pro forma condensed combined income statements for the six month period ended June 30, 2011 and for the year ended December 31, 2010 are not expected to be recognized. An analysis of the pro forma adjustments in the interest expense and finance cost in the unaudited pro forma condensed combined income

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements (Continued)

statement as a result of the refinancing of Crude credit facility for the six month period ended June 30, 2011 and for the year ended December 31, 2010 is as follows:

	For the six Month Period Ended June 30, 2011	For the Year Ended December 31, 2010
Reversal of actual interest expense already incurred under Crude s current credit facility	$ 2,209	$ 2,479
Reversal of actual amortization expense of deferred finance charges and commitment fees already incurred under Crude s current credit facility	478	1,082
CPLP s adjusted commitment fees as a result of the assumed drawn down of $134,580 from its credit facility of up to $350,000 in June 2010	220	244
Pro-forma interest expense as a result of the assumed drawn down of $134,580 from CPLP s credit facility of up to $350,000	(1,304)	(1,448)
Pro forma adjustment	**$ 1,603**	**$ 2,357**

An increase of 0.125% in the interest rate of CPLP s credit facility of up to $350,000 will cause pro-forma interest expense to increase by $85 and $94 for the six month period ended June 30, 2011 and the year ended December 31, 2010, respectively. A decrease of 0.125% in the interest rate of CPLP s credit facility of up to $350,000 will cause pro-forma interest expense to decrease by $85 and $94 for the six month period ended June 30, 2011 and the year ended December 31, 2010, respectively.

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DESCRIPTION OF CPLP COMMON UNITS

Set forth below is a summary of the material terms of the CPLP common units as specified in the CPLP Partnership Agreement and the MILPA, as it relates to the CPLP common units. This description is not complete and is qualified in its entirety by reference to Republic of Marshall Islands law, including the MILPA, and to the CPLP Partnership Agreement. CPLP s Partnership Agreement was included as Exhibit I of CPLP s Current Report on Form 6-K filed with the SEC on February 24, 2010. The CPLP Partnership Agreement is hereby incorporated by reference into this section, and the descriptions in this section are qualified in their entirety by reference to the full text of the CPLP Partnership Agreement. To find out where copies of these documents can be obtained, please see Where You Can Find More Information on page 128.

Authorized and Outstanding Common Units

Upon consummation of the proposed transaction, CPLP will have a total of approximately 69,871,458 million CPLP common units outstanding. The CPLP common units represent limited partnership interests in CPLP. The holders of CPLP common units are entitled to participate in partnership distributions and exercise the rights and privileges available to limited partners under the CPLP Partnership Agreement.

CPLP Common Units

Each outstanding CPLP common unit is entitled to one vote on matters subject to a vote of the holders of CPLP common units. CPLP s general partner, Capital GP, and as the sole member of the general partner, Capital Maritime, has the right to appoint three of the seven members of the CPLP Board with the remaining four directors being elected by the holders of CPLP common units. Election of directors is by plurality of votes cast.

In voting their common units, CPLP s general partner, Capital GP, and its affiliates will have no fiduciary duty or obligation whatsoever to the holders of CPLP common units, including any duty to act in good faith or in the best interests of the holders of CPLP common units.

Anti-Takeover Provisions CPLP s Amended and Restated Limited Partnership Agreement and the MILPA

Provisions in the CPLP Partnership Agreement might make it harder for a person or group to acquire CPLP through a tender offer, proxy contest or otherwise. These provisions include, for example, terms providing for:

Merger of CPLP or the sale of all or substantially all of CPLP s assets

Under the terms of the CPLP Partnership Agreement, the approval of CPLP s general partner, Capital GP, and the CPLP Board are required for the merger of CPLP and the sale of all or substantially all of CPLP s assets.

Election and Removal of Directors

The CPLP Partnership Agreement prohibits cumulative voting in the election of directors and requires parties other than the CPLP Board to give advance written notice of nominations for the election of directors. CPLP s general partner may remove an appointed board member with or without cause at any time. Any and all of the members of the CPLP Board may be removed at any time for cause by the affirmative vote of a majority of the other board members. Any and all of the members of the CPLP Board may be removed for cause at a properly called meeting of the unitholders by a majority of the outstanding CPLP common units. If any appointed CPLP Board member is removed,

resigns or is otherwise unable to serve as a CPLP Board member, CPLP s general partner, Capital GP, may fill the vacancy. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

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Removal of CPLP management or CPLP s general partner

The unitholders will be unable to remove CPLP s general partner without its consent because the general partner and its affiliates own sufficient units to be able to prevent such removal. The vote of the holders of at least 662/3% of all outstanding CPLP common units and a majority vote of the CPLP Board are required to remove the general partner. As of December 31, 2010, Capital Maritime owned a 31.2% interest in CPLP, including 11,304,651 CPLP common units and its 2% interest through its ownership of CPLP s general partner, Capital GP, while 66.8% of the outstanding CPLP common units were owned by public unitholders.

Common unitholders elect four of the seven members of the CPLP Board. CPLP s general partner in its sole discretion has the right to appoint the remaining three directors.

Election of the four directors elected by common unitholders is staggered, meaning that the members of only one of three classes of CPLP s elected directors are selected each year. In addition, the directors appointed by Capital GP will serve for terms determined by Capital GP.

The CPLP Partnership Agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about CPLP operations as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

Unitholders voting rights are further restricted by the CPLP Partnership Agreement provision providing that if any person or group, other than Capital GP, its affiliates, their transferees, and persons who acquired such units with the prior approval of the CPLP Board, owns beneficially 5% or more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, except for purposes of nominating a person for election to the CPLP Board, determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote.

CPLP, as a foreign private issuer and limited partnership, is not subject to certain applicable Nasdaq restrictions, and as such, has substantial latitude in issuing equity securities without unitholder approval.

Amendments to the CPLP Partnership Agreement

Amendments to the CPLP Partnership Agreement may be proposed only by the general partner or the CPLP Board. Neither the general partner nor the CPLP Board has a duty or obligation to propose any amendment to the CPLP Partnership Agreement and may decline to do so free of any fiduciary duty or obligation whatsoever to CPLP or any unitholder and, in declining to propose an amendment, to the fullest extent permitted by applicable law shall not be required to act in good faith or pursuant to any other standard imposed by the CPLP Partnership Agreement, any other agreement contemplated hereby or under the MILPA or any other applicable law, rule or regulation.

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COMPARISON OF RIGHTS OF SHAREHOLDERS OF CRUDE AND UNITHOLDERS OF CPLP

The rights of Crude shareholders are currently governed by the MIBCA and the amended and restated articles of incorporation and amended and restated bylaws of Crude. The rights of unitholders of CPLP are currently governed by the MILPA and the CPLP Partnership Agreement. Upon completion of the merger, the rights of Crude shareholders who become unitholders of CPLP in the merger will be governed by the MILPA and the CPLP Partnership Agreement. While both Crude and CPLP are companies organized under the laws of the Republic of the Marshall Islands, and accordingly, the shareholder or unitholder rights of both companies are governed by Marshall Islands law, there are certain differences between the rights of Crude shareholders and the rights of unitholders of CPLP due to differences between the amended and restated articles of incorporation and amended and restated bylaws of Crude and the CPLP Partnership Agreement. The following discussion explains various differences, including any material differences, between the current rights of Crude shareholders and the rights they will have as unitholders of CPLP if they receive CPLP common units in the merger. The following comparison is necessarily a summary and is not intended to identify all immaterial differences that may exist. This summary is qualified in its entirety by reference to Marshall Islands law, the amended and restated articles of incorporation and amended and restated bylaws of Crude and the CPLP Partnership Agreement.

Authorized Capital Stock

Crude

The authorized share capital of Crude is divided into three classes, consisting of 1,000,000,000 shares of Crude common stock, par value $0.0001 per share; 100,000,000 shares of Crude Class B stock, par value $0.0001 per share; and 100,000,000 shares of preferred stock, par value $0.0001 per share.

CPLP

CPLP has as of August 5, 2011, issued 44,904,183 common units and 916,411 general partner units. Under its partnership agreement, CPLP may issue an unlimited number of units at any time and from time to time for such consideration and on such terms and conditions as the CPLP Board shall determine, all without the approval of any limited partners, but under certain circumstances subject to the approval of the general partner. Upon the issuance of any additional CPLP common units, the general partner will have the right, but not the obligation, to make additional capital contributions to the extent necessary to maintain its 2.0% general partner interest in CPLP.

Number of Directors; Classification of Board of Directors

Crude

Under the MIBCA, Marshall Islands companies are required to have at least one director. The directors of a Marshall Islands company may be divided into two or more classes and those classes of directors may serve for different terms. The Crude Board currently consists of eight directors and is divided into three classes, with the term of office of each of the three classes expiring successively each year.

CPLP

The CPLP Board currently consists of seven individuals, three of whom are appointed by the general partner of CPLP and four of whom are elected by the unitholders that are unaffiliated with Capital Maritime, the sole member of

CPLP s general partner. The directors elected by the unitholders are divided into three classes: Class I, comprising one elected director, Class II, comprising one elected director, and Class III, comprising two elected directors, with the term of office of each of the three classes expiring successively each year.

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Board Vacancies and Newly Created Directorships

Crude

Under Crude s amended and restated articles of incorporation, any vacancies in the Crude Board for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than a majority of the members of the Crude Board then in office.

CPLP

Under the CPLP Partnership Agreement, any appointed directors who resign, are removed, or are unable to serve will be replaced by the general partner. Any elected directors who are removed, resign or are unable to serve will be replaced by a majority of the elected directors then serving.

Removal of Directors

Crude

Crude s amended and restated articles of incorporation provide that its directors may be removed only for cause upon the affirmative vote of not less than 662/3% of the outstanding shares of its capital stock entitled to vote for those directors.

CPLP

Under the CPLP Partnership Agreement, any appointed directors may be removed at any time without cause only by the general partner and, with cause, by the general partner or by the affirmative vote of the holders of a majority of the outstanding units at a properly called meeting of the unitholders. Elected directors may be removed at any time, with cause, only by the affirmative vote of a majority of the other elected directors or at a properly called meeting of the unitholders by the affirmative vote of the holders of a majority of the outstanding units.

Appointment of Officers

Crude

Under Crude s amended and restated bylaws, the Crude Board is required to elect a Chief Executive Officer, a Chief Financial Officer and a Secretary, which officers are responsible, under the direction of the Crude Board, for supervising and managing the daily business and affairs of Crude. The Crude Board may also elect from time to time such other officers as, in the opinion of the Crude Board, are desirable for the conduct of the business of Crude.

CPLP

Under the MILPA and the CPLP Partnership Agreement, the business and affairs of CPLP are generally managed by Capital GP, as general partner, under the direction and subject to the authority of the CPLP Board, and the day-to-day activities of CPLP are managed by the officers of Capital GP, although the CPLP Board has the authority to appoint and remove such officers and to determine the scope of such officers authority and compensation (in each case in such officers capacity as managers to CPLP).

Appointment of Auditors

Crude

The Crude Independent Committee, inter alia, determines the appointment of the independent auditors of Crude and any change in such appointment and ensures the independence of such auditors.

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CPLP

Under the CPLP Partnership Agreement, CPLP is required to provide unitholders with an annual report containing financial statements to be audited by a firm of independent public accountants selected by the CPLP Board.

Quorum Requirements

Crude

The holders of a majority of total voting power of the outstanding capital stock of Crude entitled to vote at a meeting of the shareholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business at any annual or special meeting of the shareholders, provided that where a separate vote by a class or series of capital stock is required, the holders of a majority of total voting power of the outstanding capital stock of such class or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such vote on such matter.

CPLP

The holders of a majority of the outstanding units of the class or classes for which a meeting has been called (including outstanding units deemed owned by the general partner) represented in person or by proxy shall constitute a quorum at a meeting of unitholders of such class or classes unless any such action by the unitholders requires approval by holders of a greater percentage of such units, in which case the quorum shall be such greater percentage.

Voting Rights and Required Votes Generally

Crude

Except as otherwise provided by the Crude amended and restated articles of incorporation, the Crude amended and restated bylaws, the rules or regulations of the NYSE or applicable law, and except for the election of directors, any question brought before any meeting of the shareholders at which a quorum is present shall be decided by the affirmative vote of the holders of a majority of the total number of votes of the capital stock present in person or represented by proxy and entitled to vote on the applicable subject matter.

CPLP

Under the CPLP Partnership Agreement, at any meeting of the unitholders at which a quorum is present, the act of unitholders holding outstanding units that in the aggregate represent a majority of the outstanding units entitled to vote and present in person or by proxy at such meeting shall be deemed to constitute the act of all unitholders, unless a greater or different percentage is required with respect to such action under the provisions of the CPLP Partnership Agreement, in which case the act of the unitholders holding outstanding units that in the aggregate represent at least such greater or different percentage shall be required.

Voting on Mergers, Consolidations and Certain Other Transactions

Crude

In the case of a merger or consolidation the voting rights discussed in Voting Rights and Required Votes Generally above will generally apply.

CPLP

In the case of a merger or consolidation the voting rights discussed in above will generally apply.	Voting Rights and Required Votes Generally

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Dissenters Rights of Appraisal

Crude

Under Marshall Islands law, a shareholder of a corporation has the right to vote against any plan of merger to which the corporation is a party. If such shareholders vote against the plan of merger, they may have the right to seek payment from their corporation of the appraised fair value of their shares (instead of the contractual merger consideration). However, the right of a dissenting shareholder to receive payment of the appraised fair value of his shares is not available if the shares of such class or series of stock are (i) listed on a securities exchange or (ii) held of record by more than 2,000 holders. Since shares of Crude common stock are traded on the NYSE, a dissenting holder of shares of Crude common stock has no right to receive payment from Crude for the appraised fair market value of his shares under Marshall Islands law. Furthermore, pursuant to the Support Agreement, CCIC, as the sole holder of Crude Class B stock, has waived any appraisal rights it might have under Marshall Islands law.

CPLP

Under the MILPA, no class or group of partners is entitled to any appraisal rights unless the partnership agreement or an agreement of merger provide for such rights. The CPLP Partnership Agreement provides no appraisal rights.

Business Combination Statutes

Crude

Under the MIBCA, any plan of merger or consolidation shall be authorized by the holders of a majority of the outstanding shares entitled to vote thereon. In addition, any sale, lease, exchange or other disposition of all or substantially all the assets of a Marshall Islands corporation, if not made in the usual or regular course of the business actually conducted by such corporation, requires the affirmative vote of the holders of at least two-thirds of the outstanding shares entitled to vote thereon, unless any class of shares is entitled to vote thereon as a class, in which event such authorization shall require the affirmative vote of the holders of a majority of the shares of each class of shares entitled to vote as a class thereon and of the total shares entitled to vote thereon.

CPLP

Under the MILPA, unless otherwise provided in the partnership agreement, a merger or consolidation shall be approved by (i) by all general partners, and (ii) by the limited partners or, if there is more than one class or group of limited partners, then by each class or group of limited partners, in either case, by limited partners who own more than 50% of the then current percentage or other interest in the profits of the limited partnership owned by all of the limited partners or by the limited partners in each class or group, as appropriate.

The CPLP Partnership Agreement provides that any merger or consolidation of the partnership requires the approval of CPLP s Board and the prior consent of the general partner after which it must be approved by the affirmative vote the holders of at least a majority of the outstanding CPLP common units.

Nevertheless, under the partnership agreement, the approval of the limited partners is not required:

> to convert CPLP or any if its subsidiaries into a new limited liability entity, to merge CPLP or any subsidiary into, or convey all of CPLP s assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from CPLP or a subsidiary if (i) the conversion, merger or conveyance, as the case may be, would not

result in the loss of the limited liability of any limited partner, (ii) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of CPLP into another limited liability entity and (iii) the governing instruments of the new

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entity provide the limited partners, the general partner and the CPLP Board with the same rights and obligations as are herein contained; or

to merge or consolidate CPLP with or into another entity if (i) the merger or consolidation, as the case may be, would not result in the loss of the limited liability of any limited partner, (ii) the merger or consolidation would not result in an amendment to partnership agreement other than any amendments that under the partnership agreement could be adopted by the CPLP Board and general partner without the consent of the limited partners, (iii) CPLP is the surviving entity in such merger or consolidation, (iv) each common unit outstanding immediately prior to the effective date of the merger or consolidation is to be an identical common unit of CPLP after the effective date of the merger or consolidation, and (v) the number of new common units to be issued by CPLP in such merger or consolidation does not exceed 20% of the common units outstanding immediately prior to the effective date of such merger or consolidation.

Action by Written Consent

Crude

Under the MIBCA, any action required to, or that may, be taken by a shareholder meeting may be taken without a meeting if a written consent to such action is signed by all the shareholders entitled to vote with respect thereto.

CPLP

If authorized by the CPLP Board, any action that may be taken at a meeting of the unitholders may be taken without a meeting if an approval in writing setting forth the action so taken is signed by unitholders owning not less than the minimum percentage of the outstanding units (including units deemed owned by the general partner) that would be necessary to authorize or take such action at a meeting at which all the unitholders were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of Nasdaq, in which case the rule, regulation, guideline or requirement of Nasdaq shall govern). Prompt notice of the taking of action without a meeting shall be given to the unitholders who have not approved the action in writing.

Special Meetings

Crude

Under the MIBCA, a special meeting of shareholders may be called by the board of directors or by such persons as authorized by the articles of incorporation or bylaws. At such meeting, only business that is related to the purpose set forth in the required notice may be transacted. Under the MIBCA, notice of any shareholder meeting must state the purpose of such meeting and that it is being called at the direction of whoever is calling the meeting. Crude s amended and restated bylaws provide that other than a special meeting in lieu of an annual meeting and except as otherwise provided by applicable law, special meetings of the shareholders may be called only by the chairman of the Crude Board or Chief Executive Officer, in either case at the direction of the Crude Board as approved by a majority of the entire Crude Board. Only such business as is specified in the notice of any special meeting of the shareholders may come before such meeting.

CPLP

The CPLP Partnership Agreement provides that special meetings of the unitholders may be called by the general partner, the CPLP Board or by unitholders owning 20% or more of the outstanding units of the class or classes for which a meeting is proposed. Unitholders may call a special meeting by delivering to the CPLP Board one or more

requests in writing indicating the general or specific purposes for which the special meeting is to be called, it being understood that the purposes of such special meeting may only be to vote on matters that require the vote of the unitholders pursuant to the CPLP Partnership Agreement.

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Amendments to Governing Documents

Crude

Under the MIBCA, an amendment to the articles of incorporation may be authorized by the holders of a majority of all outstanding shares entitled to vote thereon. In addition, and notwithstanding any provision in the articles of incorporation to the contrary, if an amendment would increase or decrease the aggregate number of authorized shares of any class, or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely, the amendment shall be authorized by a vote of the holders of a majority of all outstanding shares of such class. If any proposed amendment would alter or change the powers, preferences, or special rights of one or more series of any class so as to affect them adversely, but would not affect the entire class, then only the shares of the series so affected by the amendment shall be considered a separate class for purposes of this section.

The Crude Board is expressly authorized to make, alter or repeal any bylaw of Crude by a vote of not less than a majority of the members of the Crude Board then in office, and the shareholders may not make additional bylaws and may not alter or repeal any bylaw except by the affirmative vote of not less than 662/3% of the aggregate voting power of the voting stock. The affirmative vote of more than 50% of the voting power of the voting stock shall be required to amend, alter, change or repeal the Crude amended and restated articles of incorporation, except for certain provisions for which the affirmative vote of not less than 662/3% of the aggregate voting power of the voting stock is required.

CPLP

The MILPA does not provide any provisions for amending a partnership agreement. Under the Marshall Islands Revised Partnership Act, a partnership agreement may be written, oral or implied, and need not be executed, and a partnership agreement may provide for the taking of an action, including the amendment of the partnership agreement, without the vote or approval of any partner or class or group of partners.

Under the CPLP Partnership Agreement, the CPLP Board, without the approval of any unitholder, but with the approval of the general partner required for any such amendment, may amend certain provisions of the CPLP Partnership Agreement. In general, the affirmative vote of a majority of common units (or in certain cases a higher percentage), is required in order to amend the provisions of the CPLP Partnership Agreement or to reach certain decisions or actions, including: amendments to the definition of available cash, operating surplus, adjusted operating surplus; changes in CPLP s cash distribution policy; elimination of the obligation to pay the minimum quarterly distribution; elimination of the obligation to hold an annual general meeting; removal of any appointed director for cause; transfer of the general partner interest; transfer of the incentive distribution rights; the ability of the board to sell, exchange or otherwise dispose of all or substantially all of CPLP s assets; resolution of conflicts of interest; withdrawal of the general partner; removal of the general partner; dissolution of CPLP; change to the quorum requirements; approval of merger or consolidation; and any amendment to the CPLP Partnership Agreement.

Indemnification of Directors and Officers

Crude

Under the MIBCA, for actions not by or in the right of a Marshall Islands corporation, the corporation may indemnify any person who was or is a party to any threatened or pending action or proceeding by reason of the fact that such person is or was a director or officer of the corporation against expenses (including attorney s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the

corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful.

In addition, under the MIBCA, in actions brought by or in right of a Marshall Islands corporation, any agent who is or is threatened to be made party can be indemnified for expenses (including attorney s fees) actually and reasonably incurred in connection with the defense or settlement of the action if such person

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acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, provided that indemnification is not permitted with respect to any claims in which such person has been found liable for negligence or misconduct with respect to the corporation unless the appropriate court determines that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity.

Crude s amended and restated bylaws provide that Crude shall indemnify and hold harmless, to the fullest extent permitted by applicable law, any person that was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, legislative or investigative, by reason of the fact that such person is or was a director or officer of Crude or, while a director or officer of Crude, is or was serving at the request of Crude as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys fees) reasonably incurred by such person in connection with any such proceeding or any claim made in connection therewith.

CPLP

Under the MILPA, a partnership agreement may set forth that the partnership shall indemnify and hold harmless any partner or other person from and against any and all claims and demands whatsoever.

The CPLP Partnership Agreement provides that to the fullest extent permitted by law, but subject to the limitations expressly provided in the CPLP Partnership Agreement, the general partner, the CPLP Board and any other person the CPLP Board decides, shall be indemnified and held harmless by CPLP from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which such person may be involved, or is threatened to be involved, as a party or otherwise, provided, however, that such person shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the person is seeking indemnification, the person acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that his or her conduct was unlawful; and, provided further, that indemnification shall be available to the general partner or its affiliates only for obligations incurred on behalf of CPLP.

Under the CPLP Partnership Agreement, each CPLP director is reimbursed for out-of-pocket expenses in connection with attending meetings of the CPLP Board or committees and is fully indemnified by CPLP for actions associated with being a director to the fullest extent permitted under Marshall Islands law, provided that indemnification is not available where there has been a final, non-appealable judgment entered by a court of competent jurisdiction that the director acted in bad faith or engaged in fraud or willful misconduct.

Limitations on Personal Liability of Directors

Crude

Under Marshall Islands law, directors and officers shall discharge their duties in good faith and with that degree of diligence, care and skill which ordinarily prudent people would exercise under similar circumstances in like positions. In discharging their duties, directors and officers may rely upon financial statements of the corporation represented to them to be correct by the president or the officer having charge of its books or accounts or by independent accountants.

The MIBCA provides that the articles of incorporation of a Marshall Islands company may include, and Crude s amended and restated articles of incorporation do include, a provision for the elimination or limitation of liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director:

for any breach of the director s duty of loyalty to the corporation or its shareholders;

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for acts or omissions not undertaken in good faith or which involve intentional misconduct or a knowing violation of law; or

for any transaction from which the director derived an improper personal benefit.

To the fullest extent permitted by the MIBCA or any other law of the Republic of the Marshall Islands, no director of Crude shall be liable to Crude or its shareholders for monetary damages for actions taken in their capacity as director or officer of Crude, provided that such provision shall not eliminate or limit the liability of a director for those actions identified above.

CPLP

The MILPA has no provision on personal liability of directors and any provisions to this effect must be set out in the limited partnership agreement.

The CPLP Partnership Agreement provides that no indemnitee shall be liable for monetary damages to CPLP, the unitholders or any other persons who have acquired an equity interest in any other CPLP securities, for losses sustained or liabilities incurred as a result of any act or omission of an indemnitee unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the indemnitee acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the indemnitee s conduct was criminal.

Preemptive Rights

Crude

Under the MIBCA, unless provided otherwise in the articles of incorporation, the holders of any class of capital stock shall have specified preemptive rights.

As provided in Crude s amended and restated articles of incorporation, the holders of shares of Crude common stock have no conversion, redemption or preemptive rights to subscribe to any of Crude s securities. The holders of Crude Class B stock have preemptive rights to subscribe to any issuance of Crude Class B stock.

CPLP

Under the MILPA, neither the general partner nor a limited partner has any preemptive rights, but such rights may be set out in the limited partnership agreement or other agreement.

Under the CPLP Partnership Agreement, except for the general partner s right to, upon the issuance of additional common units by CPLP, make capital contributions in exchange for a proportionate number of common units, no person shall have any preemptive, preferential or other similar right with respect to an issuance of common units or any other CPLP equity security, whether unissued, held in the treasury or thereafter created. The general partner shall have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or any other CPLP security from CPLP whenever, and on the same terms that, CPLP issues common units or any other CPLP equity security to persons other than the general partner and its affiliates, to the extent necessary to maintain the ownership interest of the general partner and its affiliates equal to that which existed immediately prior to the issuance of such common units or other CPLP equity security.

Cumulative Voting Rights

Crude

The amended and restated articles of incorporation of Crude provide that cumulative voting is not permitted for the election of directors.

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CPLP

The CPLP Partnership Agreement does not provide for cumulative voting.

Dividends and Stock Repurchases

Crude

Under the MIBCA, a Marshall Islands corporation may declare and pay dividends in cash, stock or other property on its outstanding shares, except when the corporation is insolvent or would thereby be made insolvent or when the declaration or payment would be contrary to any restrictions contained in the articles of incorporation. Dividends may be paid out of surplus only, but in the event there is no surplus, dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.

Dividends upon the capital stock of Crude may be declared by the Crude Board at any regular or special meeting, and may be paid in cash, in property or in securities of Crude. Before payment of any dividend, there may be set aside out of any funds of Crude available for dividends such sum or sums as Crude Board from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of Crude, or for equalizing dividends, or for repairing or maintaining any property of Crude, or for any proper purpose, and the Crude Board may modify or abolish any such reserve.

CPLP

Under the MILPA, a limited partnership shall not make a distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specified property of the limited partnership, exceed the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability. The MILPA has no provisions for the repurchase of common units similar to the repurchase by a corporation of its own stock.

The CPLP Partnership Agreement provides that all available cash shall be distributed quarterly (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves), and contains detailed provisions for distribution among the general partner and the limited partners.

Record Date for Voting

Crude

In order that Crude may determine the shareholders entitled to (i) notice of or vote at any meeting of the shareholders or any adjournment thereof, (ii) express consent to corporate action by written consent without a meeting unless otherwise provided in the amended and restated articles of incorporation, (iii) receive payment of any dividend or other distribution or allotment of any rights, or exercise any rights in respect of any change, conversion or exchange of stock, or (iv) undertake any other lawful action, the Crude Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Crude Board and which record date shall, unless otherwise required by law, not be, (a) in the case of clause (i) or (ii) above, more than 60 nor less than 15 days before the date of such meeting or the date on which such action by written consent is required to occur, and (b) in the

case of clauses (iii) and (iv) above, more than 60 days prior to such action.

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CPLP

Under the CPLP Partnership Agreement, for purposes of determining the unitholders entitled to notice of or to vote at a meeting of the unitholders or to give approvals without a meeting, the CPLP Board may set a record date, which shall not be less than 10 nor more than 60 days before (i) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of Nasdaq, in which case the rule, regulation, guideline or requirement of the Nasdaq shall govern) or (ii) in the event that approvals are sought without a meeting, the date by which unitholders are requested in writing by the CPLP Board to give such approvals. If the CPLP Board does not set a record date, then (i) the record date for determining the unitholders entitled to notice of or to vote at a meeting of the unitholders shall be the close of business on the day next preceding the day on which notice is given, and (ii) the record date for determining the unitholders entitled to give approvals without a meeting shall be the date the first written approval is deposited with CPLP in care of the CPLP Board.

Notice of Meetings

Crude

Under the MIBCA, notice of any shareholder meeting must be given not less than 15 nor more than 60 days before the meeting to each shareholder of record entitled to notice of the meeting, and shall state the place, date and hour of the meeting and, in the case of a special meeting, shall also state the purpose of such meeting and that the meeting is being called at the direction of whoever is calling the meeting.

As provided in Crude s amended and restated articles of incorporation, notice of each meeting of the shareholders, whether annual or special, shall be given not less than 15 days nor more than 60 days before the date of the meeting to each shareholder of record entitled to notice of the meeting. If mailed, such notice shall be deemed given when deposited in the mail, postage prepaid, directed to the shareholder at such shareholder s address as it appears on the records of Crude or, if such shareholder shall have filed with Crude s secretary a written request that notices be sent to some other address, then directed to such shareholder at such other address. Each such notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and by whose direction the notice of the meeting is being issued. Notice of any meeting of the shareholders shall not be required to be given to any shareholder who shall waive notice thereof as provided in Crude s amended and restated bylaws.

CPLP

Under the MILPA, the partnership agreement may set forth provisions relating to notice of the time, place or purpose of any meeting at which any matter is to be voted on by any limited partners, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy, or any other matter with respect to the exercise of any such right to vote.

The CPLP Partnership Agreement provides that within 60 days after receipt of a request for a special meeting by the unitholders or within such greater time as may be reasonably necessary for CPLP to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the CPLP Board shall send a notice of the meeting to the unitholders either directly or indirectly through the transfer agent.

Advance Notice of Shareholder Nominations for Directors and Shareholder Proposals

Crude

Crude s amended and restated bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder s notice must be received at Crude s principal executive offices not less than 90 days or more than 120 days before the anniversary date of the immediately precedent annual meeting or, for any special meeting, not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day

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prior to such special meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Crude s amended and restated bylaws also specify requirements as to the form and content of a shareholder s notice.

CPLP

Under the CPLP Partnership Agreement, any unitholder or group of unitholders that beneficially owns 10% or more of the outstanding common units shall be entitled to nominate one or more individuals to stand for election as elected directors at an annual meeting by providing written notice thereof to the CPLP Board not more than 120 days and not less than 90 days prior to the date of such annual meeting; provided, however, that in the event that the date of the annual meeting was not publicly announced by CPLP by mail, press release or otherwise more than 100 days prior to the date of such meeting, such notice, to be timely, must be delivered to the CPLP Board not later than the close of business on the tenth day following the date on which the date of the annual meeting was announced.

Inspection of Corporate Records

Crude

Under the MIBCA, any shareholder, during the usual hours of business, may inspect, for a purpose reasonably related to its interest as a shareholder, and make copies of extracts, from the share register, books of account, and minutes of all proceedings of Marshall Islands companies. The right of inspection may not be limited in the articles of incorporation or bylaws. A list of registered shareholders must be produced at any meeting of shareholders upon request of any shareholder at the meeting or prior thereto.

Any records maintained by Crude in the regular course of its business, including its stock ledger, books of account and minute books, are kept on, or are in the form of, magnetic tape, computer disks, photographs, microphotographs or any other information storage device, provided that the records so kept will be able to be converted into clearly legible form within a reasonable time. Crude will convert any records upon the request of any person entitled to inspect them.

CPLP

Under the MILPA, each limited partner has the right, subject to such reasonable standards (including standards governing what information and documents are to be furnished, at what time and location and at whose expense) as may be set forth in the partnership agreement or otherwise established by the general partner, to obtain from the general partner from time to time upon reasonable demand for any purpose reasonably related to the limited partner s interest as a limited partner (i) true and full information regarding the status of the business and financial condition of the limited partnership, (ii) a copy of the limited partnership s financial statements or income tax returns, (iii) a current list of the name and mailing address of each partner, (iv) a copy of any written partnership agreement and certificate of limited partnership and all amendments thereto with copies of any written powers of attorney pursuant to which the partnership agreement and any certificate and all amendments thereto have been executed, (v) information regarding the amount of cash and a description and statement of the agreed value of any other property or services contributed by each partner and which each partner has agreed to contribute in the future, and the date on which each became a partner, and (vi) other information regarding the affairs of the limited partnership as is just and reasonable. However, a general partner has the right to keep confidential from limited partners for such period of time as the general partner deems reasonable, any information which the general partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the general partner in good faith believes is not in the best interest of the limited partnership or could damage the limited partnership or its business or which the limited partnership is required by law or by agreement with a third party to keep confidential. The rights of a limited partner to obtain the above-mentioned information may only be restricted in an original partnership agreement or in any subsequent

amendment approved or adopted by all of the partners and in compliance with any applicable requirements of the partnership agreement.

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The CPLP Partnership Agreement provides that a unitholder can, for a purpose reasonably related to his interest as a unitholder, upon reasonable demand and at the unitholder s own expense, have furnished to the unitholder: (i) a current list of the name and last known address of each partner; (ii) information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner; (iii) copies of the CPLP Partnership Agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed; (iv) information regarding the status of CPLP s business and financial position; and (v) any other information regarding CPLP s affairs as is just and reasonable.

Interested Director Transactions

Crude

The MIBCA provides that a transaction entered into by Crude in which a director has an interest will not be voidable by Crude, and such director will not be liable to Crude for any profit realized pursuant to such transaction as a result of such interest, provided the nature of the interest is disclosed at the first opportunity at a meeting of directors, or in writing, to the directors.

CPLP

While the MILPA contains no provisions regarding transactions in which a director has an interest, the partnership agreement may set forth rules relating thereto.

APPRAISAL RIGHTS OF DISSENTING SHAREHOLDERS

Under Marshall Islands law, a shareholder of a corporation has the right to vote against any plan of merger to which the corporation is a party. If such shareholders vote against the plan of merger, they may have the right to seek payment from their corporation of the appraised fair value of their shares (instead of the contractual merger consideration). However, the right of a dissenting shareholder to receive payment of the appraised fair value of his shares is not available if the shares of such class or series of stock are (i) listed on a securities exchange or (ii) held of record by more than 2,000 holders. Since shares of Crude common stock are traded on the NYSE, a dissenting holder of shares of Crude common stock has no right to receive payment from Crude for the appraised fair market value of his shares under Marshall Islands law. Furthermore, pursuant to the Support Agreement, CCIC, as the sole holder of Crude Class B stock, has waived any appraisal rights it might have under Marshall Islands law.

LEGAL MATTERS

The validity of the common units of CPLP offered hereby will be passed upon for CPLP by Watson, Farley & Williams (New York) LLP, Marshall Islands counsel to CPLP. Sullivan & Cromwell LLP, U.S. counsel to Crude, will deliver an opinion to Crude concerning certain U.S. federal tax consequences of the proposed transaction, Akin Gump Strauss Hauer & Feld LLP, special tax counsel to CPLP, will deliver an opinion to CPLP concerning certain U.S. federal tax consequences of the proposed transaction and Watson, Farley & Williams (New York) LLP, Marshall Islands counsel to Crude, will deliver an opinion to Crude concerning certain Marshall Islands tax consequences of the proposed transaction.

EXPERTS

The consolidated financial statements of CPLP, incorporated in this proxy statement/prospectus by reference from CPLP s Annual Report on Form 20-F for the year ended December 31, 2010, and the effectiveness of CPLP s internal

control over financial reporting have been audited by Deloitte. Hadjipavlou, Sofianos & Cambanis S.A., an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the consolidated

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financial statements and include explanatory paragraphs relating to: (i) the preparation of the portion of the financial statements attributable to the Ross Shipmanagement Co., Baymont Enterprises Incorporated, Forbes Maritime Co., Mango Finance Co., Navarro International S.A., Epicurus Shipping Company, and Adrian Shipholding Inc., prior to the vessels acquisition by CPLP, from the separate records maintained by Capital Maritime, and (ii) the retroactive adjustments to previously issued financial statements resulting from transactions between entities under common control and (2) express an unqualified opinion on the effectiveness of CPLP s internal control over financial reporting). Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Crude, incorporated in this proxy statement/prospectus by reference from Crude s Annual Report on Form 20-F for the year ended December 31, 2010, have been audited by Deloitte. Hadjipavlou, Sofianos & Cambanis S.A., an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

FUTURE SHAREHOLDER PROPOSALS

If the merger is completed, Crude will no longer be a publicly held company, and there will be no Crude annual meeting of shareholders in 2011 or thereafter. However, if the merger is not completed, Crude shareholders will continue to be entitled to attend and participate in its shareholders meetings, and Crude will hold a 2011 annual meeting of shareholders. Crude s amended and restated bylaws require that Crude be given advance written notice of any matters which shareholders wish to present for action at an annual meeting. The Secretary must receive such notice not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting.

If Crude holds an annual meeting of shareholders in 2011, shareholder proposals to be presented at that meeting must be received by Crude at its principal executive offices at 3 Iassonos Street, Piraeus, 18357 Greece, addressed to the Secretary, not earlier than , nor later than , . Such proposals must comply with Crude s amended and restated bylaws.

A copy of the full text of Crude s amended and restated bylaws as of the date of this proxy statement/prospectus is attached as Exhibit 3.2. Any proposals, nominations or notices should be sent to 3 Iassonos Street, Piraeus, 18357 Greece.

WHERE YOU CAN FIND MORE INFORMATION

Each of Crude and CPLP files annual reports with and furnishes other reports and information to the SEC. You may read and copy any document Crude or CPLP files with or furnishes to the SEC at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain documents Crude and CPLP file with or furnish to the SEC on the SEC website at www.sec.gov. The address of the SEC s website is provided solely for the information of prospective investors and is not intended to be an active link. Please visit the website or call the SEC at 1 (800) 732-0330 for further information about its public reference room. Reports and other information concerning the business of Crude may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005, and of CPLP at the offices of Nasdaq at One Liberty Plaza, 165 Broadway, New York, NY 10006.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows Crude and CPLP to incorporate by reference certain information filed with or furnished to the SEC, which means that Crude and CPLP can disclose important information to you by referring you to those documents.

The information incorporated by reference is an important part of this proxy statement/prospectus. With respect to this proxy statement/prospectus, information that Crude or CPLP later

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file with or furnish to the SEC and that is incorporated by reference will automatically update and supersede information in this proxy statement/prospectus and information previously incorporated by reference into this proxy statement/prospectus.

Each document incorporated by reference into this proxy statement/prospectus is current only as of the date of such document, and the incorporation by reference of such document is not intended to create any implication that there has been no change in the affairs or Crude or CPLP since the date of the relevant document or that the information contained in such document is current as of any time subsequent to its date. Any statement contained in such incorporated documents is deemed to be modified or superseded for the purpose of this proxy statement/prospectus to the extent that a subsequent statement contained in another document that is incorporated by reference into this proxy statement/prospectus at a later date modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below, which Crude and CPLP have previously filed with or furnished to the SEC. These documents contain important information about Crude and CPLP and their financial condition, business and results.

Crude Filings (File No. 001-34651)

Annual Report on Form 20-F for the fiscal year ended December 31, 2010; and

Current Reports on Form 6-K furnished on February 11, 2011 (Earnings Release and Announcement of Quarterly Cash Dividend), March 14, 2011 (Appointment of Dimitris P. Christacopoulos to Board of Directors), May 5, 2011 (Announcement of merger with CPLP), May 13, 2011 (Q1 2011 Earnings Release), June 9, 2011 (Q1 2011 Unaudited Condensed Consolidated Financial Statements with Related Notes), and August 5, 2011 (Q2 2011 Unaudited Condensed Consolidated Financial Statements with Related Notes).

CPLP Filings (File No. 001-33373):

Registration statement on Form F-1, dated March 29, 2007;

Annual Report on Form 20-F for the fiscal year ended December 31, 2010;

Current Reports on Form 6-K furnished on January 21, 2011 (Announcement of Cash Distribution), April 21, 2011 (Announcement of Cash Distribution), May 5, 2011 (Q1 2011 Earnings Release and Announcement of merger with Crude), June 9, 2011 (Q1 2011 Unaudited Condensed Consolidated Financial Statements with Related Notes), and August 5, 2011 (Q2 2011 Unaudited Condensed Consolidated Financial Statements with Related Notes); and

CPLP s amended and restated limited partnership agreement, furnished in CPLP s Current Report on Form 6-K furnished on February 24, 2010.

Each of Crude and CPLP is also incorporating by reference additional documents that each files with the SEC between the date of this proxy statement/prospectus and the date of the Crude special meeting.

Crude has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to Crude, and CPLP has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to CPLP.

You may obtain copies of these documents in the manner described above under the section captioned Where You Can Find More Information. You may also request copies of these documents (excluding exhibits) at no cost by contacting Crude or CPLP, as applicable, as follows:

For Crude filings:
Crude Carriers Corp.
Investor Relations Representative
Nicolas Bornozis, President

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Capital Link, Inc.
230 Park Avenue Suite 1536
New York, NY 10160, USA
Tel: +1 212 661-7566

For CPLP filings:
Capital Product Partners L.P.
Investor Relations Representative
Nicolas Bornozis, President
Capital Link, Inc.
230 Park Avenue Suite 1536
New York, NY 10160, USA
Tel: +1 212 661-7566

You should rely on the information contained in or incorporated by reference into this proxy statement/prospectus to vote on the proposals to Crude shareholders in connection with the proposed transaction.

We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This prospectus is dated August 5, 2011. You should not assume that the information contained or incorporated by reference in this proxy statement/prospectus is accurate as of any date other than the date of this proxy statement/prospectus or the date of such information incorporated by reference, as applicable, and neither the mailing of the proxy statement/prospectus to shareholders nor the issuance of CPLP common units in the proposed transaction shall create any implication to the contrary.

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS

Because Crude and CPLP are Marshall Islands entities headquartered in Greece, many of their directors and executive officers (as well as certain directors, managers and executive officers of their respective subsidiaries), and certain experts named in this proxy statement/prospectus, reside outside the United States. As a result, it may be difficult for you to serve legal process on Crude, CPLP or the directors and executive officers of Crude and CPLP (as well as certain directors, managers and executive officers of their respective subsidiaries) or have any of them appear in a U.S. court. In addition, U.S. investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws to enforce in U.S. courts or outside the U.S. judgments obtained against those persons in U.S. courts, to enforce in U.S. courts judgments obtained against those persons in courts in jurisdictions outside the U.S., or to enforce against those persons in the Marshall Islands or Greece, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.

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Appendix A

AGREEMENT AND PLAN OF MERGER
by and among

CAPITAL GP L.L.C.
CAPITAL PRODUCT PARTNERS L.P.
POSEIDON PROJECT CORP.
and
CRUDE CARRIERS CORP.
Dated as of May 5, 2011

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of May 5, 2011 (this ***Agreement***), is entered into by and among Capital Product Partners L.P., a Marshall Islands limited partnership (***Partners***), Capital GP L.L.C., a Marshall Islands limited liability company (*Partners GP*), Poseidon Project Corp., a Marshall Islands corporation and a wholly-owned direct subsidiary of Partners (***MergerCo*** and, together with Partners and Partners GP, ***Partners Entities***), and Crude Carriers Corp., a Marshall Islands corporation (the ***Company***).

WITNESSETH:

WHEREAS, the Company Board (as defined herein), upon the recommendation of the Company Independent Directors Committee (as defined herein), and the Partners Board (as defined herein), upon the recommendation of the Partners Conflicts Committee (as defined herein), have approved the business combination provided for herein, pursuant to which MergerCo will, subject to the terms and conditions set forth herein, merge with and into the Company, with the Company being the surviving entity (the ***Merger***), such that following the Merger, Partners will be the sole stockholder of the Surviving Entity (as defined herein) and, upon the terms and conditions set forth herein, each share of Company Common Stock and Company Class B Stock will be converted into the right to receive the Merger Consideration (each, as defined herein);

WHEREAS, the Company Board has, upon the recommendation of the Company Independent Directors Committee, (i) determined that it is in the best interests of the Company and the Company Unaffiliated Stockholders (as defined herein), and declared it advisable, to enter into this Agreement, (ii) approved this Agreement and the execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated thereby, including the Merger and (iii) resolved to recommend to the Stockholders (as defined herein) that they adopt and approve this Agreement;

WHEREAS, the Company Independent Directors Committee has determined that the Merger is fair and reasonable to, and in the best interests of, the Company and the Company Unaffiliated Stockholders (as defined herein);

WHEREAS, the Partners Board has, upon the recommendation of the Partners Conflicts Committee, (i) determined that the business combination provided for herein is fair and reasonable to, and in the best interests of, Partners and its unitholders and (ii) approved this Agreement and the execution, delivery and performance by Partners of this Agreement and the consummation of the transactions contemplated thereby, including the Merger;

WHEREAS, the Partners Conflicts Committee has determined that the Merger is fair and reasonable to, and in the best interests of the Partners and the Partners Unaffiliated Unitholders (as defined herein);

WHEREAS, in accordance with the Partners Partnership Agreement (as defined herein) and the MILPA (as defined herein), Partners GP has consented to the execution, delivery and performance by Partners of this Agreement and the consummation of the transactions contemplated hereby, including the Merger;

WHEREAS, simultaneously with, and as a condition to, the execution hereof, Evangelos M. Marinakis, Ioannis E. Lazaridis, Gerasimos G. Kalogiratos and Crude Carriers Investments Corp. are executing a support agreement with Partners substantially in the form of Annex A (the ***Support Agreement***); and

WHEREAS, the parties hereto desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

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NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants, agreements and conditions contained herein, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.1 *Certain Definitions.* As used in this Agreement, the following terms shall have the meanings set forth below:

Acquisition Proposal shall mean any proposal or offer from or by any Person, whether in writing or otherwise, other than any Partners Entity, relating to (i) any direct or indirect acquisition of (A) 20% or more of the assets (including stock or equity interests of a Subsidiary) of the Company and its Subsidiaries, taken as a whole, (B) 20% or more of the outstanding equity securities of the Company or (C) a business or businesses that constitute 20% or more of the cash flow, net revenues, net income or assets of the Company and its Subsidiaries, taken as a whole; (ii) any tender offer or exchange offer, within the meaning of the Exchange Act, that, if consummated, would result in any Person beneficially owning securities representing 20% or more of the total voting power of the Company; or (iii) any merger, consolidation, amalgamation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company or any Significant Company Subsidiary, other than the Merger, in the case of each of (i) (iii) above, whether pursuant to a single transaction or a series of transactions.

Action shall have the meaning set forth in Section 6.13(a).

Affiliate shall have the meaning set forth in Rule 405 of the Securities Act, unless otherwise expressly stated herein.

Agent shall have the meaning set forth in Section 9.10(b).

Agreement shall have the meaning set forth in the introductory paragraph to this Agreement.

Articles of Merger shall have the meaning set forth in Section 2.1(b).

Assets means all of the assets of every kind and nature (whether real, personal or mixed, tangible or intangible and including the Company Real Property or the Partners Real Property, as the case may be) used for the conduct of the business of the Company or the Partners Entities, as the case may be, and their respective Subsidiaries businesses as it is presently conducted.

beneficial ownership, *beneficial owner* or any similar derivation thereof has the meaning ascribed to such terms under Section 13(d) of the Exchange Act and the rules and regulations thereunder.

Book-Entry Shares shall have the meaning set forth in Section 3.1(b).

Business Day shall mean any day which is not a Saturday, Sunday or other day on which banks are authorized or required to be closed in the City of New York or the Republic of the Marshall Islands.

Capital Maritime shall mean Capital Maritime & Trading Corp., a Marshall Islands corporation.

Capital Ship Management Corp. means Capital Ship Management Corp., a company duly organized and existing under the laws of Republic of Panama.

Certificate shall have the meaning set forth in Section 3.1(b).

Claim shall have the meaning set forth in Section 6.13(a).

Closing shall have the meaning set forth in Section 2.2.

Closing Date shall have the meaning set forth in Section 2.2.

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

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Company shall have the meaning set forth in the introductory paragraph of this Agreement.

Company Articles of Incorporation shall mean the Amended and Restated Articles of the Company effective as of March 1, 2010, as they may be further amended from time to time.

Company Board shall mean the Board of Directors of the Company and/or a committee thereof, as applicable.

Company Bylaws means the Amended and Restated Bylaws of the Company, as they may be further amended from time to time.

Company Change in Recommendation shall have the meaning set forth in Section 6.7(c).

Company Class B Stock shall mean the Class B Stock, par value $0.0001 per share, of the Company, having the rights and obligations specified with respect to the Company Class B Stock in the Company Articles of Incorporation.

Company Common Stock shall mean the Common Stock, par value $0.0001 per share, of the Company, having the rights and obligations specified with respect to Company Common Stock in the Company Articles of Incorporation.

Company Contract shall have the meaning set forth in Section 5.1(l)(i).

Company Credit Facility shall mean that certain Amended and Restated Loan Agreement, dated as of September 30, 2010, by and among the Company, Nordea Bank Finland PLC, as lead arranger and security trustee and the lenders party thereto, as it may be further amended from time to time.

Company Director Designee shall have the meaning set forth in Section 6.17(b).

Company Disclosure Schedule shall have the meaning set forth in Section 5.1.

Company Employee means any employee of the Company or its Subsidiaries, or an employee of Capital Ship Management Corp. who performs services for the Company or any of its Subsidiaries.

Company 20-F shall mean that certain Form 20-F filed by the Company on April 18, 2011.

Company Incentive Plan shall mean the Company s 2010 Equity Incentive Plan, adopted March 1, 2010, as may be amended from time to time.

Company Independent Directors Committee shall mean the Independent Directors Committee of the Company Board, consisting solely of independent directors.

Company Management Agreement means that certain Management Agreement, dated as of March 17, 2010, between the Company and Capital Ship Management Corp., as amended from time to time.

Company Meeting shall have the meaning set forth in Section 6.2(a).

Company Necessary Consents shall have the meaning set forth in Section 5.1(d).

Company Real Property means all real property owned by the Company or its Subsidiaries or used for the conduct of the business of the Company or its Subsidiaries as it is presently conducted.

Company Recommendation shall have the meaning set forth in Section 6.2(b).

Company SEC Documents shall have the meaning set forth in Section 5.1(e)(i).

Company Stock-Based Award shall mean shares of Company Common Stock and other compensatory awards denominated in shares of Company Common Stock subject to a risk of forfeiture to, or right of repurchase by, the Company.

Company Stockholder Approval shall have the meaning set forth in Section 7.1.

Company Termination Fee shall mean an amount equal to $9.0 million in cash.

Company Tax Opinion shall have the meaning set forth in Section 6.18(b).

Company Unaffiliated Stockholder Approval shall have the meaning set forth in Section 7.1.

Company Unaffiliated Stockholders means the holders of shares of the Company Common Stock other than (a) Partners, (b) Partners GP, (c) the officers and directors of the Company that are also officers or directors of Partners or Partners GP, respectively, or (d) Affiliates of any of the foregoing or of the Company.

Company Vessels shall have the meaning set forth in Section 5.1(p)(i).

Compensation and Benefit Plans shall mean, with respect to any entity, any employee compensation, benefit plan, program, policy, practice, agreement, contract or other arrangement providing benefits to any current or former employee, officer or director of such entity or any of its Subsidiaries or any beneficiary or dependent thereof that is sponsored or maintained by such entity or any of its Subsidiaries, or under which any employee who performs services for such entity receives any benefit, or to which such entity or any of its Subsidiaries contributes or is obligated to contribute or with respect to which such entity or any of its Subsidiaries may have any liability, contingent or otherwise, whether or not written, including, any employee welfare benefit plan within the meaning of Section 3(1) of ERISA, any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, change of control or fringe benefit plan, program, policy or agreement and any related trusts or other funding vehicles.

Confidentiality Agreement shall mean a confidentiality agreement of the nature generally used in similar circumstances containing customary standstill and non-solicitation provisions, as determined by the Company in its reasonable business judgment, with terms and conditions no less restrictive on a Receiving Party than the NDA is with respect to Partners.

Converted Company Stock-Based Award shall have the meaning set forth in Section 3.5(a)(i).

DDTC shall have the meaning set forth in the definition of Export and Sanctions Laws.

Denied Party Lists shall mean a Person (i) subject to any restrictions under the Export and Sanctions Laws including those sanctions targeting government entities or individuals that support terrorism, or (ii) included on any denied, prohibited, or restricted party list maintained by the United States or any other applicable jurisdiction, including the U.S. Department of Commerce, Bureau of Industry and Security Denied Persons List, Entity List, Unverified List, the OFAC Specially Designated Nationals and Blocked Persons List, or the DDTC Debarred Parties List.

Disregarded MergerCo shall have the meaning set forth in Section 6.18(c).

Effective Time shall have the meaning set forth in Section 2.1(b).

Environmental Laws means any and all Laws, agreements between a Person and any Governmental Authority and rules of common law concerning or relating to public health and safety, worker/occupational health and safety, and pollution or protection of the environment, including those relating to the presence, use, manufacturing, refining, production, generation, handling, transportation, treatment, recycling, transfer, storage, disposal, distribution, importing, labeling, testing, processing, discharge, Release, threatened Release, control, or other action or failure to act involving cleanup of any Hazardous Substances, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise, or radiation, including, but not limited to, the Comprehensive Environmental Response,

Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq.,

the Atomic Energy Act, 42 U.S.C. Section 2014 et seq., the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 et seq., and the Federal Hazardous Materials Transportation Law, 49 U.S.C. Section 5101 et seq., and their state analogues, each as has been amended from time to time.

Environmental Permits shall have the meaning set forth in Section 5.1(n).

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

Evercore shall have the meaning set forth in Section 5.2(r).

Exchange Act shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

Exchange Agent shall mean such entity as may be selected by Partners subject to the reasonable approval of the Company.

Exchange Fund shall have the meaning set forth in Section 3.3(a).

Exchange Ratio shall have the meaning set forth in Section 3.1(a).

Expenses shall have the meaning set forth in Section 9.1(e).

Export and Sanctions Laws means all Laws of the United States and all other applicable jurisdictions relating to any economic sanction or export restriction including: (i) the sanctions regulations administered by U.S. Department of Treasury s Office of Foreign Assets Control, (ii) export and trade controls and related sanctions administered by the U.S. Department of Commerce, Bureau of Industry and Security, and (iii) the International Traffic in Arms Regulations administered by the U.S. Department of State s Directorate of Defense Trade Controls (*DDTC*).

GAAP means U.S. generally accepted accounting principles.

Governmental Authority shall mean any international, foreign, national, state, local, county, parish or municipal government, any agency, board, bureau, commission, court, tribunal, subdivision, department or other governmental or regulatory authority or instrumentality, or any arbitrator in any case, domestic, foreign or supranational, that has jurisdiction over the Company or the Partners Entities, as the case may be, or any of their respective properties or assets.

Hazardous Substances means any (x) chemical, product, substance, waste, material, pollutant or contaminant that is defined or listed as hazardous or toxic or that is otherwise regulated under any Environmental Law; (y) asbestos containing materials, whether in a friable or non-friable condition, polychlorinated biphenyls, naturally occurring radioactive materials or radon; and (z) any oil or gas exploration or production waste or any petroleum, petroleum hydrocarbons, petroleum products, crude oil and any components, fractions, or derivatives thereof.

Indemnification Expenses shall have the meaning set forth in Section 6.13(a).

Indemnified Parties shall have the meaning set forth in Section 6.13(a).

Indemnitees shall mean those Person entitled to indemnification under the Company Bylaws.

Jefferies shall have the meaning set forth in Section 5.1(r).

Knowledge or *Known* shall mean, with respect to any entity, the knowledge of such entity s (or its general partner s) executive officers after reasonable inquiry.

Law shall mean any law, rule, regulation, directive, ordinance, code, governmental determination, guideline, judgment, order, treaty, convention, governmental certification requirement or other legally enforceable requirement, U.S. or non-U.S., of any Governmental Authority.

Lien shall mean any charge, mortgage, pledge, security interest, restriction, claim, lien, or encumbrance of any kind (including any agreement to give any of the foregoing).

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Material Adverse Effect shall mean, with respect to either the Company or the Partners Entities, any events, circumstances, changes, developments, violations, inaccuracies, effects or other matters that, individually or taken together, that (x) are or could reasonably be expected to be materially adverse to the financial condition, results of operations, business, assets or properties of the Company and its Subsidiaries taken as a whole, or the Partners Entities and their respective Subsidiaries taken as a whole, respectively, or (y) materially impair or could reasonably be expected to materially impair the ability of the Company or the Partners Entities, respectively, to perform their respective obligations under this Agreement or otherwise materially threaten or materially impede the consummation of the Merger and the other transactions contemplated by this Agreement; *provided*, *however*, that Material Adverse Effect shall not be deemed to include any of the following or the impact thereof: (a) circumstances affecting the shipping or shipbuilding and repair industries generally, or in any region in which such Person operates, (b) any general market, economic, financial or political conditions, or outbreak or hostilities or war, in the United States or elsewhere, (c) changes in Law or changes in GAAP, (d) earthquakes, hurricanes, floods, volcanic eruptions or other natural disasters, (e) any failure of the Company or any of the Partners Entities, as applicable, to meet any internal or external projections, forecasts or estimates of revenue or earnings for any period, (f) changes in the market price or trading volume of the Company Common Stock or Partners Common Units, (g) the entry into, announcement or pendency of this Agreement or the matters contemplated hereby or the compliance by any party with the provisions of this Agreement (other than Section 6.7) or any action taken or omitted to be taken by the Company, MergerCo or the Partners Entities, as the case may be, at the written request or with the prior written consent of Partners, MergerCo or the Company, as the case may be (*provided, however*, that the exceptions in this clause (g) shall not apply to that portion of any representation or warranty contained in this Agreement to the extent that the purpose of such portion of such representation or warranty is to address the consequences resulting from the execution and delivery of this Agreement, the public announcement or pendency of the Merger or any of the other transactions contemplated by this Agreement or the performance of obligations or satisfaction of conditions under this Agreement); *provided further, however*, (i) that in the case of clauses (e) or (f), any change or failure shall not prevent or otherwise affect a determination that any event, circumstance, change, development, violation, inaccuracy, effect or other matter underlying such change or failure has resulted in, or contributed to, a Material Adverse Effect and (ii) that, in the case of clauses (a), (b), (c) or (d), the impact on the Company or the Partners Entities, as applicable, is not disproportionately adverse as compared to others in the industry or geographic region.

Meeting shall have the meaning set forth in Section 6.2(a).

Merger shall have the meaning set forth in the recitals to this Agreement.

Merger Consideration shall have the meaning set forth in Section 3.1(a).

MergerCo shall have the meaning set forth in the introductory paragraph to this Agreement.

MergerCo Articles of Incorporation shall mean the Articles of Incorporation of MergerCo filed with the Registrar or Deputy Registrar of Corporations of the Republic of the Marshall Islands on May 3, 2011, as amended from time to time.

MergerCo Bylaws shall mean the Bylaws of MergerCo, as amended from time to time.

MergerCo Common Stock shall have the meaning set forth in Section 2.1(g).

MIBCA means the Business Corporations Act of the Associations Law of the Republic of the Marshall Islands, as amended, supplemented or restated from time to time, and any successor to such statute.

MILPA means the Limited Partnership Act of the Associations Law of the Republic of the Marshall Islands, as amended, supplemented or restated from time to time, and any successor to such statute.

NASDAQ shall mean the Nasdaq Global Market.

NDA shall mean that certain Confidentiality Agreement, dated as of April 5, 2011, between Partners and the Company, as amended.

New Partners Common Unit Certificates shall have the meaning set forth in Section 3.3(a).

New Partners Common Units shall have the meaning set forth in Section 3.1(a).

Notice of Proposed Recommendation Change shall have the meaning set forth in Section 6.7(c).

NYSE shall mean the New York Stock Exchange.

Other Approvals shall have the meaning set forth in Section 5.1(d).

Partially Owned Entity shall mean, with respect to a specified Person, any other Person that is not a Subsidiary of such specified Person but in which such specified Person, directly or indirectly, owns less than 100% of the equity interests thereof (whether voting or non-voting and including beneficial interests).

Partners shall have the meaning set forth in the introductory paragraph to this Agreement.

Partners Administrative Services Agreement means that certain Administrative Services Agreement, dated as of April 3, 2007, as amended through the date of this Agreement, between Partners and Capital Ship Management Corp.

Partners Board shall mean the board of directors of Partners and/or a committee thereof, as applicable.

Partners Certificate of Limited Partnership shall mean the Certificate of Limited Partnership of Partners effective as of January 16, 2007, as amended from time to time.

Partners Common Units shall mean the common units representing limited partner interests in Partners having the rights and obligations specified with respect to Common Units in the Partners Partnership Agreement.

Partners Conflicts Committee shall mean the Conflicts Committee of the Board of Directors of Partners, consisting solely of independent directors.

Partners Contract shall have the meaning set forth in Section 5.2(l)(i).

Partners Credit Facilities shall mean (a) that certain Loan Agreement, dated as of March 22, 2007, by and among Partners, HSH Nordbank AG, as agent and security trustee, and the lenders party thereto and (b) that certain Loan Agreement, dated as of March 19, 2008, by and among Partners, HSH Nordbank AG as lead arranger and security trustee, DnB Nor Bank SA as co-arranger and the lenders party thereto, in each case as amended from time to time.

Partners Disclosure Schedule shall have the meaning set forth in Section 5.2.

Partners Employee means any employee of any of the Partners Entities or any of their respective Subsidiaries, or an employee of Capital Ship Management Corp. who performs services for any Partners Entity or Subsidiary of Partners.

Partners Entities shall have the meaning set forth in the introductory paragraph to this Agreement.

Partners GP shall have the meaning set forth in the introductory paragraph to this Agreement.

Partners GP Certificate of Formation shall mean the Certificate of Formation of Partners GP effective as of January 16, 2007, as amended from time to time.

Partners GP LLC Agreement shall mean the Limited Liability Company Agreement of Partners GP, dated as of January 16, 2007, as amended from time to time.

Partners Incentive Plan shall mean Partners 2008 Omnibus Incentive Compensation Plan, adopted April 29, 2008 and amended July 22, 2010, as it may be further amended from time to time.

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Partners Management Agreement shall mean that certain Management Agreement, dated as of April 3, 2007, as amended through the date of this Agreement, between Partners and Capital Ship Management Corp.

Partners Omnibus Agreement Amendment shall mean an amendment to, or an amendment and restatement of, that certain Omnibus Agreement, dated as of April 3, 2007, by and among Capital Maritime, Partners GP, Capital Product Operating GP L.L.C. and Partners, as amended from time to time, containing the provisions provided for in Section 6.16.

Partners Partnership Agreement shall mean the Second Amended and Restated Agreement of Limited Partnership of Partners, dated as of February 22, 2010, as it may be further amended from time to time, including the Partners Partnership Agreement Amendment.

Partners Partnership Agreement Amendment shall mean an amendment to, or an amendment and restatement of, the Partners Partnership Agreement that includes the terms contemplated by Section 6.17(a).

Partners Incentive Distribution Rights shall mean the Incentive Distribution Rights as defined in the Partners Partnership Agreement.

Partners Necessary Consents shall have the meaning set forth in Section 5.2(d).

Partners Real Property means all real property owned by the Partners Entities or any of their respective Subsidiaries or used for the conduct of the business of the Partners Entities or any of their respective Subsidiaries as it is presently conducted.

Partners SEC Documents shall have the meaning set forth in Section 5.2(e)(i).

Partners Tax Opinion shall have the meaning set forth in Section 6.18(c).

Partners Unaffiliated Unitholders shall mean the holders of Partners Common Units other than (a) Partners, (b) Partners GP, (c) Capital Maritime, (d) the Company, (e) members of management of the Partners, Partners GP and the Company, (f) members of the Partners Board and the Company Board, and (vii) their respective Affiliates.

Partners Vessels shall have the meaning set forth in Section 5.2(p)(i).

Partners 2010 20-F shall mean that certain Form 20-F filed by Partners on February 4, 2011.

Person shall mean any individual, bank, corporation, partnership, limited liability company, association, joint-stock company, business trust or unincorporated organization or any other form of business or professional entity.

Policies means all policies of property, casualty and liability insurance, including crime insurance, liability and casualty insurance, property insurance, business interruption insurance, workers compensation, excess or umbrella liability insurance and any other type of property and casualty insurance.

Pre-Closing Tax Period shall have the meaning set forth in Section 5.1(u)(viii).

Proxy Statement shall have the meaning set forth in Section 6.4(a).

Receiving Party shall have the meaning set forth in Section 6.7(a).

Registration Statement shall have the meaning set forth in Section 6.4(a).

Release means any depositing, spilling, leaking, pumping, pouring, emitting, discarding, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of Hazardous Substances into the environment.

Representatives shall mean with respect to a Person, its directors, officers, employees, agents and representatives, including any investment banker, financial advisor, attorney, accountant or other advisor, agent or representative.

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Rights shall mean, with respect to any Person, securities or obligations convertible into or exchangeable for, or giving any Person any right to subscribe for or acquire, or any options, calls or commitments relating to, equity securities of such Person.

Rule 145 Affiliate shall have the meaning set forth in Section 6.8(a).

SEC shall mean the Securities and Exchange Commission.

Securities Act shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

Significant Company Subsidiary means any Company Subsidiary that would be a Significant Subsidiary as defined in Rule 12b-2 of the Exchange Act.

SOX means the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder.

Stockholders means the holders of the Company Common Stock and Company Class B Stock.

Subsidiary shall have the meaning ascribed to such term in Rule 1-02 of Regulation S-X under the Securities Act.

Superior Proposal shall mean any bona fide Acquisition Proposal (except that references to 20% or more within the definition of Acquisition Proposal shall be replaced by 50% or more) made by a third party, which is not subject to a financing condition, on terms that the Company Board determines, in its good faith judgment and after consulting with its financial advisor and outside legal counsel, and taking into account the financial, legal, regulatory and other aspects of the Acquisition Proposal (including, without limitation, any conditions to and the expected timing of consummation and any risks of non-consummation), to be more favorable to the holders of Company Common Stock and Company Class B Stock, from a financial point of view, than the Merger (taking into account any revised proposal by the Partners Board on behalf of Partners).

Support Agreement shall have the meaning set forth in the recitals to this Agreement.

Surviving Entity shall have the meaning set forth in Section 2.1(a).

Takeover Law shall mean any fair price, moratorium, control share acquisition, business combination or any oth anti-takeover statute or similar statute enacted under state, federal or foreign law.

Taxes shall mean all taxes, charges, fees, levies, duties, or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority, whether disputed or not.

Tax Law shall mean any Law relating to Taxes.

Tax Returns means any return, report or similar statement (including any attached schedules thereto and any amendments thereof) required to be filed with respect to any Tax, including any information return, claim for refund, amended return or declaration of estimated Tax.

Termination Date shall have the meaning set forth in Section 8.1(b)(i).

Voting Debt shall mean any bonds, debentures, notes or other indebtedness having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote (or that are convertible into, or exchangeable for, securities having the right to vote on such matters).

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ARTICLE II

THE MERGER; EFFECTS OF THE MERGER

Section 2.1 *The Merger.*

(a) *The Surviving Entity.* Subject to the terms and conditions of this Agreement, at the Effective Time, MergerCo shall merge with and into the Company, the separate existence of MergerCo shall cease and the Company shall survive and continue to exist as a Marshall Islands corporation (the Company, as the surviving entity in the Merger, sometimes being referred to herein as the ***Surviving Entity***), such that following the Merger, Partners will be the sole stockholder of the Company.

(b) *Effectiveness and Effects of the Merger.* Subject to the satisfaction or waiver of the conditions set forth in Article VII in accordance with this Agreement, the Merger shall become effective upon the filing in the office of the Registrar or Deputy Registrar of Corporations in the Republic of the Marshall Islands of a properly executed articles of merger (the ***Articles of Merger***) or such later date and time as may be set forth in the Articles of Merger (the ***Effective Time***), in accordance with the MIBCA. The Merger shall have the effects prescribed in the MIBCA.

(c) *The Company and MergerCo Governing Documents.* At the Effective Time, (i) the Company Articles of Incorporation shall be amended and restated in substantially the form attached hereto as Annex B and such Company Articles of Incorporation as so amended and restated shall be the Articles of Incorporation of the Surviving Entity and (ii) the Company Bylaws shall be amended and restated in substantially the form attached hereto as Annex C and such Company Bylaws as so amended and restated shall be the Bylaws of the Surviving Entity, in each case until duly amended in accordance with the terms thereof and applicable Law and pursuant to such amendment and restatement.

(d) *Partners Partnership Agreement.* At the Effective Time, the Partners Partnership Agreement (as in effect immediately prior to the Effective Time), shall be amended by the Partners Partnership Agreement Amendment.

(e) *Directors.* The directors of MergerCo immediately prior to the Effective Time shall become the directors of the Surviving Entity, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

(f) *Officers.* The officers of the Company immediately prior to the Effective Time shall become the officers of the Surviving Entity, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

(g) *Capital Stock of MergerCo.* As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of Company Common Stock or Company Class B Stock or any shares of capital stock of MergerCo, each share of Common Stock, par value $0.0001 per share, of MergerCo issued and outstanding immediately prior to the Effective Time (***MergerCo Common Stock***) shall be converted into and become one fully paid and non-assessable share of common stock, par value $0.0001 per share, of the Surviving Corporation and such shares shall, following the Merger, represent all of the issued and outstanding capital stock of the Surviving Entity, all of which shall be owned by Partners at the Effective Time.

(h) *Cancellation of Treasury Stock.* Each share of Company Common Stock and Company Class B Stock issued and outstanding immediately prior to the Effective Time that is owned by the Company, Partners, Partners GP, MergerCo or any of their respective Subsidiaries, if any, shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and no consideration shall be delivered in exchange therefor.

Section 2.2 *Closing*. Subject to the satisfaction or waiver of the conditions as set forth in Article VII in accordance with this Agreement, the Merger and the other transactions contemplated hereby (the ***Closing***) shall occur (a) at 10:00 a.m. (New York Time) on the third Business Day after the day on which the last of the conditions set forth in Article VII shall have been satisfied or waived in accordance with the terms of this

Agreement or (b) such other date and time to which the parties may agree in writing. The date on which the Closing occurs is referred to as the ***Closing Date***. The Closing of the transactions contemplated by this Agreement shall take place at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, Houston, TX.

ARTICLE III

MERGER CONSIDERATION; EXCHANGE PROCEDURES

Section 3.1 *Merger Consideration*. Subject to the provisions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of the Partners Entities, the Company or any Stockholder:

(a) Each share of (i) Company Common Stock and (ii) Company Class B Stock issued and outstanding immediately prior to the Effective Time (other than shares of Company Common Stock and Company Class B Stock held by the Company, the Partners Entities or any of their respective Subsidiaries, if any) shall be converted into the right to receive 1.56 (the ***Exchange Ratio***) Partners Common Units (the ***Merger Consideration***), which Partners Common Units shall be duly authorized and validly issued in accordance with applicable Laws and the Partners Partnership Agreement, fully paid (to the extent required under the Partners Partnership Agreement) and non-assessable (except to the extent such non-assessability may be affected by the MILPA) (such Partners Common Units described in this clause (a) shall be referred to herein as the ***New Partners Common Units***).

(b) All the shares of Company Common Stock and Company Class B Stock, when converted in the Merger, shall cease to be outstanding and shall automatically be cancelled and cease to exist. At the Effective Time, each holder of a certificate representing a share of Company Common Stock or Company Class B Stock (a ***Certificate***) and each holder of non-certificated shares of Company Common Stock or Company Class B Stock represented by book-entry (***Book-Entry Shares***) shall cease to have any rights with respect thereto, except (A) the right to receive dividends in accordance with Section 3.2, and (B) the right to receive (i) the Merger Consideration, (ii) any cash to be paid in lieu of any fractional New Partners Common Unit in accordance with Section 3.3(e) and (iii) any distributions in accordance with Section 3.3(c), and in each case to be issued or paid in consideration therefor in accordance with Section 3.3.

Section 3.2 *Rights As Unitholders; Unit Transfers.* At the Effective Time, holders of shares of Company Common Stock and shares of Company Class B Stock shall cease to be, and shall have no rights as Stockholders, other than to receive (a) any dividend with respect to such shares of Company Common Stock or Company Class B Stock with a record date occurring prior to the Effective Time that may have been declared by the Company on such shares in accordance with the terms of this Agreement and the Company Articles of Incorporation and Company Bylaws and that remains unpaid at the Effective Time and (b) the consideration provided under this Article III. After the Effective Time, there shall be no transfers on the stock transfer books of the Company with respect to the shares of Company Common Stock or Company Class B Stock.

Section 3.3 *Exchange of Certificates*.

(a) *Exchange Agent.* At or prior to the Effective Time, Partners shall deposit or shall cause to be deposited with the Exchange Agent for the benefit of Stockholders, for exchange in accordance with this Article III, through the Exchange Agent, the certificates representing New Partners Common Units (such certificates, whether represented in certificated or non-certificated book-entry form, to the extent applicable, the ***New Partners Common Unit Certificates***) and cash as required by this Article III. Partners agrees to make available to the Exchange Agent, from time to time as needed, cash sufficient to pay any distributions pursuant to Section 3.2 and Section 3.3(c) and to make payments in lieu of any fractional New Partners Common Units pursuant to Section 3.3(e). Any cash and New Partners Common Unit Certificates deposited with the Exchange Agent (including as payment for any fractional New

Partners Common Units in accordance with Section 3.3(e) and any distributions in accordance with Section 3.3(c)) shall hereinafter be referred to as

the ***Exchange Fund***. The Exchange Agent shall, pursuant to irrevocable instructions, deliver the Merger Consideration contemplated to be paid for shares of Company Common Stock and Company Class B Stock pursuant to this Agreement out of the Exchange Fund. Except as contemplated by Sections 3.3(c) and 3.3(e), the Exchange Fund shall not be used for any other purpose.

(b) *Exchange Procedures.* As soon as reasonably practicable after the Effective Time, Partners shall instruct the Exchange Agent to mail to each record holder of a share of Company Common Stock or Company Class B Stock (i) a letter of transmittal (which shall specify that in respect of certificated shares, delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent, and shall be in customary form and agreed to by Partners and the Company prior to the Effective Time) and (ii) instructions for effecting the surrender of the Certificates or transfer of the Book-Entry Shares, as the case may be, in exchange for the Merger Consideration payable in respect of shares of Company Common Stock and Company Class B Stock represented by such Certificates or Book-Entry Shares. Upon proper surrender of a Certificate or transfer of Book-Entry Share, as the case may be, for cancellation to the Exchange Agent together with such letters of transmittal, properly completed and duly executed, and such other documents (including in respect of Book-Entry Shares) as may be required pursuant to such instructions, the holder of such Certificate or Book-Entry Share shall be entitled to receive in exchange therefor (A) a New Partners Common Unit Certificate representing, in the aggregate, the whole number of New Partners Common Units that such holder has the right to receive pursuant to this Article III (after taking into account and aggregating all shares of Company Common Stock and Company Class B Stock then held by such holder) and (B) a check in the amount equal to the aggregate amount of cash that such holder has the right to receive pursuant to this Article III, including cash payable in lieu of any fractional New Partners Common Units pursuant to Section 3.3(e) and distributions pursuant to Section 3.3(c) and the Certificate so surrendered and the Book-Entry Share so transferred shall immediately be cancelled. No interest shall be paid or accrued on any Merger Consideration or on any unpaid distributions payable to holders of Certificates or Book-Entry Shares. In the event of a transfer of ownership of shares of Company Common Stock or Company Class B Stock that is not registered in the transfer records of the Company, the Merger Consideration payable in respect of such shares may be paid to a transferee, if the Certificate representing such shares or evidence of ownership of the Book-Entry Shares are presented to the Exchange Agent, and in the case of both certificated and book-entry shares, accompanied by all documents required to evidence and effect such transfer and the Person requesting such exchange shall pay to the Exchange Agent in advance any transfer or other Taxes required by reason of the delivery of the Merger Consideration in any name other than that of the record holder of such shares, or shall establish to the satisfaction of the Exchange Agent that such Taxes have been paid or are not payable. Until the required documentation has been delivered and Certificates have been surrendered and the Book-Entry Shares have been transferred, as the case may be, as contemplated by this Section 3.3, each Certificate or Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration payable in respect of shares of Company Common Stock or Company Class B Stock, as the case may be (including any cash in lieu of fractional units pursuant to Section 3.3(e)), and any distributions to which such holder is entitled pursuant to Section 3.2.

(c) *Distributions with Respect to Unexchanged Shares of Company Common Stock and Company Class B Stock.* No distributions declared or made with respect to Partners Common Units with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate or untransferred Book-Entry Share with respect to the New Partners Common Units that such holder would be entitled to receive in accordance herewith and no cash payment in lieu of fractional New Partners Common Units shall be paid to any such holder until such holder shall deliver the required documentation and surrender any Certificate or transfer any Book-Entry Share, as the case may be, as contemplated by this Section 3.3. Subject to applicable Law, following compliance with the requirements of Section 3.3(b), there shall be paid to such holder of the New Partners Common Units issuable in exchange therefor, without interest, (i) promptly after the time of such compliance, the amount of any cash payable in lieu of fractional New Partners Common Units to which such holder is entitled pursuant to Section 3.3(e) and the amount of distributions with a record date after the Effective Time theretofore paid with respect to the New Partners Common

Units and payable with respect to such New Partners Common Units, and (ii) at the appropriate payment date, the amount of distributions with a

record date after the Effective Time but prior to such surrender and a payment date subsequent to such compliance payable with respect to such New Partners Common Units.

(d) *Further Rights in the Company Common Stock and Company Class B Stock.* The Merger Consideration issued upon conversion of a share of Company Common Stock or Company Class B Stock in accordance with the terms hereof and any cash paid pursuant to Section 3.2, Section 3.3(c) or Section 3.3(e) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to such share of Company Common Stock or Company Class B Stock, as the case may be.

(e) *Fractional Partners Common Units.* No certificates or scrip of the New Partners Common Units representing fractional New Partners Common Units or book entry credit of the same shall be issued upon the exchange of shares of Company Common Stock or Company Class B Stock in accordance with Section 3.3(b), and such fractional interests will not entitle the owner thereof to vote or to have any rights as a holder of any New Partners Common Units. Notwithstanding any other provision of this Agreement, each holder of a share of Company Common Stock or Company Class B Stock exchanged in the Merger who would otherwise have been entitled to receive a fraction of a New Partners Common Unit (after taking into account all such shares exchanged by such holder) shall receive, in lieu thereof, cash (without interest rounded up to the nearest whole cent) in an amount equal to the product of (i) the closing sale price of the Partners Common Units on the NASDAQ as reported by *The Wall Street Journal* on the trading day immediately preceding the date on which the Effective Time shall occur and (ii) the fraction of a New Partners Common Unit that such holder would otherwise be entitled to receive pursuant to this Article III. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, the Exchange Agent shall so notify Partners, and Partners shall, or shall cause the Surviving Entity to, deposit such amount with the Exchange Agent and shall cause the Exchange Agent to forward payments to such holders of fractional interests subject to and in accordance with the terms hereof.

(f) *Termination of Exchange Fund.* Any portion of the Exchange Fund constituting New Partners Common Units or cash that remains undistributed to the Stockholders after one year following the Effective Time shall be delivered to Partners upon demand and, from and after such delivery, any former holders of such shares who have not theretofore complied with this Article III shall thereafter look only to Partners for the Merger Consideration payable in respect of such shares, any cash in lieu of fractional New Partners Common Units to which they are entitled pursuant to Section 3.3(e) and any distributions with respect to the New Partners Common Units to which they are entitled pursuant to Section 3.3(c), in each case, without any interest thereon.

(g) *No Liability.* None of the Partners Entities, the Company nor the Surviving Entity shall be liable to any Stockholder for any Partners Common Units (or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any abandoned property, escheat or similar Law. Notwithstanding any other provision of this Agreement, any amounts remaining unclaimed by Stockholders as of the second anniversary of the Effective Time (or immediately prior to such earlier time as such amounts would otherwise escheat to or become the property of any Governmental Authority) shall, to the extent permitted by applicable Law, become the property of Partners, free and clear of any Liens, claims or interest of any Person previously entitled thereto.

(h) *Lost Certificates.* If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Partners, the posting by such Person of a bond, in such reasonable amount as Partners may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent shall pay in exchange for such lost, stolen or destroyed Certificate the Merger Consideration payable in respect of the shares of Company Common Stock or Company Class B Stock represented by such Certificate and any distributions to which the holders thereof are entitled pursuant to Section 3.2.

(i) *Withholding*. Each of Partners, the Surviving Entity and the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock or Company Class B Stock such amounts as Partners, the Surviving Entity or the Exchange Agent are required to deduct and withhold under the Code or any provision of state, local, or

foreign Tax Law, with respect to the making of such payment; *provided, however*, that Partners, the Surviving Entity or the Exchange Agent, as the case may be, shall provide reasonable notice to the applicable Stockholders prior to withholding any amounts pursuant to this Section 3.3(i). To the extent that amounts are so deducted and withheld by Partners, the Surviving Entity or the Exchange Agent, such amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholders in respect of whom such deduction and withholding was made by Partners, the Surviving Entity or the Exchange Agent, as the case may be.

(j) *Book Entry and Admission of Holders of New Partners Common Units as Additional Limited Partners of Partners.* Holders of New Partners Common Units will be admitted to Partners as Limited Partners upon the issuance of New Partners Common Units to the Stockholders in accordance with this Section 3.3 and the reflection of such admission on the books and records of Partners pursuant to Section 10.2 of the Partners Partnership Agreement.

Section 3.4 *Anti-Dilution Provisions.* In the event of any subdivisions, reclassifications, recapitalizations, splits, combinations or distributions in the form of equity interests with respect to the shares of Company Common Stock or Company Class B Stock and the Partners Common Units (in each case, as permitted pursuant to Section 4.1(c) or Section 4.2(c), as applicable), the number of New Partners Common Units to be issued in the Merger and the average closing sales prices of the Partners Common Units determined in accordance with Section 3.3(e) will be correspondingly adjusted.

Section 3.5 *Equity Awards*.

(a) Prior to the Effective Time, the Company Board (or, if appropriate, any committee thereof administering the Company Incentive Plan) will adopt such resolutions or take such other actions as may be required to effect the following:

(i) adjust the terms of all outstanding Company Stock-Based Awards, if any, to provide that, at the Effective Time, such Company Stock-Based Awards outstanding immediately prior to the Effective Time will be converted into Partners Common Units or other compensatory awards denominated in Partners Common Units subject to a risk of forfeiture to, or right of repurchase by, Partners (each, a ***Converted Company Stock-Based Award***), with the same terms and conditions as were applicable under such Company Stock-Based Awards, except to the extent otherwise required by the terms of such Company Stock-Based Awards or pursuant to the Company Incentive Plan, and each holder of Company Stock-Based Awards will be entitled to receive a number of Converted Company Stock-Based Awards equal to the product of (x) the number of Company Stock-Based Awards held by such holder immediately prior to the Effective Time and (y) the Exchange Ratio; *provided*, *however*, that the transfer restrictions and forfeiture provisions relating to any Company Stock-Based Awards that have been granted to the five independent directors of the Company (other than the independent director to be designated by the Company pursuant to Section 6.17(c) to serve as a member of the Partners Board) will lapse immediately prior to the Effective Time, and such Company Stock-Based Awards will vest in full immediately prior to the Effective Time;

(ii) make such other changes to the Company Incentive Plan as may be necessary, proper, desirable or advisable to give effect to the Merger (subject to the approval of Partners, which will not be unreasonably withheld, conditioned or delayed); and

(iii) ensure that, after the Effective Time, no Company Stock-Based Awards may be granted under the Company Incentive Plan and that from and after the Effective Time awards under the Company Incentive Plan will be granted with respect to Partners Common Units.

(b) At the Effective Time, and subject to compliance by the Company with Section 3.5(a), Partners will assume all the obligations of the Company under the Company Incentive Plan, each outstanding Company Stock-Based Award and

the agreements evidencing the grants thereof. As soon as practicable after the Effective Time, Partners will deliver to the holders of Company Stock-Based Awards appropriate notices setting forth such holders rights pursuant to the Company Incentive Plan, and the agreements evidencing the

grants of such Company Stock-Based Awards will continue in effect on the same terms and conditions (subject to the adjustments required by this Section 3.5 after giving effect to the Merger).

(c) Partners will take all corporate action necessary to reserve for issuance a sufficient number of Partners Common Units for delivery at the Effective Time of Converted Company Stock-Based Awards assumed in accordance with this Section 3.5.

ARTICLE IV

ACTIONS PENDING MERGER

Section 4.1 *Covenants of the Company.* During the period from the date of this Agreement and continuing until the Effective Time, the Company agrees as to itself and its Subsidiaries that without the written consent of Partners, which shall not be unreasonably withheld, delayed or conditioned (except as expressly contemplated or permitted by this Agreement or a correspondingly numbered subsection of the Company Disclosure Schedule):

(a) *New Business.* The Company shall not, and the Company shall not permit any of its Subsidiaries to, enter into any new material line of business that is not in the shipping industry.

(b) *Ordinary Course.* The Company and its Subsidiaries shall carry on their existing businesses in the ordinary course consistent with past practices in all material respects and in material compliance with all applicable Laws.

(c) *Dividends; Changes in Share Capital.* Except as required under the Company Articles of Incorporation, the Company Bylaws or the organizational documents of the Company s Subsidiaries or as contemplated by this Agreement, the Company shall not, and shall not permit any of its Subsidiaries to, (i) declare or pay any dividends or other distributions (whether in the form of cash, equity or property) in respect of any of its equity securities except, solely in the case of the Company, the declaration and payment of a regular quarterly dividend for the quarter ended March 31, 2011 and the quarter ending June 30, 2011, in each case not in excess of $0.25 per share of Company Common Stock and Company Class B Stock with usual record and payment dates for such dividend in accordance with past dividend practice, (ii) split, combine or reclassify any of its Company Common Stock or Company Class B Stock, or (iii) repurchase, redeem or otherwise acquire any of its equity securities, except by a wholly-owned Subsidiary of the Company that remains a wholly-owned Subsidiary of the Company after consummation of such transaction.

(d) *Issuance of Securities.* Except as provided in the Company Incentive Plan, the Company shall not, and shall not permit any of its Subsidiaries to, issue, deliver, sell, pledge or dispose of, or propose or authorize the issuance, delivery, sale, pledge or disposition of, any of its equity securities of any class, any Voting Debt or any securities convertible into or exercisable for, or any Rights, warrants, calls or options to acquire, any such securities, partnership units or Voting Debt, or enter into any commitment, arrangement, undertaking or agreement with respect to any of the foregoing, other than issuances, sales or deliveries by a Subsidiary of the Company of equity securities to such Subsidiary s parent or another Subsidiary of the Company.

(e) *Governing Documents.* Except to the extent required to comply with its obligations hereunder or applicable Law, the Company shall not amend or propose to amend the Company Articles of Incorporation or Company Bylaws, and shall cause each of its Subsidiaries not to amend or propose to amend the organizational documents of any of such Subsidiary, in a manner that would be materially adverse to the interests of the holders of Partnership Common Units or that would adversely affect the holders of Partners Common Units compared to Stockholders.

(f) *No Merger.* The Company shall not merge or consolidate with or sell all or substantially all of its assets to any Person or effect any unit exchange having a substantially similar effect, other than such transactions between or among direct or indirect wholly-owned Subsidiaries of the Company.

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(g) *Accounting Methods; Tax Elections.* Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement, or as required by a Governmental Authority, the Company shall not change in any material respect its methods of accounting in effect at December 31, 2010, except to comply with changes in GAAP as concurred in by the Company s independent public accountants. The Company shall not (i) change its fiscal year or any method of tax accounting or (ii) make any material Tax election, in each case except as required by Law.

(h) *Certain Actions.* The Company and its Subsidiaries shall not take any action or omit to take any action which action or omission would reasonably be expected to (i) prevent or materially delay or impede the consummation of the Merger or the other transactions contemplated by this Agreement or Merger or (ii) result in a material violation of this Agreement, except, in each case, as may be required by applicable Law.

(i) *Acquisitions and Dispositions.* Except for acquisitions set forth in Section 4.1(i) of the Company Disclosure Schedule and other than capital expenditures and obligations or liabilities allocated under the Company Management Agreement and other capital expenditures and obligations, the Company shall not, and shall not permit any of its Subsidiaries to, (A) incur or commit to any capital expenditures or any obligations or liabilities to unaffiliated third parties in connection therewith relating to the construction of one or more vessels, or (B) acquire, or agree to acquire, by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any vessel. The Company shall not, and shall not permit any of its Subsidiaries to, sell, lease or otherwise dispose of, or agree to sell, lease or otherwise dispose of, in each case including, but not limited to, by way of merger, any of their vessels (including equity securities of Subsidiaries of the Company), except the chartering of vessels in the ordinary course of business, consistent with past practice, and except for dispositions to or from wholly-owned Subsidiaries of the Company, or dispositions to Partially Owned Entities of the Company to the extent required pursuant to the governing documents of such entities set forth, or not required to be set forth, in Section 5.1(a)(iii) of the Company Disclosure Schedule.

(j) *Indebtedness.* The Company shall not, and shall not permit any of its Subsidiaries to, except for (A) solely with respect to the Company and any of its Subsidiaries, additional borrowing under existing loan agreements and refinancing or replacement of such agreements or obligations thereunder (provided the aggregate amount of indebtedness that may be incurred thereunder is not increased) and (B) borrowings (and associated guarantees) of up to an aggregate of $2.0 million principal amount of indebtedness under one or more new short-term credit facilities, incur any indebtedness for borrowed money or guarantee, assume, endorse or otherwise as an accommodation become responsible for any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its Subsidiaries, or enter into any keep well or other agreement to maintain any financial condition of another Person (other than any wholly-owned Subsidiary). Notwithstanding any other provision of this Agreement, the Company and its Subsidiaries shall be entitled to transfer funds and make payments to its Subsidiaries (i) to reimburse its Subsidiaries for obligations (which otherwise were incurred in compliance with the Agreement) of the Company or its Subsidiaries incurred by its Subsidiaries or (ii) in the ordinary course of business consistent with past practice.

(k) *No Related Actions.* The Company shall not, and shall not permit any of its Subsidiaries to, agree or commit to do any of the foregoing.

Section 4.2 *Covenants of the Partners Entities.* During the period from the date of this Agreement and continuing until the Effective Time, each of the Partners Entities agrees as to itself and its Subsidiaries that without the written consent of the Company, which consent shall not be unreasonably withheld, delayed or

conditioned (except as expressly contemplated or permitted by this Agreement or a correspondingly numbered subsection of the Partners Disclosure Schedule):

(a) *New Business.* The Partners Entities shall not, and the Partners Entities shall not permit any of their respective Subsidiaries to, enter into any new material line of business that is not in the shipping industry.

(b) *Ordinary Course.* The Partners Entities and their respective Subsidiaries shall carry on their existing businesses in the ordinary course consistent with past practices in all material respects.

(c) *Distributions; Changes in Unit Capital.* Except as required under the Partners Certificate of Limited Partnership, Partners Partnership Agreement or the organizational documents of its Subsidiaries or as contemplated by this Agreement, Partners shall not, and shall not permit any of its Subsidiaries to, (i) solely in the case of Partners, declare or pay any special or extraordinary distributions in respect of any of its Partners Common Units or other equity securities, (ii) split, combine or reclassify any of its Partners Common Units, or (iii) repurchase, redeem or otherwise acquire any of its equity securities or Partners Common Units, except for any such transaction or distribution consistent with past practices or by a wholly-owned Subsidiary of Partners that remains a wholly-owned Subsidiary of Partners after consummation of such transaction.

(d) *Issuance of Securities.* Except as provided in the Partners Incentive Plan and in Section 4(i), Partners and Partners GP shall not, and shall not permit any of their respective Subsidiaries to, issue, deliver, sell, pledge or dispose of, or propose or authorize the issuance, delivery, sale, pledge or disposition of, any of its equity securities of any class, any Voting Debt or any securities convertible into or exercisable for, or any Rights, warrants, calls or options to acquire, any such securities, partnership units or Voting Debt, or enter into any commitment, arrangement, undertaking or agreement with respect to any of the foregoing, other than issuances, sales or deliveries by a Subsidiary of Partners of equity securities to such Subsidiary s parent or another Subsidiary of Partners.

(e) *Governing Documents.* Except to the extent required to comply with its obligations hereunder or applicable Law, Partners GP and Partners shall not amend or propose to amend the Partners GP Certificate of Formation, Partners GP LLC Agreement, Partners Certificate of Limited Partnership, Partners Partnership Agreement, or the organizational documents of any of their respective Subsidiaries, in a manner that would be materially adverse to the interests of the Stockholders or that would adversely affect the Stockholders compared to holders of Partners Common Units.

(f) *No Merger.* Neither Partners nor MergerCo shall merge or consolidate with or sell all or substantially all of its assets to any Person or effect any unit exchange having a substantially similar effect, other than such transactions between or among direct or indirect wholly-owned Subsidiaries of Partners.

(g) *Accounting Methods; Tax Elections.* Except as disclosed in Partners SEC Documents filed prior to the date of this Agreement, or as required by a Governmental Authority, Partners shall not change in any material respect its methods of accounting in effect at December 31, 2010, except to comply with changes in GAAP as concurred in by Partners independent public accountants. Partners shall not (i) change its fiscal year or any method of tax accounting or (ii) make any material Tax election, in each case except as required by Law.

(h) *Certain Actions.* The Partners Entities and their respective Subsidiaries shall not take any action or omit to take any action which action or omission would reasonably be expected to (i) prevent or materially delay or impede the consummation of the Merger or the other transactions contemplated by this Agreement or Merger or (ii) result in a material violation of this Agreement, except, in each case, as may be required by applicable Law.

(i) *No Related Actions.* The Partners Entities shall not, and shall not permit any of their respective Subsidiaries to, agree or commit to do any of the foregoing; *provided, however*, that nothing in this Section 4.2 will prohibit any of the

Partners Entities from acquiring or entering into agreements to

acquire vessels (including non-tanker vessels) or the equity of any Person owning such vessels and financing such acquisitions (by the issuance of equity securities, debt securities or otherwise) and taking all other actions reasonably incidental thereto.

Section 4.3 *Governmental Filings.* To the extent permitted by Law or regulation or any applicable confidentiality agreement, each of the Company and Partners shall confer on a reasonable basis with each other on operational matters. The Company and Partners shall file all reports required to be filed by each of them with the SEC (and all other Governmental Authorities) between the date of this Agreement and the Effective Time and shall, if requested by the other party (to the extent permitted by Law or any applicable confidentiality agreement) deliver to the other party copies of all such reports, announcements and publications promptly upon request.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.1 *Representations and Warranties of the Company.* Except as disclosed in a section of the Company s disclosure schedule delivered to the Partners Entities concurrently herewith (the ***Company Disclosure Schedule***) corresponding to the subsection of this Section 5.1 to which such disclosure applies (provided that the disclosure in any paragraph of the Company Disclosure Schedule shall qualify other paragraphs in this Section 5.1, information called for by other sections of the Company Disclosure Schedule or the annexes or exhibits to this Agreement to the extent it is reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs, information, annexes or exhibits), or as disclosed in the Company SEC Documents filed prior to the date hereof to the extent such disclosure on its face appears to constitute information that would reasonably be deemed a qualification or exception to the following representations and warranties, the Company represents and warrants to the Partners Entities as follows:

(a) *Organization*.

(i) The Company is a corporation duly formed, validly existing and in good standing under the Laws of the Republic of the Marshall Islands. The Company has the requisite corporate power and authority to own, lease or otherwise hold, use and operate all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to have such power or authority or to be so licensed or qualified would not constitute a Material Adverse Effect on the Company. True and complete copies of the Company Articles of Incorporation and Company Bylaws, as in effect as of the date of this Agreement, have previously been made available to the Partners Entities by the Company.

(ii) Each Subsidiary of the Company (1) is duly formed or organized and validly existing under the Laws of its jurisdiction of formation or organization, (2) is duly qualified to do business and in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership, leasing or otherwise holding, using and operating of property or assets or the conduct of its business requires it to be so qualified, and (3) has all requisite corporate, partnership or limited liability company power and authority to own or lease its properties and assets and to carry on its business as now conducted, except in each case where the failure to have such power or authority or to be so formed or organized, in existence or qualified would not constitute a Material Adverse Effect on the Company.

(iii) Section 5.1(a)(iii) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a true and complete list of each of the Company s Subsidiaries and Partially Owned Entities.

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(b) *Capitalization.* Except as set forth in Section 5.1(b) of the Company Disclosure Schedule:

(i) The authorized capital stock of the Company consists of 1,000,000,000 shares of Company Common Stock, 100,000,000 shares of Company Class B Stock and 100,000,000 shares of preferred stock, par value $0.0001 per share. The Company has no equity interests issued and outstanding other than, as of the date of this Agreement, (1) 13,899,400 shares of Company Common Stock (of which shares 399,400 are restricted shares), and (2) 2,105,263 shares of Company Class B Stock. Except as set forth in the preceding sentence, as of the date of this Agreement, there are no outstanding (x) options, warrants, preemptive rights, subscriptions, calls or other Rights, convertible securities, exchangeable securities, agreements or commitments of any character obligating the Company or any of its Subsidiaries to issue, transfer or sell any equity interest in the Company or any Subsidiary of the Company or securities convertible into or exchangeable for such equity interests or (y) contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any equity interest in the Company or any of its Subsidiaries or any such securities or agreements listed in clause (x) of this sentence. The Company has no Voting Debt. There are no obligations in excess of $100,000 of the Company or its Subsidiaries, in the aggregate, to make any investment (in the form of a loan, capital contribution or otherwise) in any Person, or pursuant to which the Company or any Subsidiary is or could be required to register any units, shares or any equity interests of the Company or its Subsidiaries or other securities under the Securities Act. Neither the Company nor any of its Subsidiaries owns, or has any contractual or other obligation to acquire, any equity securities or other securities of any Person (other than in the Company or its Subsidiaries) or any direct or indirect equity or ownership interest in any other business. Except for this Agreement, there are no voting trusts, proxies or other agreements, commitments or understandings of any character to which either the Company or its Subsidiaries is a party or by which any of them is bound with respect to the holding, voting or disposition of any units, shares or any equity interests of the Company or its Subsidiaries, except pursuant to the applicable governing documents of the Company or its Subsidiaries.

(ii) The shares of Company Common Stock and Company Class B Stock have been duly authorized and validly issued in accordance with applicable Laws and the Company Articles of Incorporation and Company Bylaws, and are fully paid and non-assessable. Such equity interests were not issued in violation of pre-emptive or similar rights or any other agreement or understanding binding on the Company. All of the outstanding equity interests of the Subsidiaries of the Company and the Partially Owned Entities of the Company have been duly authorized and are validly issued, fully paid (to the extent required under the applicable governing documents) and non-assessable and free of pre-emptive rights (except in each case (1) with respect to general partner interests, (2) as set forth to the contrary in the applicable governing documents and (3) to the extent such non-assessability may be affected by applicable Laws) and were not issued in violation of pre-emptive or similar rights; and all such units, shares and other equity interests, other than interests in the Partially Owned Entities of the Company that are owned by others, are owned, directly or indirectly, by the Company, free and clear of all Liens, except pursuant to the applicable governing documents.

(iii) No Subsidiary or any Partially Owned Entity of the Company has any Voting Debt.

(c) *Authority; No Violation.* Except as set forth in Section 5.1(c) of the Company Disclosure Schedule:

(i) The Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Company Board (upon recommendation by the Company Independent Directors Committee), at a duly convened meeting thereof. The Company, acting through the Company Board, has directed that this Agreement be submitted to the Stockholders for approval at the Company Meeting. Except for approvals that have been previously obtained, the Company Stockholder Approval and the Company Unaffiliated Stockholder Approval, no other votes or

approvals on the part of the Company are necessary to approve this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and (assuming due authorization, execution and delivery by the Partners Entities) constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (except insofar as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law)).

(ii) Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the transactions contemplated hereby, nor compliance by the Company with any of the terms or provisions hereof, will (1) (subject to receiving the Company Stockholder Approval and the Company Unaffiliated Stockholder Approval) violate any provision of the Company Articles of Incorporation or Company Bylaws or the organizational documents of its Subsidiaries, or (2) assuming that the consents and approvals referred to in Section 5.1(d) are duly obtained, (x) violate any Law applicable to the Company, any of its Subsidiaries or, to the Company s Knowledge, any Partially Owned Entities of the Company or any of their respective properties or assets or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, accelerate any right or benefit provided by, or result in the creation of any Lien upon any of the respective properties or assets of the Company, any of its respective Subsidiaries or, to the Company s Knowledge, any Partially Owned Entities of the Company under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company, any Subsidiary of the Company or, to the Company s Knowledge, any Partially Owned Entities of the Company is a party, or by which they or any of their respective properties or assets are bound, except in each case for such violations, conflicts, breaches, losses, defaults, terminations, cancellations, accelerations or Liens which would not constitute a Material Adverse Effect on the Company.

(d) *Consents and Approvals.* Except for (i) the filing of any required applications or notices with any state or foreign agencies of competent jurisdiction and approval of such applications and notices (the ***Other Approvals***) as set forth on Section 5.1(d) of the Company Disclosure Schedule, (ii) the filing of the Proxy Statement and the Registration Statement, (iii) the filing of the Articles of Merger with the Registrar or Deputy Registrar of Corporations of the Republic of the Marshall Islands, (iv) any consents, authorizations, approvals, filings or exemptions in connection with compliance with the rules of the NYSE or NASDAQ, as applicable, (v) such filings and approvals as may be required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of the New Partners Common Units pursuant to this Agreement (the consents, authorizations, approvals, filings and registration required under or in relation to the foregoing clauses (i) through (v) being referred to as the ***Company Necessary Consents***), (vi) any consents or waivers required to be obtained under the Company Credit Facility and (vii) such other consents, authorizations, approvals, filings and registrations, the failure of which to obtain or make would not constitute a Material Adverse Effect on the Company, no consents or approvals of or filings or registrations with any Governmental Authority are necessary in connection with (1) the execution and delivery by the Company of this Agreement or (2) the consummation by the Company of the transactions contemplated by this Agreement.

(e) *Financial Reports and SEC Documents; Disclosure and Internal Controls.*

(i) The Company 20-F and all other reports, registration statements, definitive proxy statements or information statements filed or furnished by the Company or any of its Subsidiaries subsequent to March 1, 2010, including, but not limited to, items incorporated by reference into or referred to in such reports, registration statements, proxy statements or information statements under the Securities Act or the Exchange Act, in the form filed or furnished (collectively, the ***Company SEC Documents***), with the SEC as of their respective dates, (1) complied in all material respects as to form with the applicable

requirements under the Securities Act, the Exchange Act or SOX, as the case may be, and (2) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The historical financial statements (including the related notes and supporting schedules) contained in the Company SEC Documents (A) comply in all material respects with the applicable requirements under the Securities Act and the Exchange Act, (B) present fairly in all material respects the financial position, results of operations and cash flows of the entities purported to be shown thereby on the basis stated therein at the respective dates or for the respective periods, and (C) have been prepared in accordance with GAAP consistently applied throughout the periods involved, except in each case to the extent disclosed therein. There are no outstanding comments from, or unresolved issues raised by, the SEC with respect to the Company SEC Documents. No enforcement action has been initiated, or to the Knowledge of the Company, is threatened, against the Company relating to disclosures contained in any Company SEC Document.

(ii) The Company has designed and maintains a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company has (1) designed disclosure controls and procedures (within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information relating to the Company and its Subsidiaries is made known to the management of the Company by others within those entities as appropriate to allow timely decisions regarding required disclosure and to make the certifications required by the Exchange Act with respect to the Company SEC Documents and (2) disclosed, based on its most recent evaluation prior to the date of this Agreement, to the Company s outside auditors and the audit committee of the Company Board (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (within the meaning of Rule 13a-l 5(f) of the Exchange Act) which are reasonably likely to adversely affect the Company s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls over financial reporting.

(iii) Deloitte, Hadjipavlou, Sofianos & Cambanis, S.A., who audited the audited financial statements contained in the Company 20-F, is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

(iv) The Company has made available (to the extent not available to the public on the SEC s EDGAR website) to Partners each Company SEC Document, each in the form (including exhibits and any amendments thereto) filed with or furnished to the SEC prior to the date of this Agreement.

(f) *Foreign Private Issuer.* The Company is a foreign private issuer (as defined in Rule 405 under the Securities Act).

(g) *Relations with Governments.* To the Knowledge of the Company, except as would constitute a Material Adverse Effect on the Company, neither the Company nor any of its Subsidiaries, nor any director, officer, agent or employee of the Company or any of its Subsidiaries, has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to political activity, (ii) made any unlawful payment or offered anything of value to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, (iii) made any other unlawful payment, or (iv) violated any applicable export control, money laundering or anti-terrorism Law or regulation, nor have any of them otherwise taken any action which would cause the Company or any of its Subsidiaries to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable Law of similar effect.

(h) *Absence of Undisclosed Liabilities.* Except as disclosed in the audited financial statements (or notes thereto) included in the Company 20-F or in the financial statements (or notes thereto) included in subsequent Company SEC

Documents filed prior to the date hereof, neither the Company nor any of its Subsidiaries had at December 31, 2010, or has incurred since that date, any liabilities or obligations

(whether absolute, accrued, contingent or otherwise and whether due or to become due) of any nature, except liabilities, obligations or contingencies that (i) are accrued or reserved against in the financial statements of the Company included in the Company SEC Documents filed prior to the date hereof, or reflected in the notes thereto, (ii) were incurred since December 31, 2010 in the ordinary course of business and consistent with past practices, (iii) would not constitute a Material Adverse Effect on the Company, (iv) have been discharged or paid in full prior to the date hereof or (v) arise under this Agreement and the transactions contemplated by this Agreement.

(i) *Absence of Certain Changes or Events.* Since December 31, 2010, no event or events have occurred that would constitute a Material Adverse Effect on the Company.

(j) *Legal Proceedings.* Except as set forth in Section 5.1(j) of the Company Disclosure Schedule, there is no suit, action or proceeding or investigation pending before any Governmental Authority or, to the Knowledge of the Company, threatened, against or affecting the Company or any its Subsidiaries that would constitute a Material Adverse Effect on the Company, nor is there any judgment, decree, injunction, rule or order of any Governmental Authority outstanding against the Company or any Subsidiary that would constitute any such effect. There is no order or settlement agreement imposed on the Company or its Subsidiaries (or that, upon consummation of the transactions contemplated hereby) that would constitute a Material Adverse Effect on the operations and business of the Company or its Subsidiaries.

(k) *Compliance with Applicable Law.* The Company and each of its Subsidiaries hold all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses under and pursuant to each, and have complied in all respects with, and are not in default under any, applicable Law relating to the Company or any of its Subsidiaries, except where the failure to hold such license, franchise, permit or authorization or such noncompliance or default would not constitute a Material Adverse Effect on the Company.

(l) *Contracts*.

(i) Except for this Agreement or as designated as an exhibit to the Company 20-F or to a Company SEC Document filed thereafter and prior to the date of this Agreement, and except as set forth in Section 5.1(l)(i) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to or bound by, as of the date hereof, any agreement, contract, arrangement, commitment or instrument (whether written or oral) (1) which is a material contract (as such term is used in Item 601(b)(10) of Regulation S-K of the SEC) with respect to the Company and its Subsidiaries required to be filed with the SEC that has not been filed, (2) which, upon the consummation of the Merger or upon receipt of the Company Stockholder Approval or the Company Unaffiliated Stockholder Approval, will (either alone or upon the occurrence of any additional acts or events) result in any payment (whether of severance pay or otherwise) becoming due from the Company, Partners GP, Partners, the Surviving Entity or any of their respective Subsidiaries to any director, officer, employee, consultant or contractor who performs services for the benefit of the Company or a Subsidiary of the Company, (3) which is a material contract (as such term is defined in Item 601(b)(10) of Regulation S-K), or an amendment to or termination thereof, that would be required to be disclosed on a Current Report on Form 8-K filed with the SEC (if the Company were required to file such reports), to be performed after the date of this Agreement that has not been filed or incorporated by reference in the Company SEC Documents filed prior to the date of this Agreement or (4) which are material and containing change of control provisions triggered by the consummation of the transactions contemplated by this Agreement. Each agreement, contract, arrangement, commitment or instrument of the type described in this Section 5.1(l), whether or not set forth in the Company Disclosure Schedule or in such Company SEC Documents, is referred to herein as a ***Company Contract***. No Company Contract has been amended or modified, except for such amendments or modifications which have been filed as an exhibit to a subsequently dated and filed Company SEC Document or are not required to be filed with the SEC and set forth in Section 5.1(l)(i) of the Company Disclosure Schedule.

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(ii) All of the Company Contracts are valid and in full force and effect and enforceable in accordance with their terms, except insofar as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), except (i) to the extent that they have previously expired in accordance with their terms or (ii) for any failures to be in full force and effect that would not constitute a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any counterparty to any of the Company Contracts, has violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both, would constitute a default under the provisions of any of the Company Contracts, except in each case for those violations and defaults which would not constitute a Material Adverse Effect on the Company.

(m) *Insurance.* All material Policies of the Company and its Subsidiaries are in full force and effect and provide insurance in such amounts and against such risks as is sufficient to comply with applicable Law and as is customary for the industries in which the Company and its Subsidiaries operate, in each case, except as, individually or in the aggregate, would not constitute a Material Adverse Effect on the Company. Neither the Company nor its Subsidiaries are in breach or default under, and neither the Company nor its Subsidiaries have taken any action or failed to take any action which, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any Policies, in each case, except as would not constitute a Material Adverse Effect on the Company. To the Knowledge of the Company, there is no threatened termination of, or material premium increase with respect to, any current Policy.

(n) *Environmental Matters.* Except as set forth in Section 5.1(n) of the Company Disclosure Schedule, and except as would not constitute a Material Adverse Effect on the Company: (1) the Company, its Subsidiaries, Partially Owned Entities of the Company and their respective businesses, operations, properties and Assets are and have been in compliance with all Environmental Laws and all permits, registrations, licenses, approvals, exemptions, variances, and other authorizations required under Environmental Laws (***Environmental Permits***); (2) the Company, its Subsidiaries and Partially Owned Entities of the Company have obtained or timely filed for all Environmental Permits for their respective businesses, operations, properties and Assets as they currently exist and are operated and all such Environmental Permits are currently in full force and effect; (3) neither the Company nor any Subsidiary of the Company nor any of their respective businesses, operations, properties or Assets, or, to the Knowledge of the Company, Partially Owned Entities of the Company, or their respective businesses, operations, properties and Assets, are subject to any pending or, to the Knowledge of the Company, threatened claims, actions, suits, writs, injunctions, decrees, orders, judgments, investigations, inquiries or proceedings relating to their compliance with Environmental Laws; (4) within the six years prior to the date of this Agreement, there has been no Release of Hazardous Substances on, under or from the current or former property owned, leased or operated by the Company, its Subsidiaries, or Partially Owned Entities of the Company and none of the Company, its Subsidiaries or Partially Owned Entities of the Company has treated, recycled, stored, disposed of, arranged for or permitted the disposal of, transported, handled, Released any substance, including any Hazardous Substances, or owned or operated any property or facility in a manner that has given or would give rise to any damages, including any damages for response costs, corrective action costs, personal injury, property damage or natural resource damages, pursuant to any Environmental Laws; (5) none of the Company, any of its Subsidiaries or Partially Owned Entities of the Company has received any notice regarding any actual or alleged violation of any Environmental Laws or any liabilities, including any investigatory, remedial or corrective liabilities, relating to the Company, its Subsidiaries or Partially Owned Entities of the Company arising under Environmental Laws; (6) none of the Company, its Subsidiaries or Partially Owned Entities of the Company has, either expressly or by operation of Law, assumed or undertaken any liability, including any obligation for the corrective or remedial action, of any other Person relating to Environmental Laws; and (7) there are not any existing, or to the Knowledge of the Company, pending or threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental

Authority directed against the Company, its Subsidiaries or Partially Owned Entities of the Company that pertain to or relate to the actual or alleged violation of Environmental Laws.

(o) *Employee Benefit Plans; Distribution Reinvestment Plan.* Neither the Company nor any of its Subsidiaries has any employees or sponsors, maintains, participates in or contributes to or has any Compensation and Benefit Plans other than reimbursements pursuant to the Company Management Agreement and the Company Incentive Plan.

(p) *Vessels; Property*.

(i) Section 5.1(p)(i) of the Company Disclosure Schedule sets forth the name, owner, flag state of registration (including any bareboat registration), charterer, International Maritime Organization number and call sign, classification society, year of construction and capacity (gross tonnage or deadweight tonnage, as specified therein) for all of the vessels currently owned by the Company and its Subsidiaries (the ***Company Vessels***). Each Company Vessel is owned directly by the applicable Subsidiary of the Company as set forth on Section 5.1(p)(i) of the Company Disclosure Schedule and such Subsidiary of the Company has good and marketable title to the applicable Company Vessel owned by it, free and clear of all Liens. Except as would not constitute a Material Adverse Event on the Company, each Company Vessel listed on Section 5.1(p)(i) of the Company Disclosure Schedule is duly registered in the name of the Subsidiary that owns it under the Laws and the flag of such Company s Vessel s flag state (as set forth on Section 5.1(p)(i) of the Company Disclosure Schedule) and no other action is necessary to establish and perfect such Subsidiary s title to and interest in the applicable Company Vessel as against any charterer or third party. The Company or its Subsidiaries do not own, operate, use or charter any vessels other than those set forth on Section 5.1(p)(i) of the Company Disclosure Schedule.

(ii) Except as set forth in Section 5.1(p)(ii) of the Company Disclosure Schedule (x) each Company Vessel is (1) certified by a member of the International Association of Classification Societies and (2) materially in class with valid classification certificates and national certificates, as well as all other valid certificates such Company Vessel had as of the date of this Agreement and (y) to the Knowledge of the Company, (1) no event has occurred and no condition exists that would cause such Company Vessel s class to be suspended or withdrawn and (2) each Company Vessel is free of average damage affecting its class.

(q) *Takeover Laws; Dissent Rights.* No Takeover Laws or anti-takeover provision in the Company Articles of Incorporation or Company Bylaws will apply to this Agreement or the transactions contemplated hereby, or would prohibit or restrict the ability of the Company to perform its obligations under this Agreement or its ability to consummate the transactions contemplated hereby, including the Merger. No Stockholder has any right to demand appraisal of any shares of Company Common Stock, Company Class B Stock or other securities of the Company or rights to dissent which may arise with respect to this Agreement or the transactions contemplated hereby, other than any holder of Company Class B Stock, in such capacity.

(r) *Opinion of Financial Advisor.* The Company Independent Directors Committee has received the opinion of Jefferies & Company, Inc. (***Jefferies***), dated the date of this Agreement, to the effect that, as of the date of such opinion, the Exchange Ratio is fair to the Company Unaffiliated Stockholders from a financial point of view.

(s) *Approvals of the Company Independent Directors Committee and the Company Board.* At a meeting duly called and held, the Company Independent Directors Committee, by unanimous vote of all its members, other than Socrates Kominakis, who recused himself on February 17, 2011, from all Company Independent Directors Committee deliberations regarding the transactions contemplated by this Agreement, (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are fair and reasonable to, and in the best interests of, the Company and the Company Unaffiliated Stockholders, (ii) recommended to the Company Board that it declare the advisability of, and approve, this Agreement and the transactions contemplated hereby, including the Merger and

(iii) resolved to recommend that the Stockholders adopt this Agreement. At a meeting duly called and held, the

Company Board, by unanimous vote of all members, (w) determined that this Agreement and the transactions contemplated hereby, including the Merger, are fair and reasonable to, and in the best interests of the Company and the Company Unaffiliated Stockholders, (x) declared it advisable to enter into this Agreement, (y) approved this Agreement and the execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated thereby, including the Merger and (z) resolved to recommend to the Stockholders that they adopt this Agreement.

(t) *Broker s Fees.* Neither the Company nor any of its Subsidiaries nor any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker s fees, commissions or finder s fees in connection with the transactions contemplated by this Agreement, except Jefferies, whose fees and expenses will be paid by the Company in accordance with the existing agreement with such firm.

(u) *Certain Tax Matters.*

(i) All Tax Returns required to be filed by or on behalf of the Company and its Subsidiaries by the Code or by applicable state, local or foreign Tax Laws with any Tax authority prior to the date hereof have been timely filed. All Tax Returns filed by the Company and its Subsidiaries are true, correct and complete in all material respects. All material Taxes due and payable of the Company and its Subsidiaries (whether or not reflected on any such Tax Returns) have been timely paid in full.

(ii) None of the Company or its Subsidiaries have any liability for any unpaid Taxes which have not been accrued for or reserved on the Company s balance sheets included in the latest Company SEC Document filed prior to the date hereof (without taking into account any reserve for deferred taxes), which is material to the Company and its Subsidiaries, other than any liability for unpaid Taxes that may accrue on the Closing Date or may have accrued since the end of the most recent fiscal year in connection with the operation of the business of the Company in the ordinary course, none of which is material to the business, results of operations or financial condition of the Company or its Subsidiaries.

(iii) There are no liens for Taxes with respect to any of the assets or properties of the Company or its Subsidiaries, other than with respect to Taxes not yet due and payable.

(iv) All material Taxes that the Company or any of its Subsidiaries is required by Law to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper Governmental Authorities or deposited in accordance with applicable Law.

(v) Neither the Company nor any of its Subsidiaries has been delinquent in the payment of any material Tax nor is there any material Tax deficiency outstanding, proposed or assessed in writing against the Company or any of its Subsidiaries, as applicable, nor has the Company or any of its Subsidiaries executed, or been requested to execute, any unexpired waiver of any statute of limitations on or extending the period for the assessment or collection of any material Tax. Neither the Company nor any of its Subsidiaries has requested any extension of time within which to file any Tax Return, which return has not yet been filed. No power of attorney with respect to any material Taxes has been executed or filed with any Tax authority by or on behalf of the Company or its Subsidiaries.

(vi) No audit or other examination of any Tax Return of the Company or any of its Subsidiaries by any Tax authority is in progress, nor has the Company or any of its Subsidiaries been notified in writing of any request for such an audit or other examination.

(vii) Neither the Company nor any of its Subsidiaries (x) is a party to or is bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including, without

limitation, any advance pricing agreement, closing agreement or other agreement relating to Taxes with any Tax authority); (y) is or has ever been a member of an affiliated group (other than a group the common parent of which is the Company) filing a consolidated federal income tax return; or (z) has any liability for Taxes of any Person arising from the application of Treasury Regulation 1.1502-6 or any analogous provision of state, local or foreign law, or as a transferee or successor, or by contract.

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(viii) Neither the Company nor any of its Subsidiaries will be required to include in a taxable period ending after the Closing Date any taxable income attributable to income that accrued, but was not recognized, in any taxable period ending on or before the Closing Date or, with respect to the portion of such period that ends on the Closing Date, any taxable period that includes (but does not end on) such date (a ***Pre-Closing Tax Period***), as a result of an adjustment under Section 481 of the Code, the installment method of accounting, the long-term contract method of accounting, the cash method of accounting, any comparable provision of state, local, or foreign Tax law, or for any other reason.

(ix) The Company has made available for inspection to the Partners Entities complete and correct copies of all material Tax Returns of the Company and its Subsidiaries for all taxable periods for which the applicable statute of limitations has not yet expired.

(x) Section 5.1(u)(x) of the Company Disclosure Schedule sets forth (i) each jurisdiction in which the Company or any Subsidiary joins, has joined or is or has been required to join for any taxable period ending after 2008 in the filing of any consolidated, combined or unitary Tax Return, and (ii) the common parent corporation and the other individual members of the consolidated, combined or unitary group filing such Tax Return.

(xi) Section 5.1(u)(xi) of the Company Disclosure Schedule sets forth each state or foreign jurisdiction in which the Company or any Subsidiary files, or is or has been required to file, a Tax Return relating to material state income, franchise, license, excise, net worth, property or sales and use taxes or is or has been liable for any material Taxes on a nexus basis at any time for a taxable period for which the relevant statutes of limitation have not expired.

(xii) The Company is not a passive foreign investment company within the meaning of Section 1297 of the Code.

(xiii) The Company is not aware of any fact or circumstance that would prevent or impede, or could be reasonably be expected to prevent or impede, the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(v) *Collective Bargaining Agreements.* Neither the Company nor any of its Subsidiaries is a party to any collective bargaining or other labor union contract applicable to Company Employees, and no collective bargaining agreement or other labor union contract is being negotiated by the Company or any of its Subsidiaries. No labor organization or group of Company Employees that are situated at any facility (or on any vessel) owned, leased or operated by the Company or any of its Subsidiaries has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of the Company, threatened to be brought or filed, with any labor relations tribunal or authority. Except as would not constitute a Material Adverse Effect on the Company, to the Knowledge of the Company, (i) there is no labor dispute, strike, slowdown, work stoppage or any other similar dispute or controversy against the Company or any of its Subsidiaries pending or threatened against the Company or any of its Subsidiaries and (ii) no unfair labor practice or labor charge or complaint has occurred with respect to the Company or any of its Subsidiaries.

(w) *Regulation as an Investment Company.* Neither the Company nor any of its Subsidiaries is an investment company, as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(x) *Export and Sanctions Laws.* The Company and each of its Subsidiaries has been in material compliance with all applicable Export and Sanctions Laws. To the Knowledge of the Company, neither the Company nor any of its Subsidiaries nor any Person controlling the Company is designated on any Denied Party Lists or has engaged in any transaction with or for the benefit of any Person that is designated on any Denied Party Lists or that is subject to any Law prohibitions including Laws relating to any export sanction or export restriction.

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(y) *Proxy Statement and Other Filings.* None of the information to be supplied by the Company for inclusion in (i) the Proxy Statement to be filed by the Company with the SEC, and any amendments or supplements thereto, or (ii) the Registration Statement to be filed by Partners with the SEC in connection with the Merger, and any amendments or supplements thereto, will, at the respective times such documents are filed, and, in the case of the Proxy Statement, at the time the Proxy Statement or any amendment or supplement thereto is first mailed to Stockholders, at the time of the Meeting and at the Effective Time, and, in the case of the Registration Statement, when it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be made therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Section 5.2 *Representations and Warranties of the Partners Entities.* Except as disclosed in a section of the Partners disclosure schedule delivered to the Company concurrently herewith (the ***Partners Disclosure Schedule***) corresponding to the subsection of this Section 5.2 to which such disclosure applies (provided that the disclosure in any paragraph of the Partners Disclosure Schedule shall qualify other paragraphs in this Section 5.2, information called for by other sections of the Partners Disclosure Schedule or the annexes or exhibits to this Agreement to the extent it is reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs, information, annexes or exhibits), or as disclosed in the Partners SEC Documents filed prior to the date hereof to the extent such disclosure on its face appears to constitute information that would reasonably be deemed a qualification or exception to the following representations and warranties, each of the Partners Entities represents and warrants to the Company, jointly and severally, as follows:

(a) *Organization*.

(i) Partners GP is a limited liability company duly formed, validly existing and in good standing under the Laws of the Republic of the Marshall Islands. Partners is a limited partnership duly formed, validly existing and in good standing under the Laws of the Republic of the Marshall Islands. MergerCo is a corporation duly organized, validly existing and in good standing under the laws of the Republic of the Marshall Islands. Each of the Partners Entities has the requisite limited liability company, limited partnership and corporate, respectively, power and authority to own, lease or otherwise hold, use and operate all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to have such power or authority or to be so licensed or qualified would not constitute a Material Adverse Effect on the Partners Entities. True and complete copies of the Partners GP Certificate of Formation and Partners GP LLC Agreement, as in effect as of the date of this Agreement, have previously been made available to the Company by Partners GP. True and complete copies of Partners Certificate of Limited Partnership and Partners Partnership Agreement, as in effect as of the date of this Agreement, have previously been made available to the Company by Partners. True and complete copies of MergerCo Articles of Incorporation and MergerCo Bylaws, as in effect as of the date of this Agreement, have previously been made available to the Company by MergerCo.

(ii) Except as contemplated by this Agreement, MergerCo does not hold and has not held any material assets or incurred any material liabilities, and has not carried on any business activities other than in connection with the Merger and the other transactions contemplated by this Agreement. The authorized capital stock of MergerCo consists of 500 shares of MergerCo Common Stock, all of which have been duly issued, are fully paid and nonassessable and are owned directly by Partners.

(iii) Each Subsidiary of Partners (1) is duly formed or organized and validly existing under the Laws of its jurisdiction of formation or organization, (2) is duly qualified to do business and in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership, leasing or otherwise holding, using and operating of property or

assets or the conduct of its business requires it to be so qualified and (3) has all requisite corporate, partnership or limited liability company power and authority

to own or lease its properties and assets and to carry on its business as now conducted except in each case where the failure to have such power or authority or to be so formed or organized in existence or qualified, either individually or in the aggregate, would not constitute a Material Adverse Effect on the Partners Entities.

(iv) Section 5.2(a)(iv) of the Partners Disclosure Schedule sets forth, as of the date of this Agreement, a true and complete list of each of the Partners Entities respective Subsidiaries and Partially Owned Entities.

(b) *Capitalization.* Except as set forth in Section 5.2(b) of the Partners Disclosure Schedule:

(i) Partners GP is the sole general partner of Partners. Partners GP is the beneficial owner and sole record owner of the general partner interest in Partners, represented as of the date of this Agreement by 774,411 General Partner Units, and such General Partner Units have been duly authorized and validly issued in accordance with applicable Laws and the Partners Partnership Agreement. Partners GP owns such General Partner Units free and clear of any Liens except pursuant to the Partners Partnership Agreement. Partners GP is the beneficial owner and sole record holder of all of the Partners Incentive Distribution Rights and owns such rights free and clear of all Liens except pursuant to the Partners Partnership Agreement. Partners GP has no Voting Debt.

(ii) As of the date of this Agreement Partners has no equity interests issued and outstanding other than (1) 37,946,183 Partners Common Units (of which 799,200 are restricted Partners Common Units), and (2) the general partner interest represented by 774,411 General Partner Units, and Partners Incentive Distribution Rights described in Section 5.2(b)(i) above. As of the date of this Agreement, except as set forth in the preceding sentence, the Partners Partnership Agreement, there are no outstanding (x) options, warrants, preemptive rights, subscriptions, calls or other Rights, convertible securities, exchangeable securities, agreements or commitments of any character obligating Partners or any of its Subsidiaries to issue, transfer or sell any partnership interest or other equity interest in Partners or any Subsidiary of Partners or securities convertible into or exchangeable for such equity interests or (y) contractual obligations of Partners or any of its Subsidiaries to repurchase, redeem or otherwise acquire any partnership interest or other equity interest in Partners or any of its Subsidiaries or any such securities or agreements listed in clause (x) of this sentence. Partners has no Voting Debt. There are no obligations in excess of $100,000 of the Partners Entities or any of its Subsidiaries, in the aggregate, to make any investment (in the form of a loan, capital contribution or otherwise) in any Person, or pursuant to which Partners or any Subsidiary is or could be required to register any units, shares or any equity interests of Partners or its Subsidiaries or other securities under the Securities Act. Neither Partners nor any of its Subsidiaries owns, or has any contractual or other obligation to acquire, any equity securities or other securities of any Person (other than in Partners or its Subsidiaries) or any direct or indirect equity or ownership interest in any other business. Except for this Agreement and the Support Agreement, there are no voting trusts, proxies or other agreements, commitments or understandings of any character to which either Partners or its Subsidiaries is a party or by which any of them is bound with respect to the holding, voting or disposition of any units, shares or any equity interests of Partners or its Subsidiaries, except pursuant to the applicable governing documents of Partners or its Subsidiaries.

(iii) The Partners Common Units and the limited partner interests represented thereby have been duly authorized and validly issued in accordance with applicable Laws and the Partners Certificate of Limited Partnership and Partners Partnership Agreement, and are fully paid (to the extent required under the Partners Partnership Agreement) and non-assessable (except to the extent such non-assessability may be affected by the MILPA). Such Partners limited partner interests were not issued in violation of pre-emptive or similar rights or any other agreement or understanding binding on Partners. All of the outstanding equity interests of the Subsidiaries of Partners and Partially Owned Entities of Partners have been duly authorized and are validly issued, fully paid (to the extent required under the applicable governing documents) and non-assessable and free of pre-emptive rights (except (1) with respect to general partner interests, (2) as set forth to the contrary in

the applicable governing documents and (3) to the extent such non-assessability may be affected by applicable Laws, including the MILPA) and were not issued in violation of pre-emptive or similar rights; and all such units, shares and other equity interests, other than interests in the Partially Owned Entities of Partners that are owned by others, are owned, directly or indirectly, by Partners, free and clear of all Liens, except pursuant to the applicable governing documents.

(iv) No Subsidiary or any Partially Owned Entity of Partners has any Voting Debt.

(c) *Authority; No Violation.* Except as set forth in Section 5.2(c) of the Partners Disclosure Schedule:

(i) Each Partners Entity has the requisite limited partnership, limited liability company or corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Partners Board (upon recommendation by the Partners Conflicts Committee), at a duly convened meeting thereof and by Partners GP, for itself and as general partner of Partners, and by Partners as sole stockholder of MergerCo. Except for approvals that have been previously obtained, no other corporate, limited liability company or limited partnership votes or approvals on the part of the Partners Entities are necessary to approve this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of the Partners Entities and (assuming due authorization, execution and delivery by the Company) constitutes a valid and binding obligation of each of the Partners Entities, enforceable against each of the Partners Entities in accordance with its terms (except insofar as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)).

(ii) Neither the execution and delivery of this Agreement by the Partners Entities, nor the consummation by the Partners Entities of the transactions contemplated hereby, nor compliance by the Partners Entities with any of the terms or provisions hereof, will (1) violate any provision of the Partners GP Certificate of Formation, Partners GP LLC Agreement, Partners Certificate of Limited Partnership or Partners Partnership Agreement or the organizational documents of their respective Subsidiaries or (2) assuming that the consents and approvals referred to in Section 5.2(d) are duly obtained, (x) violate any Law applicable to the Partners Entities, any of their respective Subsidiaries or, to the Partners Entities Knowledge, any Partially Owned Entities of Partners or any of their respective properties or assets or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, accelerate any right or benefit provided by, or result in the creation of any Lien upon any of the respective properties or assets of any Partners Entity, any of their respective Subsidiaries or, to the Partners Entities Knowledge, any Partially Owned Entity of Partners under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which any Partners Entity, any Subsidiary of Partners or, to the Partners Entities Knowledge, any Partially Owned Entity of Partners is a party, or by which they or any of their respective properties or assets are bound, except in each case for such violations, conflicts, breaches, losses, defaults, terminations, cancellations, accelerations or Liens which would not constitute a Material Adverse Effect on the Partners Entities.

(d) *Consents and Approvals.* Except for (i) the Other Approvals as set forth on Section 5.2(d) of the Partners Disclosure Schedule, (ii) the filing of the Proxy Statement and the Registration Statement, (iii) the filing of the Articles of Merger with the Registrar or Deputy Registrar of Corporations of the Republic of the Marshall Islands, (iv) any consents, authorizations, approvals, filings or exemptions in connection with compliance with the rules of the NASDAQ or the NYSE, as applicable, (v) such filings

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and approvals as may be required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of the New Partners Common Units pursuant to this Agreement (the consents, authorizations, approvals, filings and registration required under or in relation to the foregoing clauses (i) through (v) being referred to as ***Partners Necessary Consents***), (vi) any consents or waivers required to be obtained under the Partners Credit Facilities and (vii) such other consents, authorizations, approvals, filings and registrations, the failure of which to obtain or make would not constitute a Material Adverse Effect on the Partners Entities, no consents or approvals of or filings or registrations with any Governmental Authority are necessary in connection with (1) the execution and delivery by the Partners Entities of this Agreement or (2) the consummation by the Partners Entities of the transactions contemplated by this Agreement.

(e) *Financial Reports and SEC Documents; Disclosure and Internal Controls*.

(i) The Partners 2010 20-F and all other reports, registration statements, definitive proxy statements or information statements filed or furnished by Partners or any of its Subsidiaries subsequent to March 19, 2007, including, but not limited to, items incorporated by reference into or referred to in such reports, registration statements, proxy statements or information statements under the Securities Act or under the Exchange Act, in the form filed or furnished (collectively, the ***Partners SEC Documents***), with the SEC as of their respective dates, (1) complied in all material respects as to form with the applicable requirements under the Securities Act, the Exchange Act or SOX, as the case may be, and (2) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The (i) historical financial statements (including the related notes and supporting schedules) contained in the Partners SEC Documents and (ii) the unaudited consolidated balance sheet of Partners as of March 31, 2011 and the related unaudited consolidated statements of income, partners capital/stockholders equity and cash flows for the three-month period ended March 31, 2011 set forth on Section 5.2(e) of the Partners Disclosure Schedule (A) comply in all material respects with the applicable requirements under the Securities Act and the Exchange Act (in the case of clause (i)), (B) present fairly in all material respects the financial position, results of operations and cash flows of the entities purported to be shown thereby on the basis stated therein at the respective dates or for the respective periods (subject, in the case of unaudited financial statements, to normal year-end adjustments and the absence of footnotes), and (C) have been prepared in accordance with GAAP consistently applied throughout the periods involved, except in each case to the extent disclosed therein. There are no outstanding comments from, or unresolved issues raised by, the SEC with respect to the Partners SEC Documents. No enforcement action has been initiated, or to the Knowledge of the Partners Entities, is threatened, against any of the Partners Entities relating to disclosures contained in any Partners SEC Document.

(ii) Partners and Partners GP have designed and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Partners and Partners GP have (1) designed disclosure controls and procedures (within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information relating to the Partners and its Subsidiaries is made known to the management of Partners GP by others within those entities as appropriate to allow timely decisions regarding required disclosure and to make the certifications required by the Exchange Act with respect to the Partners SEC Documents and (2) disclosed, based on its most recent evaluation prior to the date of this Agreement, to Partners outside auditors and the audit committee of the Partners Board (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (within the meaning of Rule 13a-l 5(f) of the Exchange Act) which are reasonably likely to adversely affect Partners ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in Partners internal controls over financial reporting.

(iii) Deloitte, Hadjipavlou, Sofianos & Cambanis, S.A., who audited the audited financial statements contained in the Partners 2010 20-F, is an independent registered public accounting firm with respect to Partners within the meaning of the Securities Act and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

(iv) Partners has made available (to the extent not available to the public on the SEC s EDGAR website) to the Company each Partners SEC Document, each in the form (including exhibits and any amendments thereto) filed with or furnished to the SEC prior to the date of this Agreement.

(f) *Foreign Private Issuer.* Partners is a foreign private issuer (as defined in Rule 405 under the Securities Act).

(g) *Relations with Governments.* To the Knowledge of Partners, except as would not constitute a Material Adverse Effect on the Partners Entities, none of the Partners Entities nor any of their respective Subsidiaries, nor any director, officer, agent or employee of the Partners Entities or any of their respective Subsidiaries, has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to political activity, (ii) made any unlawful payment or offered anything of value to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, (iii) made any other unlawful payment, or (iv) violated any applicable export control, money laundering or anti-terrorism Law or regulation, nor have any of them otherwise taken any action which would cause the Company or any of its Subsidiaries to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable Law of similar effect.

(h) *Absence of Undisclosed Liabilities.* Except as disclosed in the audited financial statements (or notes thereto) included in the Partners 2010 20-F or in the financial statements (or notes thereto) included in subsequent Partners SEC Documents filed prior to the date hereof, none of the Partners Entities nor any of their respective Subsidiaries had at December 31, 2010, or has incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent or otherwise and whether due or to become due) of any nature, except liabilities, obligations or contingencies that (i) are accrued or reserved against in the financial statements of Partners included in the Partners SEC Documents filed prior to the date hereof, or reflected in the notes thereto, (ii) were incurred since December 31, 2010 in the ordinary course of business and consistent with past practices, (iii) would not constitute a Material Adverse Effect on the Partners Entities, (iv) have been discharged or paid in full prior to the date hereof or (v) arise under this Agreement and the transactions contemplated by this Agreement.

(i) *Absence of Certain Changes or Events.* Since December 31, 2010, no event or events have occurred that would constitute a Material Adverse Effect on the Partners Entities.

(j) *Legal Proceedings.* Except as set forth in Section 5.2(j) of the Partners Disclosure Schedule, there is no suit, action or proceeding or investigation pending before any Governmental Authority or, to the Knowledge of the Partners Entities, threatened, against or affecting the Partners Entities or any of their respective Subsidiaries that would constitute a Material Adverse Effect on the Partners Entities, nor is there any judgment, decree, injunction, rule or order of any Governmental Authority outstanding against the Partners Entities or any of their respective Subsidiaries that would constitute any such effect. There is no order or settlement agreement imposed on any of the Partners Entities or any of their respective Subsidiaries (or that, upon consummation of the transactions contemplated hereby) that would constitute a Material Adverse Effect on the operations and business of any of the Partners Entities or any of their respective Subsidiaries.

(k) *Compliance with Applicable Law.* The Partners Entities and each of their respective Subsidiaries hold all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses under and pursuant to each, and have complied in all respects with, and are not in default under any, applicable Law relating to the Partners Entities or any of their respective Subsidiaries, except where the failure to hold such license, franchise,

permit or authorization or such noncompliance or default would not constitute a Material Adverse Effect on the Partners Entities.

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(l) *Contracts*.

(i) Except for this Agreement or as designated as an exhibit to the Partners 20-F or to a Partners SEC Document filed thereafter and prior to the date of this Agreement, and except as set forth in Section 5.2(l)(i) of the Partners Disclosure Schedule, neither the Partners Entities nor any of their respective Subsidiaries is a party to or bound by, as of the date hereof, any agreement, contract, arrangement, commitment or instrument (whether written or oral) (1) which is a material contract (as such term is used in Item 601(b)(10) of Regulation S-K of the SEC) with respect to Partners and its Subsidiaries required to be filed with the SEC that has not been filed, (2) which, upon the consummation of the Merger, will (either alone or upon the occurrence of any additional acts or events) result in any payment (whether of severance pay or otherwise) becoming due from the Partners Entities or any of their respective Subsidiaries to any director, officer, employee, consultant or contractor who performs services for the benefit of the Partners Entities or any of their respective Subsidiaries, (3) which is a material contract (as such term is defined in Item 601(b)(10) of Regulation S-K), or an amendment to or termination thereof, that would be required to be disclosed on a Current Report on Form 8-K filed with the SEC (if the Partners were required to file such reports), to be performed after the date of this Agreement that has not been filed or incorporated by reference in the Partners SEC Documents filed prior to the date of this Agreement or (4) which are material and containing change of control provisions triggered by the consummation of the transactions contemplated by this Agreement. Each agreement, contract, arrangement, commitment or instrument of the type described in this Section 5.1(l), whether or not set forth in the Company Disclosure Schedule or in such Company SEC Documents, is referred to herein as a ***Partners Contract***. No Partners Contract has been amended or modified, except for such amendments or modifications which have been filed as an exhibit to a subsequently dated and filed Partners SEC Document or are not required to be filed with the SEC and set forth in Section 5.2(l)(i) of the Partners Disclosure Schedule.

(ii) All of the Partners Contracts are valid and in full force and effect and enforceable in accordance with their terms, except insofar as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), except (i) to the extent that they have previously expired in accordance with their terms or (ii) for any failures to be in full force and effect that would not constitute a Material Adverse Effect on the Partners Entities. None of the Partners Entities nor any of their respective Subsidiaries, nor, to the Knowledge of Partner, any counterparty to any of the Partners Contracts, has violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both, would constitute a default under the provisions of any of the Partners Contracts, except in each case for those violations and defaults which would not constitute a Material Adverse Effect on the Partners Entities.

(m) *Insurance.* All material Policies of the Partners Entities and their respective Subsidiaries are in full force and effect and provide insurance in such amounts and against such risks as is sufficient to comply with applicable Law and as is customary for the industries in which the Partners Entities and their respective Subsidiaries operate, in each case, except as, individually or in the aggregate, would not constitute a Material Adverse Effect on the Company. None of the Partners Entities nor their respective Subsidiaries are in breach or default under, and none of the Partners Entities nor their respective Subsidiaries have taken any action or failed to take any action which, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any Policies, in each case, except as would not constitute a Material Adverse Effect on the Partners Entities. To the Knowledge of Partners, there is no threatened termination of, or material premium increase with respect to, any current Policy.

(n) *Environmental Matters.* Except as set forth in Section 5.2(n) of the Partners Disclosure Schedule, and except as would not constitute a Material Adverse Effect on the Partners Entities: (1) the Partners Entities or any of their respective Subsidiaries, Partially Owned Entities of Partners, and their respective businesses, operations, properties and Assets are and have been in compliance with all

Environmental Laws and all Environmental Permits; (2) the Partners Entities and their respective Subsidiaries and Partially Owned Entities of Partners, have obtained or filed for all Environmental Permits for their respective businesses, operations, properties and Assets as they currently exist and are operated and all such Environmental Permits are currently in full force and effect; (3) neither the Partners Entities nor any of their respective Subsidiaries nor any of their respective businesses, operations, properties or Assets, or, to the Knowledge of the Partners Entities, Partially Owned Entities of Partners, or their respective businesses, operations, properties and Assets are subject to any pending or, to the Knowledge of the Partners Entities, threatened claims, actions, suits, writs, injunctions, decrees, orders, judgments, investigations, inquiries or proceedings relating to their compliance with Environmental Laws; (4) within the six years prior to the date of this Agreement, there has been no Release of Hazardous Substances on, under or from the current or former property owned, leased or operated by the Partners Entities or any of their respective Subsidiaries or Partially Owned Entities of Partners and none of the Partners Entities or any of their respective Subsidiaries or Partially Owned Entities of Partners has treated, recycled, stored, disposed of, arranged for or permitted the disposal of, transported, handled, Released any substance, including any Hazardous Substances, or owned or operated any property or facility in a manner that has given or would give rise to any damages, including any damages for response costs, corrective action costs, personal injury, property damage or natural resource damages, pursuant to any Environmental Laws; (5) none of the Partners Entities or any of their respective Subsidiaries or Partially Owned Entities of Partners has received any notice regarding any actual or alleged violation of any Environmental Laws or any liabilities, including any investigatory, remedial or corrective liabilities, relating to the Partners Entities or any of their respective Subsidiaries or Partially Owned Entities of Partners arising under Environmental Laws; (6) none of the Partners Entities or any of their respective Subsidiaries or Partially Owned Entities of Partners has, either expressly or by operation of Law, assumed or undertaken any liability, including any obligation for the corrective or remedial action, of any other Person relating to Environmental Laws; and (7) there are not any existing, or to the Knowledge of the Partners Entities, pending or threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against the Partners Entities, its Subsidiaries or Partially Owned Entities of Partners that pertain or relate to the actual or alleged violation of Environmental Laws.

(o) *Employee Benefit Plans; Distribution Reinvestment Plan.* None of the Partners Entities nor any of their respective Subsidiaries has any employees or sponsors, maintains, participates in or contributes to or has any Compensation and Benefit Plans other than reimbursements pursuant to the Partners Management Agreement, Partners Administrative Services Agreement and the Partners Incentive Plan.

(p) *Vessels; Property*.

(i) Section 5.2(p)(i) of the Partners Disclosure Schedule sets forth the name, owner, flag state of registration (including any bareboat registration), charterer, International Maritime Organization number and call sign, classification society, year of construction and capacity (gross tonnage or deadweight tonnage, as specified therein) for all of the vessels currently owned (either legally or beneficially under a financial lease and guaranty trust agreement) by Partners and its Subsidiaries (the ***Partners Vessels***). Each Partners Vessel is owned directly by the applicable Subsidiary of Partners as set forth on Section 5.2(p)(i) of the Partners Disclosure Schedule and such Subsidiary of Partners has good and marketable title to the applicable Partners Vessel owned by it, free and clear of all Liens. Except as would not constitute a Material Adverse Effect on the Partners Entities, each Partners Vessel listed on Section 5.2(p)(i) of the Partners Disclosure Schedule is duly registered in the name of the Subsidiary that owns it under the Laws and the flag of such Partners Vessel s flag state (as set forth on Section 5.2(p)(i) of the Partners Disclosure Schedule) and no other action is necessary to establish and perfect such Subsidiary s title to and interest in the applicable Partners Vessel as against any charterer or third party. None of the Partners Entities and their respective Subsidiaries owns, operate, use or charter any vessels other than those set forth on Section 5.2(p)(i) of the Partners Disclosure Schedule.

(ii) Except as set forth in Section 5.2(p)(ii) of the Partners Disclosure Schedule (x) each Partners Vessel is (1) certified by a member of the International Association of Classification Societies and

(2) materially in class with valid classification certificates and national certificates, as well as all other valid certificates such Partners Vessel had as of the date of this Agreement and (y) to the Knowledge of Partners, (1) no event has occurred and no condition exists that would cause such Partners Vessel s class to be suspended or withdrawn and (2) each Partners Vessel is free of average damage affecting its class.

(q) *Takeover Laws.* No Takeover Laws or anti-takeover provision in the Partners Certificate of Limited Partnership, the Partners Partnership Agreement or the Partners GP LLC Agreement will apply to this Agreement or the transactions contemplated hereby, or would prohibit or restrict the ability of the Partners Entities to perform their respective obligations under this Agreement or its ability to consummate the transactions contemplated hereby, including the Merger.

(r) *Opinion of Financial Advisor.* The Partners Conflicts Committee has received the opinion of Evercore Group L.L.C. (***Evercore***), dated the date of this Agreement, to the effect that, as of the date of such opinion, the Exchange Ratio is fair to the Partners Unaffiliated Unitholders from a financial point of view.

(s) *Approval of the Partners Conflicts Committee and the Partners Board.* At a meeting duly called and held, the Partners Conflicts Committee determined, by unanimous vote, that this Agreement and the transactions contemplated hereby, are fair and reasonable to and in the best interests of Partners and the Partners Unaffiliated Unitholders and approved this Agreement and the transactions contemplated hereby by Special Approval (as defined in the Partners Partnership Agreement). At a meeting duly called and held, the Partners Board determined, by unanimous vote, that this Agreement and the transactions contemplated hereby, are fair and reasonable to and in the best interests of Partners and the Partners unitholders and approved this Agreement and the transactions contemplated hereby.

(t) *Broker s Fees.* None of the Partners Entities nor any of their respective Subsidiaries nor any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker s fees, commissions or finder s fees in connection with the transactions contemplated by this Agreement, other than Evercore, whose fees and expenses will be paid by Partners in accordance with the existing agreement with such firm.

(u) *Certain Tax Matters*.

(i) All Tax Returns required to be filed by or on behalf of the Partners Entities and their respective Subsidiaries by the Code or by applicable state, local or foreign Tax Laws with any Tax authority prior to the date hereof have been timely filed. All Tax Returns filed by the Partners Entities and their respective Subsidiaries are true, correct and complete in all material respects. All material Taxes due and payable of the Partners Entities and their respective Subsidiaries (whether or not reflected on any such Returns) have been timely paid in full.

(ii) None of the Partners Entities or their respective Subsidiaries have any liability for any unpaid Taxes which have not been accrued for or reserved on Partners balance sheets included in the latest Partners SEC Document filed prior to the date hereof (without taking into account any reserve for deferred taxes), which is material to the Partners Entities and their respective Subsidiaries, other than any liability for unpaid Taxes that may accrue on the Closing Date or may have accrued since the end of the most recent fiscal year in connection with the operation of the business of Partners in the ordinary course, none of which is material to the business, results of operations or financial condition of the Partners Entities or their respective Subsidiaries.

(iii) There are no liens for Taxes with respect to any of the assets or properties of the Partners Entities or their respective Subsidiaries, other than with respect to Taxes not yet due and payable.

(iv) All material Taxes that the Partners Entities or their respective Subsidiaries are required by Law to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper governmental authorities or

deposited in accordance with applicable Law.

(v) Neither the Partners Entities nor their respective Subsidiaries have been delinquent in the payment of any material Tax nor is there any material Tax deficiency outstanding, proposed or assessed

in writing against the Partners Entities or their respective Subsidiaries, as applicable, nor has the Partners Entities or their respective Subsidiaries executed, or been requested to execute, any unexpired waiver of any statute of limitations on or extending the period for the assessment or collection of any material Tax. Neither the Partners Entities nor their respective Subsidiaries have requested any extension of time within which to file any Tax Return, which return has not yet been filed. No power of attorney with respect to any material Taxes has been executed or filed with any Tax authority by or on behalf of the Partners Entities or their respective Subsidiaries.

(vi) No audit or other examination of any Tax Return of the Partners Entities or their respective Subsidiaries by any Tax authority is in progress, nor has the Partners Entities nor their respective Subsidiaries been notified in writing of any request for such an audit or other examination.

(vii) Neither the Partners Entities nor their respective Subsidiaries (x) is a party to or is bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including, without limitation, any advance pricing agreement, closing agreement or other agreement relating to Taxes with any Tax authority); (y) is or has ever been a member of an affiliated group (other than a group the common parent of which is Partners GP) filing a consolidated federal income tax return; or (z) has any liability for Taxes of any Person arising from the application of Treasury Regulation 1.1502-6 or any analogous provision of state, local or foreign law, or as a transferee or successor, or by contract.

(viii) Neither the Partners Entities nor their respective Subsidiaries will be required to include in a taxable period ending after the Closing Date any taxable income attributable to income that accrued, but was not recognized, in any Pre-Closing Tax Period, as a result of an adjustment under Section 481 of the Code, the installment method of accounting, the long-term contract method of accounting, the cash method of accounting, any comparable provision of state, local, or foreign Tax law, or for any other reason.

(ix) Partners GP has made available for inspection to the Company complete and correct copies of all material Tax Returns of the Partners Entities and the Partners Subsidiaries for all taxable periods for which the applicable statute of limitations has not yet expired.

(x) Section 5.2(u)(x) of the Partners Disclosure Schedule sets forth (i) each jurisdiction in which the Partners Entities or any Subsidiary thereof joins, has joined or is or has been required to join for any taxable period ending after 2008 in the filing of any consolidated, combined or unitary Tax Return, and (ii) the common parent entity and the other individual members of the consolidated, combined or unitary group filing such Tax Return.

(xi) Section 5.2(u)(xi) of the Partners Disclosure Schedule sets forth each state or foreign jurisdiction in which the Partners Entities or their respective Subsidiaries file, or is or has been required to file, a Tax Return relating to material state income, franchise, license, excise, net worth, property or sales and use taxes or is or has been liable for any material Taxes on a nexus basis at any time for a taxable period for which the relevant statutes of limitation have not expired.

(xii) Partners has a valid election in effect under Treasury Regulations Section 301.7701-3 to be classified as an association taxable as a corporation for United States federal income tax purposes, and Partners has not revoked or modified such election or made any other election to be classified as other than an association taxable as a corporation.

(xiii) Partners is not a Passive Foreign Investment Company within the meaning of Section 1297 of the Code, and after giving effect to the transactions contemplated by this Agreement and based on its expected method of operations, does not expect to become a Passive Foreign Investment Company.

(xiv) The Partners Entities are not aware of any fact or circumstance that would prevent or impede, or could reasonably be expected to prevent or impede, the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(v) *Collective Bargaining Agreements.* Neither the Partners Entities nor any of their respective Subsidiaries is a party to any collective bargaining or other labor union contract applicable to any Partners Employees, and no collective bargaining agreement or other labor union contract is being negotiated by the Partners Entities or any of their respective Subsidiaries. No labor organization or group of Partners Employees that are situated at any facility (or on any vessel) owned, leased or operated by the Partners Entities or any of their respective Subsidiaries has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of the Partners Entities, threatened to be brought or filed, with any labor relations tribunal or authority. Except as would not constitute a Material Adverse Effect on the Partners Entities, to the Knowledge of the Partners Entities, (i) there is no labor dispute, strike, slowdown or work stoppage or any other similar dispute or controversy against the Partners Entities or any of their respective Subsidiaries pending or threatened against the Partners Entities or any of their respective Subsidiaries and (ii) no unfair labor practice or labor charge or complaint has occurred with respect to the Partners Entities or any of their respective Subsidiaries.

(w) *Regulation as an Investment Company.* None of the Partners Entities nor any of their respective Subsidiaries is an investment company , as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(x) *Export and Sanctions Laws.* The Partners Entities and each of their respective Subsidiaries has been in material compliance with all applicable Export and Sanctions Laws. To the Knowledge of the Partners Entities, none of the Partners Entities nor any of their Subsidiaries nor any Person controlling any of the Partners Entities is designated on any Denied Party Lists or has engaged in any transaction with or for the benefit of any Person that is designated on any Denied Party Lists or that is subject to any Law prohibitions including Laws relating to any export sanction or export restriction.

(y) *Proxy Statement.* None of the information to be supplied by any Partners Entity for inclusion in (i) the Proxy Statement to be filed by the Company with the SEC, and any amendments or supplements thereto, or (ii) the Registration Statement to be filed by Partners with the SEC in connection with the Merger, and any amendments or supplements thereto, will, at the respective times such documents are filed, and, in the case of the Proxy Statement, at the time the Proxy Statement or any amendment or supplement thereto is first mailed to Stockholders, at the time of the Meeting and at the Effective Time, and, in the case of the Registration Statement, when it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be made therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

ARTICLE VI

COVENANTS

The Company hereby covenants to and agrees with the Partners Entities, and the Partners Entities hereby covenant to and agrees with the Company, that:

Section 6.1 *Best Efforts.* Subject to the terms and conditions of this Agreement, each party hereto shall use its commercially reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, desirable or advisable under applicable Law, so as to permit consummation of the Merger promptly and otherwise to enable consummation of the transactions contemplated hereby in the most expeditious manner practical, including, without limitation, obtaining (and assisting and cooperating with the other parties hereto to obtain) any third party approval that is required to be obtained by the Company or the Partners Entities or any of their respective Subsidiaries in connection with the Merger and the other transactions contemplated by this Agreement (including the Company Necessary Consents and Partners Necessary Consents, as applicable), and

using commercially reasonable best efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and using commercially reasonable best efforts to defend

any litigation seeking to enjoin, prevent or delay the consummation of the transactions contemplated hereby or seeking material damages, and each shall cooperate fully with the other parties hereto to that end, and shall furnish to the other party copies of all correspondence, filings and communications between it and its Affiliates and any Governmental Authority with respect to the transactions contemplated hereby. In complying with the foregoing, none of the parties hereto nor any of their respective Subsidiaries shall be required to take measures that would have a Material Adverse Effect on it and such Subsidiaries taken as a whole. The Company and the Partners Entities shall keep each other reasonably apprised of the status of matters relating to the consummation of the transactions contemplated hereby. Without the precise written consent of Partners, the Company may not adjourn or postpone the Company Meeting.

Section 6.2 *Stockholder Approval.*

(a) Subject to the terms and conditions of this Agreement, the Company shall take, in accordance with applicable Law, applicable stock exchange rules and the Company Articles of Incorporation and the Company Bylaws all action necessary to call, hold and convene, respectively, a special meeting of the Stockholders to consider and vote upon the adoption of this Agreement, and any other matters required to be approved by the Stockholders for consummation of the Merger (including any adjournment or postponement, the ***Company Meeting*** or a ***Meeting***), as promptly as practicable after the Proxy Statement is prepared and the Company has mailed (or otherwise made electronically available) the Proxy Statement to the Stockholders.

(b) Subject to Section 6.7(c), the Company Board shall recommend adoption and approval of the Merger, this Agreement and the transactions contemplated hereby to the Stockholders (the ***Company Recommendation***), and the Company shall take all reasonable lawful action to solicit and obtain the Company Stockholder Approval and the Company Unaffiliated Stockholder Approval.

(c) Unless this Agreement is terminated pursuant to, and in accordance with, Section 8.1 of this Agreement, the obligation of the Company pursuant to Section 6.2(a) to call, give notice of and hold the Company Meeting and to hold a vote of the Stockholders on the adoption of this Agreement and the approval of the Merger at the Meeting shall not be limited or otherwise affected by any Company Change in Recommendation or the commencement, disclosure, announcement or submission to the Company of any Acquisition Proposal (whether or not a Superior Proposal).

Section 6.3 *Benefit Plans.* The Company agrees to take such actions as may be required under its Compensation and Benefit Plans to carry into effect the provisions of Section 3.5 hereof.

Section 6.4 *Registration Statement.*

(a) Each of the Partners Entities and the Company agrees to cooperate in the preparation of a registration statement on Form F-4 (the ***Registration Statement***) (including the proxy statement and prospectus and other proxy solicitation materials of Partners and the Company constituting a part thereof (the ***Proxy Statement***) and all related documents) to be filed by Partners with the SEC in connection with the issuance of New Partners Common Units in the Merger as contemplated by this Agreement. Provided the Company has cooperated as required above, Partners agrees to file the Registration Statement with the SEC as promptly as practicable. Each of the Company and the Partners Entities agrees to use all commercially reasonable best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as practicable after filing thereof and, in the case of the Registration Statement, to maintain such effectiveness for as long as necessary to consummate the transactions contemplated under this Agreement. Prior to the effective date of the Registration Statement, the Partners Entities also agree to use commercially reasonable best efforts to obtain all necessary state securities law or Blue Sky permits and approvals required to carry out the transactions contemplated by this Agreement, including the issuance of the New Partners Common Units. Each of the Partners Entities and the Company agrees to furnish to the other party all information concerning the Partners Entities

and their respective Subsidiaries or the Company and its Subsidiaries, as applicable, and the officers, directors and equity holders of the Partners Entities and the Company and any applicable Affiliates, as applicable, and to take such other action as may be reasonably requested in connection with the foregoing.

(b) Each of the Company and the Partners Entities agrees, as to itself and its Subsidiaries, that (i) none of the information supplied or to be supplied by it for inclusion or incorporation by reference in the

Registration Statement will, at the time the Registration Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) the Proxy Statement and any amendment or supplement thereto will not, at the date of mailing to equityholders and at the times of the Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the Company and the Partners Entities further agrees that if it shall become aware prior to the Closing Date of any information that would cause any of the statements in the Registration Statement to be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not false or misleading, it will promptly inform the other party thereof and take the necessary steps to correct such information in an amendment or supplement to the Registration Statement.

(c) Partners will advise the Company, promptly after Partners receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of the New Partners Common Units for offering or sale in any jurisdiction, of the initiation or threat of any proceeding for any such purpose, or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information.

(d) The Company will use its commercially reasonable best efforts to cause the Proxy Statement to be mailed to its Stockholders as soon as practicable after the effective date of the Registration Statement.

Section 6.5 *Press Releases*.

Each of the Company and the Partners Entities will not, without the prior approval of the Company Board, in the case of Partners, and the Partners Board, in the case of the Company, issue any press release or written statement for general circulation relating to the transactions contemplated hereby, except as otherwise required by applicable Law or the rules of the NASDAQ or the NYSE, as applicable, in which case it will consult with the other party before issuing any such press release or written statement.

Section 6.6 *Access; Information*.

(a) Upon reasonable notice and subject to applicable Laws relating to the exchange of information, each party shall, and shall cause its Subsidiaries to, afford the other parties and their officers, employees, counsel, accountants and other authorized representatives, access, during normal business hours throughout the period prior to the Effective Time, to all of its properties, books, contracts, commitments and records, and to its officers, employees, accountants, counsel or other representatives, and, during such period, it shall, and shall cause its Subsidiaries to, furnish promptly to such Person and its representatives (i) a copy of each material report, schedule and other document filed by it pursuant to the requirements of federal or state securities law (other than reports or documents that the Company or the Partners Entities or their respective Subsidiaries, as the case may be, are not permitted to disclose under applicable Law) and (ii) all other information concerning the business, properties and personnel of it as the other may reasonably request. Neither the Company nor any of the Partners Entities nor any of their respective Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege of the institution in possession or control of such information or contravene any Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under the circumstances in which the restrictions of the preceding sentence apply.

(b) The Partners Entities and the Company, respectively, will not use any information obtained pursuant to this Section 6.6 or Section 6.7 (to which it was not entitled under Law or any agreement other than this Agreement) for

any purpose unrelated to (i) the consummation of the transactions contemplated by this Agreement or (ii) the matters contemplated by Section 6.7 in accordance with the terms thereof, and will hold all information and documents obtained pursuant to this Section 6.6 or Section 6.7 in confidence (except as permitted by Section 6.7(b)). No investigation by any such party of the business and affairs of any other shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this

Agreement, or the conditions to any such party s obligation to consummate the transactions contemplated by this Agreement.

(c) The Company and Partners shall cause their respective Subsidiaries to permit the Partners Entities and the Company and their respective Representatives, as applicable to conduct a physical inspection of the Company Vessels or the Partners Vessels, as applicable, during the period prior to the Closing (such inspections to be performed (i) after providing reasonable advance notice to the Company or Partners, as applicable, of the specific inspection requests, (ii) during normal business hours and (iii) without interfering with the normal course of business of the Company Vessels or Partners Vessels and their respective crew members, as applicable). The parties acknowledge and agree that, notwithstanding this Section 6.6 or other provisions herein to the contrary, (i) neither the Company nor Partners shall be obligated to repair any Company Vessel or Partners Vessel, as applicable, or cure any breach related to the Company Vessels or Partners Vessels, as applicable, as a result of such inspection, and (ii) that any costs or expenses to remedy the conditions and exceptions set forth in Section 5.1(p) of the Company Disclosure Schedule remain the obligation of the Company and the Surviving Entity after the Effective Time and any costs or expenses to remedy the conditions and exceptions set forth in Section 5.2(p) of the Partners Disclosure Schedule remain the obligation of Partners and Partners GP after the Effective Time.

Section 6.7 *Acquisition Proposals; Change in Recommendation.*

(a) None of the Company and its Subsidiaries shall, and they shall use their commercially reasonable best efforts to cause their Representatives not to, directly or indirectly, (i) initiate, solicit, facilitate or encourage the submission of any Acquisition Proposal, (ii) participate in any discussions or negotiations regarding, or furnish to any person any non-public information with respect to, any Acquisition Proposal or (iii) waive any standstill agreement. Notwithstanding the foregoing, but subject to the limitations in Section 6.7(b), nothing contained in this Agreement shall prohibit the Company from furnishing any information to, or entering into or participating in discussions or negotiations with, any Person that makes an unsolicited written Acquisition Proposal that did not result from a knowing and intentional breach of this Section 6.7 (a ***Receiving Party***), if (i) the Company Board, after consultation with its outside legal counsel and financial advisors, determines in good faith (A) that such Acquisition Proposal constitutes or is likely to result in a Superior Proposal, and (B) that failure to take such action would be inconsistent with its fiduciary duties under applicable Law and (ii) prior to furnishing any such non-public information to such Receiving Party, the Company receives from such Receiving Party an executed Confidentiality Agreement.

(b) The Company shall promptly provide or make available to the Partners Entities any non-public information concerning the Company or any of its Subsidiaries that is provided or made available to any Receiving Party pursuant to this Section 6.7 which was not previously provided or made available to the Partners Entities substantially concurrently with the time such information is provided to the Receiving Party.

(c) Except as otherwise provided in this Section 6.7(c), the Company Board shall not (1) (a) withdraw, modify or qualify in any manner adverse to Partners the Company Recommendation or (b) publicly approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal (any action described in this clause (1) being referred to as a ***Company Change in Recommendation***); or (2) approve, adopt or recommend, or publicly propose to approve, adopt or recommend, or allow the Company or any of its Subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement, or other similar contract or any tender or exchange offer providing for, with respect to, or in connection with, any Acquisition Proposal. Notwithstanding the foregoing, at any time prior to obtaining the Company Stockholder Approval, the Company Board may (x) make a Company Change in Recommendation and (y) with respect to a Superior Proposal, terminate this Agreement pursuant to Section 8.1(d) to enter into an agreement relating to a Superior Proposal, as applicable, if it has concluded in good faith, after consultation with its outside legal counsel and financial advisors, that failure to make a Company Change in

Recommendation and terminate this Agreement, as applicable, would constitute or would be reasonably likely to constitute a violation of its fiduciary duties to the Stockholders under applicable Law; *provided, however*, that the Company Board shall not be entitled to exercise its right to (x) make a Company Change in

Recommendation pursuant to this sentence or (y) terminate this Agreement pursuant to Section 8.1(d) to enter into an agreement relating to a Superior Proposal, as applicable, unless the Company and its Subsidiaries has: (i) complied in all material respects with this Section 6.7, (ii) provided to the Partners Entities and the Partners Conflicts Committee three (3) Business Days prior written notice (such notice, a ***Notice of Proposed Recommendation Change***) advising the Partners Entities that the Company Board intends to take such action and specifying the reasons therefor in reasonable detail, including, if applicable, the terms and conditions of any Superior Proposal that is the basis of the proposed action and the identity of the Person making the proposal and contemporaneously providing a copy of all relevant proposed transaction documents for such Superior Proposal (it being understood and agreed that any amendment to the terms of any such Superior Proposal shall require a new Notice of Proposed Recommendation Change and an additional three (3) Business Day period), (iii) during such period, the Company and its Representatives shall negotiate in good faith with the Partners Entities and its Representatives (to the extent that Partners wishes to negotiate) to amend this Agreement so as to enable the Company Board and/or the Company Independent Directors Committee to proceed with the transactions contemplated hereby and/or the Company Recommendation and at the end of such period maintain the Company Recommendation (after taking into account any agreed modification to the terms of this Agreement), in each case as applicable, and (iv) if applicable, provide to the Partners Entities all materials and information delivered or made available to the Person or group of Persons making any Superior Proposal in connection with such Superior Proposal (to the extent not previously provided). Any Company Change in Recommendation shall not change the approval of this Agreement or any other approval of the Company Board, including in any respect that would have the effect of causing any Takeover Law to be applicable to the transactions contemplated hereby or thereby, including the Merger. Notwithstanding any provision in this Agreement to the contrary, the Partners Entities shall maintain, and cause its Representatives to maintain, the confidentiality of all information received from the Company pursuant to this Section 6.7, subject to the exceptions contained in the NDA.

(d) In addition to the obligations of the Company set forth in this Section 6.7, the Company shall as promptly as practicable (and in any event within 24 hours after receipt) advise the Partners Entities orally and in writing of any Acquisition Proposal and the material terms and conditions of any such Acquisition Proposal (including any changes thereto) and the identity of the Person making any such Acquisition Proposal. The Company shall keep the Partners Entities informed on a reasonably current basis of material developments with respect to any such Acquisition Proposal.

(e) Nothing contained in this Agreement shall prevent the Company or the Company Board from taking and disclosing to the Stockholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act (or any similar communication to limited partners), if then applicable to the Company with respect to an applicable transaction or from making any legally required disclosure to stockholders. Any stop-look-and-listen communication by the Company or the Company Board to the Stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act (or any similar communication to the Stockholders), if then applicable to the Company, with respect to an applicable transaction shall not be considered a failure to make, or a withdrawal, modification or change in any manner adverse to the Partners Entities of, all or a portion of the Company Recommendation.

(f) The Company acknowledges that the agreements contained in this Section 6.7 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the Partners Entities would not have entered into this Agreement. Accordingly, if there shall have been any permanent injunction, other order issued by any court of competent jurisdiction or other legal restraint or prohibition, that (i) would require or permit the Company, any of its Subsidiaries or any of their respective Representatives to act or fail to act in a manner that would, in the absence of such order, injunction or other order, legal restraint or prohibition, constitute a material violation of clause (a) of Section 6.7 or (ii) limits the rights of the Partners Entities in any material respect under this Section 6.7, Partners shall have the right to terminate this Agreement pursuant to Section 8.1 hereof.

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Section 6.8 *Affiliate Arrangements*.

(a) Not later than the 15th day after the mailing of the Proxy Statement, the Company shall deliver to Partners a schedule of each Person that, to the best of its Knowledge, is or is reasonably likely to be, as of the date of the relevant Meeting, deemed to be an affiliate of the Company (a ***Rule 145 Affiliate***) as that term is used in Rule 145 under the Securities Act.

(b) The Company shall use its commercially reasonable best efforts to cause its Rule 145 Affiliates not to sell any securities received under the Merger in violation of the registration requirements of the Securities Act, including Rule 145 thereunder.

Section 6.9 *Takeover Laws.* Neither party shall take any action that would cause the transactions contemplated by this Agreement to be subject to requirements imposed by any Takeover Laws, and each of them shall take all necessary steps within its control to exempt (or ensure the continued exemption of) the transactions contemplated by this Agreement from, or if necessary challenge the validity or applicability of, any rights plan adopted by such party or any applicable Takeover Law, as now or hereafter in effect, including, without limitation, Takeover Laws of any state or foreign jurisdiction that purport to apply to this Agreement or the transactions contemplated hereby.

Section 6.10 *Reserved.*

Section 6.11 *New Partners Common Units Listed.* In the case of Partners, Partners shall use its commercially reasonable best efforts to list, prior to the Closing, on the NASDAQ, upon official notice of issuance, the New Partners Common Units.

Section 6.12 *Third Party Approvals*.

(a) Each of the Partners Entities and the Company and their respective Subsidiaries shall cooperate and use their respective commercially reasonable best efforts to prepare all documentation, to effect all filings, to obtain all permits, consents, approvals and authorizations of all third parties necessary to consummate the transactions contemplated by this Agreement and to comply with the terms and conditions of such permits, consents, approvals and authorizations and to cause the Merger to be consummated as expeditiously as practicable. Each of the Partners Entities and the Company shall have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable Laws relating to the exchange of information, with respect to, all material written information submitted to any third party or any Governmental Authorities in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto agrees to act reasonably and promptly. Each party hereto agrees that it will consult with the other parties hereto with respect to the obtaining of all material permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement, and each party will keep the other parties apprised of the status of material matters relating to completion of the transactions contemplated hereby.

(b) Each party agrees, upon request, to furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and equityholders and such other matters as may be reasonably necessary or advisable in connection with the Registration Statement, the Proxy Statement or any filing, notice or application made by or on behalf of such other party or any of such Subsidiaries to any Governmental Authority in connection with the transactions contemplated hereby.

Section 6.13 *Indemnification; Directors and Officers Insurance*.

(a) Without limiting any additional rights that any director, officer, trustee, employee, agent, or fiduciary may have under any employment or indemnification agreement or under the Company Articles of Incorporation, the Company Bylaws, or this Agreement or, if applicable, similar organizational documents or agreements of any of the Company Subsidiaries, from and after the Effective Time, Partners and the Surviving Entity, jointly and severally, shall: (i) indemnify and hold harmless each Person who is at the date hereof or during the period from the date hereof through the date of the Effective Time serving as a director or officer of the Company or any of its Subsidiaries or as a fiduciary under or with respect to any employee benefit plan (within the meaning of Section 3(3) of ERISA) (collectively, the ***Indemnified Parties***) to the fullest extent

authorized or permitted by applicable Law, as now or hereafter in effect, in connection with any Claim and any losses, claims, damages, liabilities, costs, Indemnification Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of any thereof) resulting therefrom; and (ii) promptly pay on behalf of or, within ten (10) days after any request for advancement, advance to each of the Indemnified Parties, any Indemnification Expenses incurred in defending, serving as a witness with respect to or otherwise participating with respect to any Claim in advance of the final disposition of such Claim, including payment on behalf of or advancement to the Indemnified Party of any Indemnification Expenses incurred by such Indemnified Party in connection with enforcing any rights with respect to such indemnification and/or advancement, in each case without the requirement of any bond or other security. The indemnification and advancement obligations of Partners and the Surviving Entity pursuant to this Section 6.13(a) shall extend to acts or omissions occurring at or before the Effective Time and any Claim relating thereto (including with respect to any acts or omissions occurring in connection with the approval of this Agreement and the consummation of the Merger and the transactions contemplated by this Agreement, including the consideration and approval thereof and the process undertaken in connection therewith and any Claim relating thereto), and all rights to indemnification and advancement conferred hereunder shall continue as to a Person who has ceased to be a director or officer of the Company or any of its Subsidiaries or as a fiduciary under or with respect to any employee benefit plan (within the meaning of Section 3(3) of ERISA) after the date hereof and shall inure to the benefit of such Person s heirs, executors and personal and legal representatives. As used in this Section 6.13: (x) the term ***Claim*** means any threatened, asserted, pending or completed action, whether instituted by any party hereto, any Governmental Authority or any other Person, that any Indemnified Party in good faith believes might lead to the institution of any action or proceeding, whether civil, criminal, administrative, investigative or other, including any arbitration or other alternative dispute resolution mechanism (***Action***), arising out of or pertaining to matters that relate to such Indemnified Party s duties or service as a director or officer of the Company, any of its Subsidiaries, or as a fiduciary under or with respect to any employee benefit plan (within the meaning of Section 3(3) of ERISA) maintained by any of the foregoing at or prior to the Effective Time; and (y) the term ***Indemnification Expenses*** means reasonable attorneys fees and all other reasonable costs, expenses and obligations (including experts fees, travel expenses, court costs, retainers, transcript fees, duplicating, printing and binding costs, as well as telecommunications, postage and courier charges) paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in, any Claim for which indemnification is authorized pursuant to this Section 6.13(a), including any Action relating to a Claim for indemnification or advancement brought by an Indemnified Party. Neither Partners nor the Surviving Entity shall settle, compromise or consent to the entry of any judgment in any actual or threatened Action in respect of which indemnification has been or could be sought by such Indemnified Party hereunder unless such settlement, compromise or judgment includes an unconditional release of such Indemnified Party from all liability arising out of such Action without admission or finding of wrongdoing, or such Indemnified Party otherwise consents thereto.

(b) Without limiting the foregoing, Partners and the Company agree that all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time now existing in favor of the Indemnitees as provided in the Company Articles of Incorporation and Company Bylaws (and, as applicable, the charter, bylaws, partnership agreement, limited liability company agreement, or other organizational documents of any of the Company s Subsidiaries) and indemnification agreements of the Company or any of its Subsidiaries shall be assumed by the Surviving Entity and Partners in the Merger, without further action, at the Effective Time and shall survive the Merger and shall continue in full force and effect in accordance with their terms.

(c) For a period of six (6) years from the Effective Time, the Surviving Entity s Articles of Incorporation and Bylaws shall contain provisions no less favorable with respect to indemnification, advancement of expenses and limitations on liability of directors and officers than are set forth in the Company Articles of Incorporation and Company Bylaws, which provisions shall not be amended, repealed or otherwise modified for a period of six (6) years from the Effective Time in any manner that would affect adversely the rights thereunder of individuals who, at or prior to the Effective

Time, were Indemnified Parties, unless such modification shall be required by Law and then only to the minimum extent required by Law.

(d) Partners shall, or shall cause the Surviving Entity to, maintain for a period of at least six (6) years following the Effective Time, the current policies of directors and officers liability insurance maintained by the Company and its Subsidiaries (*provided,* that the Surviving Entity may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are not less advantageous to such directors and officers of the Company than the terms and conditions of such existing policy from carriers with the same or better rating as the carrier under the existing policy provided that such substitution shall not result in gaps or lapses of coverage with respect to matters occurring before the Effective Time) with respect to claims arising from facts or events that occurred on or before the Effective Time, including in respect of the Merger and the transactions contemplated by this Agreement; *provided,* that Partners shall not be required to pay annual premiums in excess of 300% of the last annual premium paid by the Company prior to the date hereof but in such case shall purchase as much coverage as reasonably practicable for such amount.

(e) The provisions of Section 6.13(d) shall be deemed to have been satisfied if prepaid tail policies have been obtained by the Surviving Entity for purposes of this Section 6.13 from carriers with the same or better rating as the carrier of such insurances as of the date of this Agreement, which policies provide such directors and officers with the coverage described in Section 6.13(d) for an aggregate period of not less than six (6) years with respect to claims arising from facts or events that occurred on or before the Effective Time, including, in respect of the Merger and the transactions contemplated by this Agreement.

(f) If Partners, the Surviving Entity or any of their respective successors or assigns (i) consolidates with or merges with or into any other Person and shall not be the continuing or surviving corporation, partnership or other entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Partners and the Surviving Entity assume the obligations set forth in this Section 6.13.

(g) Partners shall cause the Surviving Entity to perform all of the obligations of the Surviving Entity under this Section 6.13.

(h) This Section 6.13 shall survive the consummation of the Merger and is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties and the Indemnitees and their respective heirs and personal representatives, and shall be binding on Partners, the Surviving Entity and their respective successors and assigns.

Section 6.14 *Notification of Certain Matters.* Each of the Company and the Partners Entities shall give prompt notice to the other of (a) any fact, event or circumstance Known to it that (i) is reasonably likely, individually or taken together with all other facts, events and circumstances Known to it, to result in any Material Adverse Effect with respect to it or (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein, (b) any change in its condition (financial or otherwise) or business or any litigation or governmental complaints, investigations or hearings, in each case to the extent such change, litigation, complaints, investigations, or hearings, would constitute a Material Adverse Effect with respect to it, (c) any fact, event or circumstance Known to it that could reasonably be expected to cause any condition to the transactions contemplated by this Agreement not to be satisfied, and (d) its failure to comply with any covenant or agreement to be complied by it pursuant to this Agreement which could reasonably be expected to result in any condition to the transactions contemplated by this Agreement not to be satisfied.

Section 6.15 *Distributions.* The Company shall consult with Partners GP regarding the declaration and payment of distributions and dividends, respectively, in respect of the Company Common Stock and the record dates and payment dates relating thereto, so that no applicable unitholder of Partners shall receive two distributions, or fail to receive one distribution, for any single calendar quarter with respect to its applicable New Partners Common Units any such Stockholder receives in exchange therefor pursuant to the Merger.

Section 6.16 *Amendment of Omnibus Agreement.* At or prior to the Closing, Partners GP, Partners, Capital Product Operating GP L.L.C. and Capital Maritime will enter into the Partners Omnibus Agreement Amendment to include terms substantially similar to those contained in that certain Business Opportunities Agreement dated March 1, 2010, among Capital Maritime and the Company, as amended as of the date of this

Agreement; *provided, however*, that the parties to that agreement will negotiate in good faith reasonable time periods pursuant to which the Partners Entities may elect to pursue certain opportunities.

Section 6.17 *Amendment of Partners Partnership Agreement; Partners Board Membership*.

(a) At or prior to the Closing, Partners GP will cause the Partners Partnership Agreement to be amended to:

(i) modify Section 15.1 of the Partners Partnership Agreement, relating to the ability of Partners GP to acquire the remaining outstanding securities of any class of Partners securities held by all holders other than Partners GP or its Affiliates if Partners GP or its Affiliates hold at least 80% of all such securities in such class, so that such right is triggered at 90% instead of 80%; and

(ii) provide that the Partners Board shall consist of eight members.

(b) Prior to the mailing of the Proxy Statement, the Company shall designate one member of the Company Independent Directors Committee (the ***Company Director Designee***) to serve as a member of the Partners Board following the Effective Time.

(c) The Partners Board shall nominate the Company Director Designee for election to the Partners Board as an Elected Director (as defined in the Partners Partnership Agreement) and serving as a Class I Director or Class II Director, whichever class designation would have the longer then-remaining term as of the Effective Time, and effective immediately following the Effective Time, shall elect the Company Director Designee to the Partners Board and appoint the Company Director Designee to the Audit Committee and Conflicts Committee of the Partners Board. The seven (7) members of the Partners Board immediately prior to the Effective Time shall continue to serve as members of the Partners Board following the Effective Time. Subject to the foregoing, Partners shall take such action as is necessary to cause the director designated pursuant to this Section 6.17 to be appointed to the Partners Board effective as of the Effective Time, to serve until the earlier of such individual s resignation or removal or until his successor is duly elected and qualified.

Section 6.18 *Qualification as Reorganization*.

(a) This Agreement is intended to constitute a plan of reorganization within the meaning of Section 1.368-2(g) of the U.S. Treasury Regulations. From and after the date of this Agreement and until the Effective Time, each of Partners, Partners GP and the Company will use its commercially reasonable best efforts to cause the Merger to qualify, and will not, without the prior written consent of the other party, knowingly take any actions or cause any actions to be taken which could reasonably be expected to prevent the Merger from qualifying, as a reorganization under the provisions of Section 368(a) of the Code. Following the Effective Time, and consistent with any such consent, none of the Partners Entities or their respective Subsidiaries, nor any of their respective Affiliates, will knowingly take any action or cause any action to be taken that would cause the Merger to fail to so qualify as a reorganization under Section 368(a) of the Code.

(b) The Company and the Partners Entities will use commercially reasonable efforts to obtain the Tax opinions described in Section 7.8 (the ***Company Tax Opinion*** and the ***Partners Tax Opinion***). Officers of Partners, MergerCo and the Company will use commercially reasonable efforts to deliver to Sullivan & Cromwell LLP, counsel to the Company, and a nationally recognized law firm, as counsel to Partners, representation letters and such other items deemed necessary by such counsel, in each case in form and substance satisfactory to such counsel and at such time or times as may be reasonably requested by such counsel, including the effective date of the Registration Statement and the Effective Time, except that neither Partners nor the Company shall be obligated to deliver such letters if the proposed statements and representations set forth therein are not true, correct and complete in all respects at such time.

(c) The Company and the Partners Entities agree to restructure the Merger as a merger of the Company with and into a wholly owned subsidiary of Partners that is classified as an entity disregarded from its owner for United States federal income tax purposes (***Disregarded MergerCo***), with Disregarded MergerCo being the surviving entity, if such restructuring is necessary to ensure that the acquisition of the Company qualifies as a reorganization under Section 368(a) of the Code or to ensure the receipt of the Company Tax Opinion and the Partners Tax Opinion.

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Section 6.19 *MergerCo Obligations.* Immediately following the execution and delivery of this Agreement by each of the parties hereto, Partners, as sole stockholder of MergerCo, will adopt this Agreement. Partners will cause MergerCo to perform all of its covenants, agreements and obligations under this Agreement and the other agreements contemplated hereby.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE MERGER

The obligations of each of the parties to consummate the Merger are conditioned upon the satisfaction or waiver at or prior to the Closing of each of the following; *provided, however,* that no party may rely on the failure of any condition set forth in Article VII if such failure was caused by such party s failure to comply in any material respect with its obligations under this Agreement:

Section 7.1 *Stockholder Vote.* This Agreement shall have been authorized, approved and adopted by the affirmative vote of (a) holders of a majority of voting power of (x) the Company Common Stock and Company Class B Stock outstanding and entitled to vote at the Company Meeting, voting together as a class, and (y) the Company Class B Stock outstanding and entitled to vote at the Company Meeting, voting separately (collectively, the ***Company Stockholder Approval***), and (b) holders of a majority of the voting power of the Company Common Stock outstanding and entitled to vote at the Company Meeting held by Company Unaffiliated Stockholders, voting separately (the ***Company Unaffiliated Stockholder Approval***).

Section 7.2 *Governmental Approvals.* All filings required to be made prior to the Effective Time with, and all other consents, approvals, permits and authorizations required to be obtained prior to the Effective Time from, any Governmental Authority in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by the parties hereto or their Affiliates shall have been made or obtained, except where the failure to obtain such consents, approvals, permits and authorizations would not constitute a Material Adverse Effect on the Partners Entities or the Company.

Section 7.3 *No Actions.* No order, decree or injunction of any court or agency of competent jurisdiction shall be in effect, and no Law shall have been enacted or adopted, that enjoins, prohibits or makes illegal consummation of any of the transactions contemplated hereby substantially on the terms contemplated in this Agreement, and no action, proceeding or investigation by any Governmental Authority with respect to the Merger or the other transactions contemplated hereby substantially on the terms contemplated in this Agreement shall be pending that seeks to restrain, enjoin, prohibit, delay or make illegal the consummation of the Merger or such other transaction or to impose any material restrictions or requirements thereon or on the Partners Entities or the Company with respect thereto; *provided, however*, that prior to invoking this condition, each party shall have complied fully with its obligations under Section 6.1.

Section 7.4 *Representations, Warranties and Covenants of the Partners Entities.* In the case of the Company s obligation to consummate the Merger:

(a) (i) Each of the representations and warranties of the Partners Entities set forth in Section 5.2(a), Section 5.2(b), Section 5.2(c)(i) and Section 5.2(i)(i) of this Agreement shall be true and correct (other than any inaccuracies that are de minimis in the aggregate) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be so true and correct as of such other date), and (ii) each of the other representations and warranties of the Partners Entities set forth in this Agreement (disregarding for this purpose all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect) shall be true and

correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be so true and correct as of such other date), except as would not constitute a Material Adverse Effect on the Partners Entities.

(b) each and all of the agreements and covenants of the Partners Entities to be performed and complied with pursuant to this Agreement on or prior to the Closing Date shall have been duly performed and complied with in all material respects; and

(c) The Company shall have received a certificate signed by the Chief Executive Officer of Partners GP, dated the Closing Date, to the effect set forth in Section 7.4(a) and Section 7.4(b); *provided, however,* that nothing in this Section 7.4 will prohibit any of the Partners Entities from acquiring or entering into agreements to acquire vessels (including non-tanker vessels) or the equity of any Person owning such vessels and financing such acquisitions (by the issuance of equity securities, debt securities or otherwise) and taking all other actions reasonably incidental thereto, and none of such actions shall be deemed a breach of a representation, warranty, covenant or agreement hereunder.

Section 7.5 *Representations, Warranties and Covenants of the Company.* In the case of the Partners Entities obligation to consummate the Merger:

(a) (i) Each of the representations and warranties of the Company set forth in Section 5.1(a), Section 5.1(b), Section 5.1(c)(i) and Section 5.1(i)(i) of this Agreement shall be true and correct (other than any inaccuracies that are de minimis in the aggregate) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be so true and correct as of such other date), and (ii) each of the other representations and warranties of the Company set forth in this Agreement (disregarding for this purpose all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect), shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent that such representations and warranties speak as of another date, in which case such representations and warranties shall be so true and correct as of such other date), except as would not constitute a Material Adverse Effect on the Company.

(b) Each and all of the agreements and covenants of the Company to be performed and complied with pursuant to this Agreement on or prior to the Closing Date shall have been duly performed and complied with in all material respects; and

(c) Partners shall have received a certificate signed by the Chief Executive Officer of the Company, dated the Closing Date, to the effect set forth in Section 7.5(a) and Section 7.5(b).

Section 7.6 *Other Approvals.* All Company Necessary Consents, Partners Necessary Consents and consents set forth on Section 7.6 of the Company Disclosure Schedule shall have been obtained and shall be in full force and effect, except those Other Approvals the failure of which to obtain would not constitute a Material Adverse Effect on the Company or the Partners Entities.

Section 7.7 *Effective Registration Statement.* The Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

Section 7.8 *Company Tax Opinion and Partners Tax Opinion.* The Company shall have received an opinion of Sullivan & Cromwell LLP and Partners shall have received an opinion of a nationally recognized law firm, each dated the Effective Time and to the effect that, for U.S. federal income tax purposes, (a) the Merger should qualify as a reorganization within the meaning of Section 368(a) of the Code. The issuance of such opinion shall be conditioned upon the receipt by such counsel of customary representation letters from each of Partners, MergerCo and the Company and such other items deemed necessary by such counsel, in each case, in form and substance satisfactory to such counsel. Each such representation letter shall be dated on the date of such opinion and shall not have been

withdrawn or modified in any material respect.

Section 7.9 *NASDAQ Listing.* The New Partners Common Units shall have been approved for listing on the NASDAQ, subject to official notice of issuance.

Section 7.10 *Partners Partnership Agreement Amendment and Partners Omnibus Agreement Amendment.* The Partners Partnership Agreement Amendment and the Partners Omnibus Agreement Amendment shall be effective.

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ARTICLE VIII

TERMINATION

Section 8.1 *Termination.* Notwithstanding anything herein to the contrary, this Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the Company Stockholder Approval or Company Unaffiliated Stockholder Approval is obtained:

(a) By the mutual consent of Partners and the Company in a written instrument.

(b) By either Partners or the Company upon written notice to the other, if:

(i) the Merger has not been consummated on or before September 30, 2011 (the ***Termination Date***); provided that the right to terminate this Agreement pursuant to this Section 8.1(b)(i) shall not be available to a party whose failure to fulfill any material obligation under this Agreement or other material breach of this Agreement has been the primary cause of, or resulted in, the failure of the Merger to have been consummated on or before such date;

(ii) any Governmental Authority has issued a statute, rule, order, decree or regulation or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger or any of the transactions contemplated hereby or making the Merger or any of the transactions contemplated hereby illegal and such statute, rule, order, decree, regulation or other action shall have become final and nonappealable (*provided* that the terminating party is not then in breach of Section 6.1);

(iii) the Company fails to obtain the Company Stockholder Approval at the Company Meeting; *provided, however*, that the right to terminate this Agreement under this Section 8.1(b)(iii) shall not be available to the Company where the failure to obtain the Company Stockholder Approval shall have been caused by the action or failure to act of the Company and such action or failure to act constitutes a material breach by the Company of this Agreement;

(iv) there has been a material breach of or any material inaccuracy in any of the representations or warranties set forth in this Agreement on the part of any of the other parties (treating the Partners Entities as one party for purposes of this Section 8.1), which breach or inaccuracy is not cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach or inaccuracy, by its nature, cannot be cured prior to the Termination Date (*provided* in any such case that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein); *provided*, *however*, that no party shall have the right to terminate this Agreement pursuant to this Section 8.1(b)(iv) unless the breach or inaccuracy of a representation or warranty, together with all other such breaches or inaccuracy, would entitle the party receiving such representation not to consummate the transactions contemplated by this Agreement under Section 7.4 (in the case of a breach of representation or warranty by the Partners Entities) or Section 7.5 (in the case of a breach of representation or warranty by the Company); or

(v) there has been a material breach of any of the covenants or agreements set forth in this Agreement on the part of any other party, which breach has not been cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to the Termination Date (provided in any such case that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein); *provided*, *however*, that no party shall have the right to terminate this Agreement pursuant to this Section 8.1(b)(v) unless the breach of covenants or agreements, together with all other such breaches, would entitle the party receiving the benefit of such covenants or agreements not to consummate the transactions contemplated by this Agreement under Section 7.4 (in the case of a breach of covenants or agreements by the Partners Entities) or Section 7.5 (in the case of a breach of covenants or agreements

by the Company).

(c) By Partners, upon written notice to the Company, in the event that a Company Change in Recommendation has occurred.

(d) By the Company, upon written notice to Partners, in the event that if, at any time after the date of this Agreement and prior to obtaining the Company Stockholder Approval, the Company receives an Acquisition Proposal and the Company Board shall have concluded in good faith that such Acquisition Proposal constitutes a Superior Proposal, the Company Board shall have made a Company Change in Recommendation pursuant to Section 6.7(c) with respect to such Superior Proposal, the Company has not intentionally breached Section 6.7 of this Agreement, and the Company Board concurrently approves, and the Company concurrently enters into, a definitive agreement with respect to such Acquisition Proposal and has paid the Company Termination Fee pursuant to Section 9.1(a).

(e) by Partners if there shall have been any permanent injunction, other order issued by any court of competent jurisdiction or other legal restraint or prohibition, that (i) would require or permit the Company, any of its Subsidiaries or any of their respective Representatives to act or fail to act in a manner that would, in the absence of such order, injunction, other order, legal restraint or prohibition, constitute a material violation of clause (a) of Section 6.7 or (ii) would reduce or otherwise limit the rights of Parent in any material respect under Section 6.7 or Section 9.1.

Section 8.2 *Effect of Termination.* In the event of the termination of this Agreement as provided in Section 8.1, written notice thereof shall forthwith be given by the terminating party to the other parties specifying the provision of this Agreement pursuant to which such termination is made, and except as provided in this Section 8.2 and Section 9.13, this Agreement (other than Article IX) shall forthwith become null and void after the expiration of any applicable period following such notice. In the event of such termination, there shall be no liability on the part of the Partners Entities or the Company, except as set forth in Section 9.1 of this Agreement and except with respect to the requirement to comply with Section 6.6(b); provided that nothing herein shall relieve any party from any liability or obligation with respect to any fraud or willful breach of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 *Fees and Expenses.* Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses, except as provided in Section 9.1(a), 9.1(b), 9.1(c) and 9.1(e).

(a) If this Agreement is terminated by Partners pursuant to Section 8.1(c) or by the Company pursuant to Section 8.1(d), then the Company shall pay to Partners the Company Termination Fee.

(b) In the event that (i) an Acquisition Proposal with respect to the Company has been publicly proposed by any Person (meaning, for the purpose of this Section 9.1(b), a Person other than Partners, Partners GP and MergerCo or any Affiliate thereof) or any Person has publicly announced its intention (whether or not conditional) to make such an Acquisition Proposal or such an Acquisition Proposal or such intention has otherwise become publicly known to the Stockholders generally and in any event such proposal or intention is not subsequently withdrawn prior to the termination of this Agreement, (ii) thereafter this Agreement is terminated by either the Company or Partners pursuant to Section 8.1(b)(i) or Section 8.1(b)(iii) or by Partners pursuant to Section 8.1(b)(iv) or Section 8.1(b)(v) and (iii) within 12 months after the termination of this Agreement, the Company or any of its Subsidiaries enters into any definitive agreement providing for an Acquisition Proposal, or an Acquisition Proposal with respect to the Company or any of its Subsidiaries is consummated, then the Company shall pay to Partners, if and when consummation of such Acquisition Proposal occurs (or, if earlier, upon entry into such definitive agreement), the Company Termination Fee less all Expenses of Partners previously paid to Partners.

(c) If this Agreement is terminated by the Company pursuant to Section 8.1(b)(iv) or Section 8.1(b)(v), then Partners shall pay to the Company the Expenses of the Company. If this Agreement is terminated by Partners pursuant to

Section 8.1(b)(iv) or Section 8.1(b)(v), then the Company shall pay to Partners the Expenses of Partners.

(d) Except as otherwise provided herein, any payment of the Company Termination Fee or Expenses pursuant to this Section 9.1 shall be made by wire transfer of immediately available funds to an account designated by Partners within one Business Day after such payment becomes payable; *provided, however,* that any payment of the Company Termination Fee by the Company as a result of termination under Section 8.1(c) or Section 8.1(d) shall be made prior to or concurrently with termination of this Agreement; *provided, however*, that any payment of the Company Termination Fee pursuant to Section 9.1(b) shall be made contemporaneously with the consummation of the Acquisition Proposal (or, if earlier, entry into such definitive agreement) as provided in clause (iii) of Section 9.1(b). The parties acknowledge that the agreements contained in this Section 9.1 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, none of the parties would enter into this Agreement.

(e) (i) If the Merger is consummated, Partners shall pay, or cause to be paid, any and all property or transfer taxes imposed on either party in connection with the Merger, (ii) Expenses incurred in connection with filing, printing and mailing the Proxy Statement and the Registration Statement shall be paid one-half by Partners and one-half by the Company, and (iii) any filing fees payable pursuant to regulatory Laws and other filing fees incurred in connection with this Agreement shall be paid by the party incurring the fees. As used in this agreement, ***Expenses*** includes all out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto and its affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated hereby, including the preparation, printing, filing and mailing of the Proxy Statement and the Registration Statement and the solicitation of Stockholder approvals and all other matters related to the transactions contemplated hereby; *provided, however*, that the amount of Expenses payable by one party to another under this Section 9.1 shall not exceed $3.0 million.

(f) This Section 9.1 shall survive any termination of this Agreement.

Section 9.2 *Waiver; Amendment.* Subject to compliance with applicable Law, prior to the Closing, any provision of this Agreement may be (a) waived in writing by the party benefited by the provision and approved by the Partners Conflicts Committee in the case of the Partners Entities and by the Company Independent Directors Committee in the case of the Company and executed in the same manner as this Agreement, or (b) amended or modified at any time, whether before or after the Company Stockholder Approval by an agreement in writing between the parties hereto approved by the Partners Board in the case of Partners and by the Company Board in the case of the Company and executed in the same manner as this Agreement, *provided*, that after the Company Stockholder Approval, no amendment shall be made that requires further Company Stockholder Approval without such approval.

Section 9.3 *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original.

Section 9.4 *Governing Law.* This Agreement shall be governed by and construed in accordance with the Law of the State of Delaware, without giving effect to any choice or conflict of Law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

Section 9.5 *Confidentiality.* Each of the parties hereto and their respective agents, attorneys and accountants will maintain the confidentiality of all information provided in connection herewith to the extent required by, and subject to the limitations of, Section 6.6(b) and the NDA.

Section 9.6 *Notices.* All notices, requests and other communications hereunder to a party shall be in writing and shall be deemed given if (a) personally delivered, (b) telecopied (with confirmation of receipt) (c) mailed by registered or

certified mail (return receipt requested) or (d) e-mailed (with confirmation of receipt) to such party at its address, fax number and e-mail address set forth below or such other address, fax number or e-mail address as such party may specify by notice to the parties hereto.

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If to any of the Partners Entities, to:

Capital Product Partners L.P.
3 Iassonos Street
Piraeus, 18537 Greece
Facsimile: (+30) 210 4284 285
Email: kminpacpal@verizon.net
Attention: Chairman of the Conflicts Committee

With copies (which shall not constitute proper notice hereunder) to:

Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street
44th Floor
Houston, Texas 77002-5200
Facsimile: (713) 236-0822
Email: vkendrick@akingump.com
Attn: J. Vincent Kendrick
Patrick Hurley

If to the Company, to:

Crude Carriers Corp.
3 Iassonos Street
Piraeus, 18537 Greece
Facsimile: (+30) 210 4538 746
Email: dimitris.christacopoulos@gmail.com
Attention: Chairman of the Independent Directors Committee

With copies (which shall not constitute proper notice hereunder) to:

Jones Day
717 Texas
Suite 3300
Houston, Texas 77002-2712
Facsimile: (832) 239-3600
Email: markmetts@jonesday.com
aolivarez@jonesday.com
Attn: J. Mark Metts
Angela Olivarez

Section 9.7 *Entire Understanding; No Third Party Beneficiaries.* This Agreement represents the entire understanding of the parties hereto with reference to the transactions contemplated hereby and supersedes any and all other oral or written agreements heretofore made except for the NDA and the Support Agreement, which shall survive until the Termination Date or the Effective Time, as the case may be. Except as contemplated by Section 6.13, nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 9.8 *Severability.* Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

Section 9.9 *Headings.* The headings contained in this Agreement are for reference purposes only and are not part of this Agreement.

Section 9.10 *Jurisdiction.*

(a) Each of the parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Court of Chancery in the State of Delaware, or if (but only if) that court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware. Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts and to accept service of process in any manner permitted by such courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to lawfully serve process, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable law, any claim that (i) the proceeding in such court is brought in an inconvenient forum, (ii) the venue of such proceeding is improper or (iii) this Agreement, or the subject matter of this Agreement, may not be enforced in or by such courts.

(b) By its execution and delivery of this Agreement, each of the Company and the Partners Entities (i) irrevocably designates and appoints the Trust Company (Marshall Islands) as its authorized agent (the ***Agent***) upon which process may be served in any proceeding arising out of or relating to this Agreement or any of the transactions contemplated hereby and (ii) agrees that service of process upon its Agent shall be deemed, in every respect, effective service of process upon such Partners Entity or the Company, as applicable, in any such proceeding. Each Partners Entity and the Company further agrees, at its own expense, to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of its Agent in full force and effect. The foregoing shall not limit the rights of any party to serve process in any other manner permitted by Law.

Section 9.11 *Waiver of Jury Trial.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12 *Specific Performance.* The parties agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in Court of Chancery in the State of Delaware, or if (but only if) that court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware.

Section 9.13 *Survival.* All representations, warranties, agreements and covenants contained in this Agreement shall not survive the Closing or the termination of this Agreement if this Agreement is terminated prior to the Closing; *provided, however*, that if the Closing occurs, the agreements of the parties in Sections 3.3, 3.5, 6.13 and Article IX shall survive the Closing, and if this Agreement is terminated prior to the Closing, the agreements of the parties in Section 6.6(b) and 8.2 and in Article IX shall survive such termination.

Section 9.14 *No Act or Failure to Act.* With respect to any waiver or consent for which this Agreement expressly requires waiver or consent by the Partners Conflicts Committee, no waiver or consent by or on behalf of Partners pursuant to or as contemplated by this Agreement shall have any effect unless such waiver or consent is expressly approved by the Partners Conflicts Committee. With respect to any act or failure to act for which this Agreement expressly requires action or inaction by the Partners Conflicts Committee, no such act or failure to act by the Partners Board shall constitute a breach by Partners of this Agreement unless such act or failure to act is expressly approved by the Partners Conflicts Committee.

[Remainder of this page is intentionally left blank.]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written

CAPITAL GP L.L.C.

By: /s/ Ioannis E. Lazaridis

Name: Ioannis E. Lazaridis

Title: Chief Executive Officer and Chief Financial Officer of Capital GP L.L.C.

CAPITAL PRODUCT PARTNERS L.P.

By: Capital GP L.L.C.,

its general partner

By: /s/ Ioannis E. Lazaridis

Name: Ioannis E. Lazaridis

Title: Chief Executive Officer and Chief Financial Officer of Capital G.P. L.L.C.

POSEIDON PROJECT CORP.

By: /s/ Evangelos G. Bairactaris

Name: Evangelos G. Bairactaris

Title: Director

CRUDE CARRIERS CORP.

By: /s/ Gerasimos G. Kalogiratos

Name: Gerasimos G. Kalogiratos

Title: Chief Financial Officer

Signature Page to Agreement and Plan of Merger

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ANNEX A

FORM OF SUPPORT AGREEMENT

A-1

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Annex A

SUPPORT AGREEMENT
BY AND AMONG

CAPITAL PRODUCT PARTNERS, L.P.
AND
EVANGELOS M. MARINAKIS
IOANNIS E. LAZARIDIS
GERASIMOS G. KALOGIRATOS
CRUDE CARRIERS INVESTMENTS CORP.
DATED AS OF MAY 5, 2011

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SUPPORT AGREEMENT

SUPPORT AGREEMENT, dated as of May 5, 2011 (this ***Agreement***), by and among Capital Product Partners, L.P., a Republic of Marshall Islands limited partnership (***Partners***), and Evangelos M. Marinakis, Ioannis E. Lazaridis, Gerasimos G. Kalogiratos, and Crude Carriers Investments Corp., a Republic of Marshall Islands corporation (collectively, the ***Shareholders*** and, individually, a ***Shareholder***).

W I T N E S S E T H:

WHEREAS, concurrently with the execution of this Agreement, Partners, Capital GP L.L.C., a Republic of Marshall Islands limited liability company (***Partners GP***), Crude Carriers Corp., a Republic of Marshall Islands corporation (the ***Company***), and Poseidon Project Corp., a Republic of Marshall Islands Corporation (***MergerCo***), are entering into an Agreement and Plan of Merger, dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time, the ***Merger Agreement***) pursuant to which, among other things, MergerCo will merge with and into the Company, with the Company being the surviving entity (the ***Merger***), such that following the Merger, Partners will be the sole stockholder of the Company, and each outstanding share of Common Stock, par value $0.0001 per share (***Common Stock***), and share of Class B Stock, par value $0.0001 per share (***Class B Stock***), of the Company will be converted into the right to receive the merger consideration specified therein;

WHEREAS, as of the date hereof, each Shareholder is the record and/or beneficial owner, in the aggregate, of the number of shares of Common Stock and Class B Stock set forth opposite such Shareholder s name on Schedule I hereto (the ***Existing Shares***); and

WHEREAS, as a material inducement to Partners entering into the Merger Agreement, Partners has required that the Shareholders agree, and the Shareholders have agreed, to enter into this Agreement and abide by the covenants and obligations with respect to the Existing Shares set forth herein.

NOW THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1

GENERAL

1.1 *Defined Terms.* The following capitalized terms, as used in this Agreement, shall have the meanings set forth below. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Merger Agreement.

Affiliate has the meaning set forth in Rule 405 of the rules and regulations under the Securities Act, unless otherwise expressly stated herein. For purposes of this Agreement, with respect to each Shareholder or other Person, Affiliate shall not include the Company or any Person that is directly or indirectly, through one or more intermediaries, controlled by the Company. For the avoidance of doubt, no officer or director of the Company, Partners, Partners GP or any of their controlled Affiliates shall be deemed to be an Affiliate of a Shareholder or other Person by virtue of his or her status as a director or officer of the Company, Partners, Partners GP or any of their controlled Affiliates.

Beneficial Ownership by a Person of any securities includes ownership by any Person who, directly or indirectly, including through any contract, arrangement, understanding, relationship or otherwise, has or shares (i) voting power which includes the power to vote, or to direct the voting of, such security; and/or (ii) investment power which includes the power to dispose, or to direct the disposition, of such security; and shall otherwise be interpreted in accordance

with the term beneficial ownership as defined in Rule 13d-3 adopted by the Securities and Exchange Commission under the Exchange Act; provided that for purposes of determining Beneficial Ownership, a Person shall be deemed to be the Beneficial Owner of any securities which such Person has, at any time during the term of this Agreement, the right to acquire pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise (irrespective of whether the right to acquire such securities is exercisable immediately or only after the passage of time, including the passage of time in excess of 60 days, the satisfaction of any

conditions, the occurrence of any event or any combination of the foregoing). The terms ***Beneficially Own*** and ***Beneficially Owned*** shall have a correlative meaning.

Transfer means, directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of (by merger (including by conversion into securities or other consideration), by tendering into any tender or exchange offer, by testamentary disposition, by operation of law or otherwise), either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the voting of or sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of (by merger, by tendering into any tender or exchange offer, by testamentary disposition, by operation of law or otherwise).

ARTICLE 2

VOTING

2.1 *Agreement to Vote.* Each Shareholder hereby irrevocably and unconditionally agrees that, during the term of this Agreement, at the Company Meeting and at any other meeting of the Stockholders, however called, including any adjournment or postponement thereof, and in connection with any written consent of the Stockholders relating to the Merger or an Acquisition Proposal, such Shareholder shall to the fullest extent that the Existing Shares are entitled to vote thereon or consent thereto:

(a) appear at each such meeting or otherwise cause its Existing Shares to be counted as present thereat for purposes of calculating a quorum; and

(b) vote (or cause to be voted), in person or by proxy, or deliver (or cause to be delivered) a written consent covering all of the Existing Shares (i) in favor of the approval and adoption of the Merger Agreement, the approval of the Merger and any other action required in furtherance thereof submitted for the vote or written consent of Stockholders; (ii) against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company contained in the Merger Agreement; (iii) against any Acquisition Proposal; and (iv) against any action, agreement or transaction that would or would reasonably be expected to materially impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect the Merger or the other transactions contemplated by the Merger Agreement.

2.2 *No Inconsistent Agreements.* Each Shareholder hereby covenants and agrees that, except for this Agreement and as contemplated by this Agreement, such Shareholder (a) has not entered into, and shall not enter into at any time while this Agreement remains in effect, any voting agreement or voting trust with respect to its Existing Shares, (b) has not granted, and shall not grant at any time while this Agreement remains in effect, a proxy, consent or power of attorney with respect to its Existing Shares (other than a proxy or proxies to vote its Existing Shares in a manner consistent with this Agreement) and (c) shall not knowingly take any action at any time while this Agreement remains in effect that would make any representation or warranty of such Shareholder contained herein untrue or incorrect in any material respect or have the effect of preventing or disabling such Shareholder from performing any of its obligations under this Agreement in any material respect.

2.3 *Proxy.* In order to secure the obligations set forth herein, each Shareholder hereby irrevocably appoints during the term of this Agreement as its proxy and attorney-in-fact, as the case may be, Evangelos G. Bairactaris, in his capacity as an officer of Partners, and any individual who shall hereafter succeed to any such office of Partners and any other Person designated in writing by Partners (collectively, the ***Grantees***), each of them individually, with full power of substitution, to vote or execute written consents with respect to the Existing Shares in accordance with Section 2.1 and, in the discretion of the Grantees, with respect to any proposed postponements or adjournments of any annual or special meeting of the Stockholders at which any of the matters described in Section 2.1(b) are to be considered;

provided that any exercise of this proxy by such Grantees shall be subject to the approval of such exercise by the Partners Conflicts Committee. To the fullest extent permitted by Law, this proxy is coupled with an interest and shall be irrevocable, and each Shareholder will take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy and hereby revokes any proxy previously granted by such Shareholder with respect to

the Existing Shares to the extent that such proxy is inconsistent with the provisions of this Agreement. Partners may terminate this proxy with respect to any Shareholder at any time at its sole election by written notice provided to such Shareholder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 *Representations and Warranties of Each Shareholder.* Each Shareholder hereby represents and warrants to Partners as follows with respect to himself or itself:

(a) *Organization; Authorization; Validity of Agreement; Necessary Action.* Such Shareholder has the requisite power and authority (or, if an individual, capacity) to execute and deliver this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by such Shareholder of this Agreement, the performance by it of the obligations hereunder and the consummation of the transactions contemplated hereby have (if Shareholder is an entity) been duly and validly authorized by such Shareholder, and no other actions or proceedings on the part of such Shareholder are necessary to authorize the execution and delivery of this Agreement, the performance by such Shareholder of its obligations hereunder or the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by such Shareholder and, assuming the due authorization (as applicable), execution and delivery of this Agreement by Partners and the other Shareholders, constitutes a legal, valid and binding agreement of such Shareholder, enforceable against such Shareholder in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors rights and to general equitable principles.

(b) *Ownership.* Such Shareholder s Existing Shares are Beneficially Owned by such Shareholder as set forth on Schedule I hereto. Such Shareholder has good and marketable title to the Existing Shares, free and clear of any Lien that would have the effect of preventing or disabling said Shareholder from performing any of his or its obligations under this Agreement. Except as contemplated by this Agreement, such Shareholder has and will have at all times through the Closing Date sole voting power (including the right to control such vote as contemplated herein), sole power of disposition, sole power to issue instructions with respect to the matters set forth in Article 2 hereof, and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of such Shareholder s Existing Shares.

(c) *No Violation.* Except as contemplated by this Agreement, neither the execution and delivery of this Agreement by such Shareholder nor the performance by such Shareholder of its obligations under this Agreement will (i) result in a violation or breach of or conflict with any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination, cancellation of, or give rise to a right of purchase under, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the Existing Shares or result in being declared void, voidable, or without further binding effect, or otherwise result in a material detriment to such Shareholder under, any note, bond, mortgage, indenture, deed of trust, license, contract, lease, agreement or other instrument or obligation of any kind to which such Shareholder is a party or by which such Shareholder or any of its respective properties, rights or assets may be bound (except in each such case as would not have the effect of preventing, delaying in any material respect or disabling Shareholder from performing its obligations under this Agreement) or (ii) violate any judgments, decrees, injunctions, rulings, awards, settlements, stipulations, orders (collectively, ***Orders***) or laws applicable to such Shareholder or any of its material properties, rights or assets or result in a violation or breach of or conflict with (if Shareholder is an entity) its articles of incorporation or bylaws.

(d) *Consents and Approvals.* No consent, approval, Order or authorization of, or registration, declaration or filing with, any Governmental Authority is necessary to be obtained or made by such Shareholder in connection with such Shareholder s execution, delivery and performance of this Agreement or the consummation by such Shareholder of the transactions contemplated hereby, except (i) for any reports under Sections 13(d) of the Exchange Act as may be required in connection with this Agreement

and the transactions contemplated hereby, (ii) as set forth in the Merger Agreement or (iii) as would not reasonably be expected to prevent, materially delay or otherwise materially impair such Shareholder s ability to perform its obligations hereunder.

(e) *Absence of Litigation.* There is no action, litigation or proceeding pending and no Order of any Governmental Authority outstanding nor, to the knowledge of such Shareholder, is any such action, litigation, proceeding or Order threatened, against such Shareholder or its Existing Shares which may prevent or materially delay such Shareholder from performing its obligations under this Agreement or consummating the transactions contemplated hereby.

(f) *Adequate Information.* Each Shareholder acknowledges that it is a sophisticated party with respect to the Existing Shares and has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the transactions contemplated by this Agreement and has, independently and without reliance upon the Company and based on such information as the Shareholder has deemed appropriate, made its own analysis and decision to enter into this Agreement. Each Shareholder acknowledges that Partners has not made or is not making any representation or warranty, whether express or implied, of any kind or character except as expressly set forth in this Agreement and the Merger Agreement.

(h) *No Other Representations or Warranties.* Except for the representations and warranties expressly contained in this Section 3.1, each Shareholder makes no express or implied representation or warranty with respect to such Shareholder, the Existing Shares or otherwise.

3.2 Representations and Warranties of Partners. Partners hereby represents and warrants to each Shareholder that the execution and delivery of this Agreement by Partners and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Partners.

ARTICLE 4

OTHER COVENANTS

4.1 *Prohibition on Transfers, Other Actions.* Each Shareholder hereby agrees not to (i) acquire any additional shares of Common Stock or Class B Stock or other voting equity interests of the Company or any securities convertible into or exchangeable for shares of Common Stock or Class B Stock or other voting equity interests of the Company (except for acquisitions contemplated by the Merger Agreement), (ii) Transfer any of the Existing Shares, Beneficial Ownership thereof or any other interest therein; (iii) enter into any agreement, arrangement or understanding with any Person, or take any other action, that violates or conflicts with or would reasonably be expected to violate or conflict with, or result in or give rise to a violation of or conflict with, such Shareholder s representations, warranties, covenants and obligations under this Agreement; or (iv) take any action that could restrict or otherwise affect Shareholder s legal power, authority and right to comply with and perform its covenants and obligations under this Agreement. Any Transfer in violation of this provision shall be null and void.

4.2 *Distributions, etc.* In the event of a share split, share distribution, or any change in the shares of Common Stock or Class B Stock by reason of any split-up, reverse share split, recapitalization, combination, reclassification, exchange of shares or the like, the term ***Existing Shares*** shall be deemed to refer to and include such shares as well as all such share distributions and any securities into which or for which any or all of such shares may be changed or exchanged or which are received in such transaction.

4.3 *Other Shares.* Notwithstanding the restrictions of Section 4.1, in the event a Shareholder becomes the beneficial or record owner of any additional Common Stock, Class B Stock or other securities of the Company during the period commencing with the execution and delivery of this Agreement through the termination of this Agreement pursuant to

Section 5.1, then the terms of this Agreement will apply to such Common Stock, Class B Stock or other securities of the Company held by the Shareholder immediately following the Shareholder becoming the beneficial owner thereof, as though they were Existing Shares hereunder. Notwithstanding the restrictions of Section 4.1, each Shareholder hereby agrees, while this Agreement is in effect, to promptly notify Partners in writing of the number of any new Common Stock, Class B Stock or other securities of the Company acquired by the Shareholder after the date hereof.

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4.4 *No Solicitation.* Subject to Section 4.7, each Shareholder agrees that it will not, and shall use its reasonable best efforts to cause its Representatives not to, directly or indirectly through another Person, (i) solicit, initiate, facilitate or encourage the submission of any Acquisition Proposal or the making or consummation thereof, (ii) participate in any discussions or negotiations regarding, or furnish to any Person any nonpublic information about the Company or Partners in connection with, or otherwise cooperate in any way with, any Acquisition Proposal, (iii) make or participate in, directly or indirectly, a solicitation of proxies (as such terms are used in the rules of the U.S. Securities and Exchange Commission) or powers of attorney or similar rights to vote, or seek to advise or influence any Person with respect to the voting of, any shares of Common Stock or Class B Stock in connection with any vote or other action on any matter, other than to recommend that holders of shares of Common Stock or Class B Stock vote in favor of the approval and adoption of the Merger and the Merger Agreement and as otherwise expressly provided in this Agreement, or (iv) agree or publicly propose to do any of the foregoing. Each Shareholder hereby represents that, as of the date hereof, such Shareholder is not engaged in any discussions or negotiations with respect to any Acquisition Proposal and shall use its reasonable best efforts to cause such Shareholder s Representatives to immediately cease and cause to be terminated all existing discussions or negotiations with any Person conducted heretofore with respect to any Acquisition Proposal and request the prompt return or destruction of all confidential information previously furnished and will take commercially reasonable steps to inform its Representatives of the obligations undertaken by such Shareholder pursuant to this Agreement, including this Section 4.4.

4.5 *Notice of Proposals Regarding Prohibited Transactions.* Each Shareholder hereby agrees to notify Partners as promptly as practicable (and in any event within 48 hours after receipt) in writing of any inquiries or proposals which are received by, or any requests for information from, or any request to initiate negotiations or discussions with, such Shareholder or any of its Affiliates with respect to the Company (other than such Shareholder or its Representatives acting in their capacity as an officer or director of the Company) with respect to any Acquisition Proposal (including the material terms thereof and the identity of such Person(s) making such inquiry or proposal, requesting such information or seeking to initiate such negotiations or discussions, as the case may be).

4.6 *Further Assurances.* From time to time, each Shareholder shall execute and deliver such additional documents and take all such further action as may be reasonably requested by Partners to effect the actions and consummate the transactions contemplated by this Agreement.

4.7 *Shareholder Capacity.* Each Shareholder has entered into this Agreement solely in its capacity as a Beneficial Owner of Existing Shares. Notwithstanding anything to the contrary contained in this Agreement: (i) none of the provisions of this Agreement shall be construed to prohibit, limit or restrict such Shareholder or any Representative of a Shareholder who is an officer of the Company, Partners or Partners GP or a member of the Partners Board or the Company Board from exercising his or her fiduciary duties to the Company or Partners by voting or taking any other action whatsoever in his or her capacity as an officer or director, including with respect to the Merger Agreement and the transactions contemplated thereby; and (ii) no action taken by the Company or Partners in respect of any Acquisition Proposal shall serve as the basis of a claim that a Shareholder is in breach of its obligations hereunder notwithstanding the fact that such Shareholder or such Shareholder s Representative, in his or her capacity as an officer or director of the Company or Partners GP, has provided advice or assistance to the Company or Partners in connection therewith.

4.8 *Waiver of Appraisal Rights and Dissenters Rights and Actions.* Each Shareholder agrees not to exercise any rights (including under Section 101 of the Business Corporations Act of the Associations Law of the Republic of the Marshall Islands) to demand appraisal of any shares of Common Stock, Class B Stock or other securities of the Company or rights to dissent which may arise with respect to the Merger.

ARTICLE 5

MISCELLANEOUS

5.1 *Termination.* This Agreement shall remain in effect until the earliest to occur of (i) the Effective Time; (ii) the termination of the Merger Agreement in accordance with its terms; (iii) any amendment to the Merger Agreement that reduces or changes the form of the Merger Consideration, or (iv) the written agreement

of the Shareholders and Partners to terminate this Agreement. After the occurrence of such applicable event, this Agreement shall terminate and be of no further force and effect; *provided*, that, notwithstanding termination of this Agreement upon the Effective Time under clause (i) above, this Article V (except Sections 5.3 and 5.4) shall remain in full force and effect. Nothing in this Section 5.1 and no termination of this Agreement shall relieve or otherwise limit any party of liability for any breach of this Agreement occurring prior to such termination.

5.2 *Limitation on Liability.* No party to this Agreement shall have any liability for monetary damages for any breach or violation of this Agreement unless such breach or violation was willful or intentional, provided that the foregoing shall not limit a party s right to equitable relief as provided under Section 5.11.

5.3 *No Ownership Interest.* Nothing contained in this Agreement shall be deemed to vest in Partners any direct or indirect ownership or incidence of ownership of or with respect to any Existing Shares. All rights, ownership and economic benefit relating to the Existing Shares shall remain vested in and belong to each Shareholder, and Partners shall have no authority to direct such Shareholder in the voting (except as otherwise provided herein) or disposition of any of the Existing Shares.

5.4 *Publicity.* Each Shareholder hereby permits Partners and Holdings to include and disclose in the Registration Statement, the Joint Proxy Statement and in such other schedules, certificates, applications, agreements or documents as such entities reasonably determine to be necessary or appropriate in connection with the consummation of the Merger and the transaction contemplated in the Merger Agreement such Shareholder s identity and ownership of the Existing Shares and the nature of such Shareholder s commitments, arrangements and understandings pursuant to this Agreement.

5.5 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given (1) on the date of delivery, if delivered personally, (2) on the first Business Day following the date of dispatch if delivered by a recognized next day courier service and (3) on the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to Partners, to:

Capital Product Partners, L.P.
3 Iassonos Street, Piraeus,
18537 Greece
Attention: Chief Executive and Chief Financial Officer

With copies to:

Capital Product Partners L.P.
3 Iassonos Street, Piraeus,
18537 Greece
Attention: Chairman of the Conflicts Committee

and

Akin Gump Strauss Hauer & Feld
1111 Louisiana Street
44th Floor
Houston, Texas 77002-5200

Attention: J. Vincent Kendrick
Patrick J. Hurley

If to a Shareholder, to:

Evangelos M. Marinakis
3 Iassonos Street, Piraeus,
18537 Greece

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Ioannis E. Lazaridis

3 Iassonos Street, Piraeus,
18537 Greece

Gerasimos G. Kalogiratos

3 Iassonos Street, Piraeus,
18537 Greece
and

Crude Carriers Investments Corp.
130, Kolokotroni Street, Piraeus,
18536 Greece
Attention: **Director**

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: Jay Clayton

5.6 *Interpretation.* The words hereof, herein and hereunder and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement is the product of negotiation by the parties having the assistance of counsel and other advisers. It is the intention of the parties that this Agreement not be construed more strictly with regard to one party than with regard to the others.

5.7 *Counterparts.* This Agreement may be executed by facsimile and in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

5.8 *Entire Agreement.* This Agreement, together with the schedule annexed hereto, and, solely to the extent of the defined terms referenced herein and as provided in Section 4.3 hereof, the Merger Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written and oral, that may have related to the subject matter hereof in any way.

5.9 *Governing Law; Consent to Jurisdiction; Waiver of Jury Trial.*

(a) This Agreement shall be governed by and construed in accordance with the Law of the State of New York, without giving effect to any choice or conflict of Law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

(b) Each of the parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Court of Chancery in the State of Delaware, or if (but only if) that court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware. Process in any such action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 5.5 shall be deemed effective service or process on such party. The foregoing shall not limit the rights of any party to serve process in any other manner permitted by Law. Each

of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts and to accept service of process in any manner permitted by such courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable law, any claim that (i) the proceeding in such court is brought in an inconvenient forum, (ii) the venue of such proceeding is improper or (iii) this Agreement, or the subject matter of this Agreement, may not be enforced in or by such courts.

(c) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 5.8.

5.10 *Amendment; Waiver.* This Agreement may not be amended except by an instrument in writing signed by Partners and each Shareholder. Each party may waive any right of such party hereunder by an instrument in writing signed by such party and delivered to Partners and the Shareholders.

5.11 *Remedies.*

(a) Each party hereto acknowledges that monetary damages would not be an adequate remedy in the event that any covenant or agreement in this Agreement is not performed in accordance with its terms, and it is therefore agreed that, in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof. Each party hereto agrees not to oppose the granting of such relief in the event a court determines that such a breach has occurred, and to waive any requirement for the securing or posting of any bond in connection with such remedy.

(b) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

5.12 *Severability.* Any term or provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction, and if any provision of this Agreement is determined to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable, in all cases so long as neither the economic nor legal substance of the transactions contemplated hereby is affected in any manner adverse to any party or its equityholders. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and

equitable substitute provision to effect the original intent of the parties as closely as possible and to the end that the transactions contemplated hereby shall be fulfilled to the maximum extent possible.

5.13 *Action by Partners.* No waiver, consent or other action by or on behalf of Partners pursuant to or as contemplated by this Agreement shall have any effect unless such waiver, consent or other action is

expressly approved by the Partners Conflicts Committee. No act or failure to act by the Partner Board shall constitute a breach by Partners of this Agreement unless such act or failure to act is expressly approved by the Partners Conflicts Committee.

5.14 *Successors and Assigns; Third Party Beneficiaries.* Neither this Agreement nor any of the rights or obligations of any party under this Agreement shall be assigned, in whole or in part (by operation of law or otherwise), by any party without the prior written consent of the other parties hereto. Subject to the foregoing, this Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than (a) the parties hereto or (b) the parties respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed (where applicable, by their respective officers or other authorized Person thereunto duly authorized) as of the date first written above.

CAPITAL PRODUCT PARTNERS L.P.,

By: Capital GP L.L.C., its general partner

By: /s/ Ioannis E. Lazaridis

Name: Ioannis E. Lazaridis

Title: Chief Executive Officer and Chief Financial Officer

[Signature Page to Support Agreement]

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/s/ Evangelos M. Marinakis

Evangelos M. Marinakis

[Signature Page to Support Agreement]

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/s/ Ioannis E. Lazaridis

Ioannis E. Lazaridis

[Signature Page to Support Agreement]

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/s/ Gerasimos G. Kalogiratos

Gerasimos G. Kalogiratos

[Signature Page to Support Agreement]

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CRUDE CARRIERS INVESTMENTS CORP.

By: /s/ Evangelos G. Bairactaris

Name: Evangelos G. Bairactaris

Title: Director

[Signature Page to Support Agreement]

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Schedule I

SHAREHOLDER INFORMATION

	Existing Shares			
	Common Shares		Class B Shares	
Name	Record Ownership	Beneficial Ownership	Record Ownership	Beneficial Ownership
Crude Carriers Investments Corp.	0	0	2,105,263	2,105,263
Evangelos M. Marinakis	145,000	145,000	0	0
Ioannis E. Lazaridis	6,000	6,000		
Gerasimos G. Kalogiratos	3,000	3,000	0	0

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ANNEX B

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF SURVIVING ENTITY

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ANNEX B

SECOND
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
CRUDE CARRIERS CORP.
PURSUANT TO
THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

ARTICLE I

Name

The name of the Corporation is Crude Carriers Corp. (the **Corporation** or, for purposes of Article VIII, **Crude Carriers**).

ARTICLE II

Address; Registered Agent

The address of the Corporation s registered office in the Republic of The Marshall Islands shall be Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of the Corporation s registered agent at such address shall be The Trust Company of the Marshall Islands, Inc.

ARTICLE III

Incorporator

The name and mailing address of the sole incorporator of the Corporation is: Majuro Nominees Ltd., P.O. Box 1405, Majuro, Marshall Islands.

ARTICLE IV

Purpose

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporation Act (the **BCA** or the **Business Corporations Act**) and without limiting the foregoing the Corporation shall have every power which a corporation now or hereafter organized under the BCA may have.

ARTICLE V

Capital Stock

Section 1. *Definitions*. As used herein:

(a) *Affiliate* shall mean, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such person or is a director or officer of such Person, and for purposes of this

definition, the term **control** (including the terms **controlling** , **controlled by** and **under common control with**) of a Person means the possession, direct or indirect, of the power to vote 10% or more of the voting stock or other form of equity interest of such Person or to direct or cause direction of the management and policies of such Person, whether through the ownership of voting stock or other form of equity interest, by contract or otherwise;

(b) *Person* means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof;

(c) *Voting Power* shall mean, with respect to a class or series of capital stock or classes of capital stock, as the context may require, the aggregate number of votes that the holder(s) of such class or series

of capital stock or classes of capital stock, or any relevant portion thereof, entitled to vote at a meeting, as the context may require; and

(d) *Voting Stock* shall mean, with respect to the Corporation, shares of any class or series of capital stock entitled to vote generally in the election of directors of the Corporation.

Section 2. *Authorized Capital Stock*.

(a) The Corporation shall have authority to issue 1,200,000,000 shares of capital stock, of which (i) 1,000,000,000 shares shall be registered shares of common stock, par value $0.0001 per share (the **Common Stock**), (ii) 100,000,000 shares shall be registered shares of Class B Stock, par value $0.0001 per share (the **Class B Stock**), and (iii) 100,000,000 shares shall be registered shares of preferred stock, par value $0.0001 per share (the **Preferred Stock**); provided that Class B Stock converted into Common Stock pursuant to Section 4(b), Section 4(c) or Section 4(d) below may not be reissued as Class B Stock. Registered shares may not be exchanged for bearer shares.

(b) Except as may be otherwise required by law or by these Articles of Incorporation, the holders of Common Stock and Class B Stock shall vote together as a single class and their votes shall be counted and totaled together on all matters submitted to a vote of shareholders of the Corporation.

(c) In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment in full of the amounts, if any, required to be paid to the Corporation s creditors and the holders of Preferred Stock, the remaining assets and funds of the Corporation shall be distributed pro rata to the holders of Common Stock and Class B Stock, and the holders of Common Stock and the holders of Class B Stock shall be entitled to receive the same amount per share in respect thereof. For purposes of this Section 2(c) of Article V, the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with or into one or more other corporations or entities (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, voluntary or involuntary.

Section 3. *Common Stock*. At every meeting of the shareholders of the Corporation, each holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock registered in such holder s name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of shareholders.

Section 4. *Class B Stock*. The Board of Directors shall have the authority to issue shares of Class B Stock in one or more series. Each share of Class B Stock shall have identical designations, preferences, rights, qualifications, limitations and restrictions as a share of Common Stock except as follows:

(a) at every meeting of the shareholders of the Corporation, each holder of Class B Stock, in person or by proxy, shall be entitled to ten (10) votes for each share of Class B Stock registered in such holder s name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of shareholders; **provided that** the Voting Power of the outstanding shares of Class B Stock shall be permanently limited to 49% of the Voting Power of the outstanding Common Stock and Class B Stock, voting together as a single class;

(b) if a share of Class B Stock is transferred to, or becomes, at any point in time, registered in the name of, any Person other than Crude Carriers Investments Corp., a Marshall Islands corporation (**CCIC**) or an Affiliate thereof, then such share shall irrevocably, immediately and automatically become a share of Common Stock;

(c) all shares of Class B Stock will automatically convert into shares of Common Stock if the aggregate number of shares of Common Stock and Class B Stock beneficially owned by CCIC and its affiliates falls below the number of Class B shares issued in connection with the Company s initial public offering, such number of shares to be adjusted for any subdivision or conversion of the Class B Stock;

(d) each share of Class B Stock shall be convertible irrevocably at any time into one share of Common Stock at the sole discretion of the holder thereof; and

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(e) any provision of these Articles of Incorporation for the voluntary, mandatory or other conversion of shares of Class B Stock into or for shares of Common Stock on a one-for-one basis shall be deemed not to adversely affect the rights of the Common Stock, and every reference in these Amended and Restated Articles of Incorporation to a majority or other proportion of the votes of shares of Common Stock or Class B Stock shall refer to such majority or other proportion of the votes to which such shares of Common Stock or Class B Stock are entitled.

Section 5. *Preferred Stock*. The Board of Directors shall have the authority to establish preferred shares in one or more series and with such designations, preferences and relative, voting, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolutions providing for the issue of such preferred shares. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

Section 6. *Preemptive Rights*. Holders of the Corporation s Common Stock shall have no conversion, redemption or preemptive rights to subscribe to any of the Corporation s securities. Holders of the Corporation s Class B Stock shall have preemptive rights to subscribe to the issuance of any of the Company s Class B Stock.

ARTICLE VI

Directors

Section 1. *Board of Directors*.

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors (the **Board**).

(b) The exact number of directors comprising the entire Board shall be not less than three nor more than twelve (subject to any rights of the holders of Preferred Stock to elect additional directors under specified circumstances) as determined from time to time by resolution adopted by the affirmative vote of a majority of the members of the Board then in office. The shareholders of the Corporation may change the number of directors if and only if 80% of the Voting Power of the aggregate Voting Stock affirmatively elects to do so; provided that such election must specify a number of directors between three and twelve.

(c) Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders Voting Stock. Cumulative voting, as defined in Section 71(2) of the BCA, shall not be used to elect directors.

Section 2. *Classification; Election; Vacancies; Removal*.

(a) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board permits, with the term of office of each of the three classes expiring successively each year, with the term of office of the first class to expire at the third annual meeting of shareholders, the term of office of the second class to expire at the second annual meeting of shareholders, and the term of office of the third class to expire at the first annual meeting of shareholders.

(b) Commencing with the first annual meeting of shareholders, the directors elected at an annual meeting of shareholders to succeed those whose terms then expire shall be identified as being directors of the same class as the directors whom they succeed, and each of them shall hold office until the third succeeding annual meeting of shareholders and until such director s successor is elected and has qualified.

(c) Any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of directors, may be filled by the vote of not less than a majority of the members of the Board then in office, although less than a quorum, or by a sole remaining director, and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the then authorized number of directors shall be

increased by the number of directors so to be elected, and the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of shareholders.

(d) Any director or the entire Board of Directors of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of not less than 662/3% of the Voting Power of the Voting Stock at a meeting of the shareholders called for that purpose. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of this subsection (d) shall not apply with respect to the director or directors elected by such holders of Preferred Stock and such director(s) shall be removed only pursuant to the provisions contained in the resolution(s) of the Board providing for the establishment of any such series of Preferred Stock.

Section 3. *Limitation on Director Liability*. To the fullest extent that the BCA or any other law of the Republic of The Marshall Islands as it exists or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its shareholders for monetary damages for actions taken in their capacity as director or officer of the Corporation, **provided that** such provision shall not eliminate or limit the liability of a director (i) for any breach of such director s duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not undertaken in good faith or which involve intentional misconduct or a knowing violation of law or (iii) for any transactions from which such director derived an improper personal benefit. No amendment to or repeal of this Section 3 of this Article VI shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

Section 4. *Amendments to this Article*. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the Bylaws of the Corporation to the contrary (and notwithstanding the fact that some lesser percentage may be specified by law), the affirmative vote of not less than 662/3% of Voting Power of the Voting Stock shall be required to amend, alter, change or repeal this Article VI.

ARTICLE VII

Shareholder Meetings

Section 1. *Meetings Generally*. Meetings of shareholders may be held within or without the Republic of The Marshall Islands, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept (subject to any provision of Marshall Islands law) outside the Republic of The Marshall Islands at such place or places as may be designated from time to time by the Board or in the Bylaws of the Corporation.

Section 2. *Special Meetings*. Special meetings of the shareholders shall be called only upon the request of a majority of the Board. Special meetings of the shareholders may be held at such time and place as may be stated in the notice of meeting.

Section 3. *Amendments to this Article*. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the Bylaws of the Corporation to the contrary (and notwithstanding the fact that some lesser percentage may be specified by law), the affirmative vote of not less than 662/3% of Voting Power of the Voting Stock shall be required to amend, alter, change or repeal this Article VII.

Section 4. *Quorum at Adjourned Meetings*. In the event that a quorum does not exist at a shareholder meeting with respect to any vote to be taken by a particular class or series, the holders of a majority of the votes entitled to be cast by the shareholders of such class or series who are present in person or by proxy may adjourn the meeting with respect to the vote(s) to be taken by such class or series. At any such adjourned meeting, the holders of one-third or more of

the total Voting Power of the outstanding capital stock of the Corporation entitled to vote at a meeting of the shareholders, present in person or represented by proxy, shall represent a quorum for the transaction of business.

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ARTICLE VIII

Bylaws

The Board of Directors of the Corporation is expressly authorized to make, alter or repeal any bylaw of the Corporation by a vote of not less than a majority of the members of the Board then in office, and the shareholders may not make additional bylaws and may not alter or repeal any bylaw except by the affirmative vote of not less than 662/3% of the aggregate Voting Power of the Voting Stock. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation or the Bylaws of the Corporation to the contrary (and notwithstanding the fact that some lesser percentage may be specified by the Business Corporations Act), the affirmative vote of not less than 662/3% of the aggregate Voting Power of the Voting Stock shall be required to amend, alter, change or repeal this Article VIII.

ARTICLE IX

Business Opportunities of the Corporation

Section 1. *Definitions*. For purposes of this Article IX only:

(a) *Bareboat Charter Agreement* means a contract to charter a tanker vessel of the type then owned or controlled by the Corporation for an agreed period of time at a set rate per day under which all voyage related costs, such as fuel and port dues, and all operating expenses, including maintenance, crewing and insurance, are for the charterer s account.

(b) *Bareboat Charter Opportunity* means a potential opportunity to enter into a Bareboat Charter Agreement.

(c) *Business Opportunity* means a Spot Charter Opportunity, a Period Charter Opportunity, a Bareboat Charter Opportunity, a Vessel Acquisition Opportunity or any other business opportunity that the Corporation would reasonably be expected to be capable of pursuing, but excluding the opportunity to enter a tanker vessel into a tanker pool.

(d) *Corporation* means the Corporation and all Persons in which the Corporation beneficially owns (directly or indirectly) 50% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests.

(e) *Capital Maritime* means Capital Maritime & Trading Corp., a Marshall Islands corporation, and all Persons (other than the Corporation, as defined in accordance with clause (d) of this Section 1 of this Article IX) in which Capital Maritime beneficially owns (directly or indirectly) 50% or more of the outstanding Voting Stock, Voting Power, partnership interests or similar voting interests or (ii) which otherwise are Affiliates of Capital Maritime.

(f) *Capital Maritime Entity* means Capital Maritime, its officers and directors and any Person controlled, directly or indirectly, by Capital Maritime, including, without limitation, Capital Ship Management Corp.

(g) *Manager* means the manager of the Corporation s fleet.

(h) *Opportunity Period* means:

with respect to a Period Charter Opportunity or Bareboat Charter Opportunity, 48 hours from the time a Capital Maritime Entity notifies Crude Carriers of such Period Charter Opportunity or Bareboat Charter Opportunity;

with respect to a Spot Charter Opportunity, a reasonable period of time in light of the circumstances (including without limitation the time period the Spot Charter Opportunity is expected to be available) from the time a Capital Maritime Entity informs Crude Carriers of such Spot Charter Opportunity;

with respect to a Vessel Acquisition Opportunity, 120 hours from the time a Capital Maritime Entity notifies Crude Carriers of such Vessel Acquisition Opportunity, unless Crude Carriers notifies Capital Maritime that it wishes to extend the Opportunity Period for such Vessel Acquisition Opportunity, in which case the Opportunity Period for such Vessel Acquisition

Opportunity shall be 192 hours from the time a Capital Maritime Entity notifies Crude Carriers of such Vessel Acquisition Opportunity; and

with respect to any other Business Opportunity, 120 hours from the time a Capital Maritime Entity notifies Crude Carriers of such Business Opportunity.

(i) *Period Charter Agreement* means a contract to charter a tanker vessel of the type then owned or controlled by the Corporation for an agreed period of time in excess of three months at a set rate per day under which the charterer pays for the vessel s voyage expenses, such as fuel and port dues, and the owner is responsible for providing crew and paying operating expenses.

(j) *Period Charter Opportunity* means a potential opportunity to enter into a Period Charter Agreement.

(k) *Spot Charter Agreement* means a contract to charter a tanker vessel of the type then owned or controlled by the Corporation for an agreed period of time of up to three months at a set rate per day under which the vessel operator pays for the vessel s voyage expenses, such as fuel and port dues, and the owner is responsible for providing crew and paying operating expenses.

(l) *Spot Charter Opportunity* means a potential opportunity to enter into a Spot Charter Agreement.

(m) *Vessel Acquisition Opportunity* means a potential opportunity to acquire a crude tanker vessel.

Section 2. *General*. This Article IX anticipates the possibility that (a) Capital Maritime may be a majority or significant shareholder of the Corporation, (b) certain officers and/or directors of the Corporation may also serve as officers and/or directors of Capital Maritime, (c) the Corporation and Capital Maritime, either directly or through their subsidiaries, may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities, and (d) benefits may be derived by the Corporation through its continued contractual, corporate and business relationships with Capital Maritime. The provisions of this Article IX shall, to the fullest extent permitted by law, define the conduct of certain affairs of the Corporation and its subsidiaries as they may involve Capital Maritime, and their respective officers, directors, agents and employees.

Section 3. *Business Opportunities*.

(a) Except as may be otherwise provided in a written agreement between the Corporation and Capital Maritime, Capital Maritime shall have the right to engage (and shall have no duty to refrain from engaging) in the same or similar activities or lines of business as the Corporation, and the Corporation shall not be deemed to have an interest or expectancy in any Business Opportunity in which Capital Maritime engages or seeks to engage merely because the Corporation engages in the same or similar activities or lines of business as that involved in or implicated by such Business Opportunity.

(b) If Capital Maritime (or another Capital Maritime Entity) becomes aware of a Business Opportunity, whether through an officer or director shared with the Corporation or otherwise, then Capital Maritime shall inform (or cause the relevant Capital Maritime Entity to inform) the Corporation of such Business Opportunity.

(c) Capital Maritime shall refrain, and shall cause all other Capital Maritime Entities to refrain, from pursuing or acquiring such Business Opportunity from the date a Capital Maritime Entity becomes aware of such Business Opportunity until the Corporation has been notified of the Business Opportunity and the earlier of (i) the time the Opportunity Period for such Business Opportunity has lapsed without the Corporation informing the applicable Capital Maritime Entity that it elects to pursue or acquire the applicable Business Opportunity and (ii) the time the

Corporation informs a Capital Maritime Entity that it does not intend to pursue such Business Opportunity.

(d) After being informed of a Business Opportunity, the Corporation shall inform the Capital Maritime Entity that provided such notice, as promptly as practicable, of its election to (i) pursue or acquire such Business Opportunity, (ii) direct such Business Opportunity to another Person, or (iii) refrain from doing the foregoing.

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(e) If the Corporation elects, within the Opportunity Period, to pursue or acquire such Business Opportunity or to direct such Business Opportunity to another Person, then Capital Maritime shall refrain, and shall cause all other Capital Maritime Entities to refrain, from pursuing or acquiring such Business Opportunity until such time as the Corporation abandons its pursuit of such Business Opportunity. If the Corporation does not elect, within the Opportunity Period, to pursue or acquire such Business Opportunity or to direct such Business Opportunity to another Person, then any Capital Maritime Entity may pursue or acquire such Business Opportunity.

(f) Notwithstanding the foregoing: (i) if the Corporation notifies a Capital Maritime Entity that it will not pursue or acquire a particular Business Opportunity or direct such Business Opportunity to another Person, thereafter any Capital Maritime Entity may pursue or acquire such Business Opportunity; and (ii) the Capital Maritime Entities shall not be restricted in any way in pursuing business opportunities that are not Business Opportunities.

Section 4. *Termination; survival*. Anything in these Amended and Restated Articles of Incorporation to the contrary notwithstanding, this Article IX shall automatically terminate, expire and have no further force and effect on the date that the Business Opportunities Agreement between the Corporation and Capital Maritime (as it may be amended from time to time) is terminated in accordance with its terms. No addition to, alteration of or termination of this Article IX or any other provision of these Amended and Restated Articles of Incorporation shall eliminate or impair the effect of this Article IX on any act, omission, right or liability that occurred prior thereto.

ARTICLE X

Amendment of Articles

Except as otherwise provided in these Amended Articles of Incorporation, the affirmative vote of more than 50% of the Voting Power of the Voting Stock shall be required to amend, alter, change or repeal these Articles of Incorporation.

ARTICLE XI

Corporate Existence

Corporate existence began on October 29, 2009.

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ANNEX C

AMENDED AND RESTATED BYLAWS OF SURVIVING ENTITY

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ANNEX C

SECOND
AMENDED AND RESTATED BYLAWS
OF
CRUDE CARRIERS CORP.

ARTICLE I

Offices and Agent

Section 1. *Registered Office and Agent*. The address of the registered office of Crude Carriers Corp. (the **Corporation**) in the Republic of The Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of its registered agent at such address is The Trust Company of the Marshall Islands, Inc.

Section 2. *Other Offices*. The Corporation may also have offices at other places, either within or without the Republic of The Marshall Islands, as the Board of Directors of the Corporation (the **Board**) may from time to time determine or as the business of the Corporation shall require.

ARTICLE II

Meetings of Shareholders

Section 1. *Place of Meetings*. Meetings of the shareholders for the election of directors or for any other purpose shall be held at such place, if any, either within or without the Republic of The Marshall Islands, as shall be designated from time to time by the Board and stated in the notice of meeting or in a duly executed waiver of notice thereof. Adjournments of meetings may be held at the place at which the meeting adjourned was being held, or at any other place determined by the Board, whether or not a quorum shall have been present at such adjourned meeting.

Section 2. *Annual Meetings*. To the extent required by applicable law or the Second Amended and Restated Articles of Incorporation of the Corporation (hereinafter the **Articles of Incorporation**), an annual meeting of the shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held at such time and on such date as shall be determined by the Board and stated in the notice of the meeting. If the Corporation fails to hold an annual meeting within 90 days of the date designated by the Board for such meeting, a special meeting in lieu of an annual meeting may be called by shareholders holding not less than ten percent of the Voting Power (as such term is defined in the Articles of Incorporation) of all outstanding shares entitled to vote at such meeting. The directors of the Corporation shall be entitled to receive notice of and to attend and be heard at any meeting of the shareholders.

Section 3. *Special Meetings*. Other than a special meeting in lieu of an annual meeting and except as otherwise provided by applicable law, special meetings of the shareholders shall be called only by the Chairman of the Board or Chief Executive Officer, in either case at the direction of the Board as set forth in a resolution stating the purpose or purposes thereof approved by a majority of the entire Board. Only such business as is specified in the notice of any special meeting of the shareholders shall come before such meeting.

Section 4. *Notice of Meetings*. Except as otherwise provided by applicable law, notice of each meeting of the shareholders, whether annual or special, shall be given not less than 15 days nor more than 60 days before the date of the meeting to each shareholder of record entitled to notice of the meeting. If mailed, such notice shall be deemed

given when deposited in the mail, postage prepaid, directed to the shareholder at such shareholder s address as it appears on the records of the Corporation or, if such shareholder shall have filed with the Corporation s Secretary a written request that notices be sent to some other address, then directed to such shareholder at such other address. Each such notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and by whose direction the notice of the meeting is being issued. Notice of any meeting of the shareholders shall not be required to be given to any shareholder who shall waive notice thereof as provided in Section 4 of Article VIII

of these Bylaws. Notice of adjournment of a meeting of the shareholders need not be given if the time and place to which it is adjourned are announced at such meeting, unless the adjournment is for lack of quorum or for a period of more than 30 days or, after adjournment, a new record date is fixed for the adjourned meeting.

Section 5. *Quorum; Adjournment*. Except as otherwise provided by applicable law or by the Articles of Incorporation, the holders of a majority in total Voting Power of the outstanding capital stock of the Corporation entitled to vote at a meeting of the shareholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business at any annual or special meeting of the shareholders; **provided that** where a separate vote by a class or series of capital stock is required, the holders of a majority in total Voting Power of the outstanding capital stock of such class or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such vote on such matter. The Chairman of the meeting or the holders of a majority of the votes entitled to be cast by the shareholders who are present in person or by proxy may adjourn the meeting from time to time whether or not a quorum is present. In the event that a quorum does not exist with respect to any vote to be taken by a particular class or series, the holders of a majority of the votes entitled to be cast by the shareholders of such class or series who are present in person or by proxy may adjourn the meeting with respect to the vote(s) to be taken by such class or series. At any such adjourned meeting, (a) the holders of one-third or more of the total Voting Power of the outstanding capital stock of the Corporation entitled to vote at a meeting of the shareholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business, and (b) any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder entitled to vote at the meeting not less than 15 nor more than 60 days before the date of the meeting, unless a different period is prescribed by applicable law.

Section 6. *Proxies*. Any shareholder entitled to vote at a meeting of the shareholders may do so in person or by proxy appointed by such shareholder or by such shareholder s attorney thereto authorized, and bearing a date not more than 11 months from the date on which such proxy was executed, unless such instrument provides for a longer period. All proxies must be filed with the Secretary of the Corporation at the beginning of the applicable meeting in order to be counted in any vote at such meeting.

Section 7. *Voting*. Except as otherwise provided by the Articles of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the Corporation or its securities or applicable law, and except for the election of directors, any question brought before any meeting of the shareholders at which a quorum is present shall be decided by the affirmative vote of the holders of a majority of the total number of votes of the capital stock present in person or represented by proxy and entitled to vote on the applicable subject matter.

Section 8. *Organization; Order of Business*.

(a) At every meeting of shareholders, the Chairman of the Board, or in such person s absence, the Chief Executive Officer, or in the absence of both of them, the Chief Financial Officer or any Vice President, shall act as Chairman of the meeting. In the absence of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and each Vice President, the Board, or, if the Board fails to act, the shareholders, may appoint any shareholder, director or officer of the Corporation to act as Chairman of any meeting. The Secretary of the Corporation shall act as Secretary of the meeting, but in the absence of the Secretary, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

(b) Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation s notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of shareholders at which directors are to be elected pursuant to the notice of meeting (i) by or at the direction of the Board or (ii) provided that the Board has determined that directors shall be elected at such

meeting, by any shareholder who is entitled to vote at the meeting.

(c) Except as otherwise provided in the Articles of Incorporation, only such persons who are nominated in accordance with this Section 8 shall be eligible to serve as directors of the Corporation and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in

accordance with the procedures set forth in this Section 8. The Chairman of a meeting shall refuse to permit any business to be brought before the meeting which fails to comply with the foregoing.

Section 9. *Voting List*. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of the shareholders, a complete list of the registered shareholders, as of the record date, entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each such shareholder and the number of shares registered in the name of each such shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting as required by applicable law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any shareholder of the Corporation who is present.

Section 10. *Stock Ledger*. The stock ledger of the Corporation shall be the only evidence as to the identity of the shareholders entitled to examine the list required by Section 9 of this Article II or to vote in person or by proxy at any meeting of shareholders.

Section 11. *Record Date*. In order that the Corporation may determine the shareholders entitled to (i) notice of or vote at any meeting of the shareholders or any adjournment thereof, (ii) express consent to corporate action by written consent without a meeting unless otherwise provided in the Articles of Incorporation, (iii) receive payment of any dividend or other distribution or allotment of any rights, or exercise any rights in respect of any change, conversion or exchange of stock, or (iv) undertake any other lawful action, the Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date shall, unless otherwise required by law, not be, (a) in the case of clause (i) or (ii) above, more than 60 nor less than 15 days before the date of such meeting or the date on which such action by written consent is required to occur, and (b) in the case of clauses (iii) and (iv) above, more than 60 days prior to such action. If no record date is fixed, (a) the record date for determining shareholders entitled to notice of or to vote at a meeting of the shareholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (b) the record date for determining shareholders entitled to express consent to corporate action in writing without a meeting (unless otherwise provided in the Articles of Incorporation), when no prior action by the Board is required under the Marshall Islands Business Corporations Act (the Business Corporations Act), shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the Republic of The Marshall Islands, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded; and when prior action by the Board is required under the Business Corporations Act, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board adopts the resolution taking such prior action; and (c) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. A determination of shareholders of record entitled to notice of or to vote at a meeting of the shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 12. *Inspectors of Election*. The Corporation may, and at the request of any shareholder or if required by law shall, before or at each meeting of shareholders, appoint one or more inspectors of elections to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the shareholders, the Chairman of the meeting may, and at the request of any shareholder or if required by law shall, appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The

inspector or inspectors so appointed or designated shall (i) ascertain the number of outstanding shares of capital stock of the Corporation and the Voting Power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the

inspectors and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of the shareholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III

Board of Directors

Section 1. *General Powers*. The business of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority herein or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of applicable law, the Articles of Incorporation and these Bylaws; **provided that** no Bylaws hereafter adopted by the shareholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

Section 2. *Number of Directors*. The number of directors of the Corporation shall not be less nor more than the range specified in the Articles of Incorporation, the exact number of directors to be such number as may be set from time to time by resolution adopted by affirmative vote of a majority of the entire Board. As used in these Bylaws, the term entire Board means the total number of directors that the Corporation would have if there were no vacancies or unfilled newly created directorships.

Section 3. *Election of Directors*. Except as otherwise required by statute or by the Articles of Incorporation, directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares of the Corporation entitled to vote thereon, voting together as a single class.

Section 4. *Resignations*. Any director of the Corporation may resign at any time, by giving notice in writing or by electronic transmission to the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall take effect after receipt of the applicable notice of resignation by the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation at the time specified in such notice or, if no time is specified, immediately upon receipt of such notice by the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation. Unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. *Removal of Directors*. Directors may only be removed as provided in the Articles of Incorporation.

Section 6. *Newly Created Directorships and Vacancies*. Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board resulting from death, resignation, removal or other cause shall only be filled as provided in the Articles of Incorporation.

Section 7. *Chairman of the Board*. The directors shall elect one of their members to be Chairman of the Board. The Chairman of the Board, if present, shall preside at all meetings of the shareholders and of the Board. In addition, the Chairman of the Board shall perform such other duties as may from time to time be assigned by the Board. The Chairman of the Board may or may not be a senior officer of the Corporation. The Chairman of the Board shall be subject to the control of and may be removed from such office by the Board.

Section 8. *Annual Meetings*. The Board shall meet for the election of officers and the transaction of other business as soon as practicable after each annual meeting of the shareholders, and no notice of such meeting shall be necessary in

order legally to constitute the meeting; **provided that** a quorum is present. Such meeting may be held at any other time or place specified in a notice given as hereinafter provided for regular meetings of the Board.

Section 9. *Regular Meetings*. The Board may hold meetings, both regular and special, either within or without the Republic of The Marshall Islands. Regular meetings of the Board may be held at such time and at such place as may from time to time be determined by the Board. The Secretary, or in his or her absence any

other officer of the Corporation, shall give each director notice of the time and place of holding of regular meetings of the Board by mail at least five days before the meeting, or by facsimile, telegram, cable, electronic transmission or personal service at least two days before the meeting, unless such notice requirement is waived in writing or by electronic transmission by such director.

Section 10. *Special Meetings*. Special meetings of the Board may be called by the Chairman of the Board or the Chief Executive Officer, and shall be called by the Secretary of the Corporation upon the written request of not less than a majority of the members of the Board then in office. Special meetings of the Board shall be held at such time and place as shall be designated in the notice of the meeting. The Secretary, or in his or her absence any other officer of the Corporation, shall give each director notice of the time and place of holding of special meetings of the Board by mail at least five days before the meeting, or by facsimile, telegram, cable, electronic transmission or personal service at least two days before the meeting, unless such notice requirement is waived in writing or by electronic transmission by such director. Unless otherwise stated in the notice thereof, any and all business shall be transacted at any meeting without specification of such business in the notice.

Section 11. *Quorum*. Except as otherwise required by applicable law, the Articles of Incorporation or these Bylaws, at all meetings of the Board, a majority of the entire Board shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board, a majority of those present may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 12. *Manner of Acting*. Except as otherwise provided by applicable law, the Articles of Incorporation or these Bylaws, all matters presented to the Board (or a committee thereof) shall be approved by the affirmative vote of a majority of the directors present at any meeting of the Board (or such committee) at which there is a quorum (the foregoing is referred to herein as a simple majority).

Section 13. *Organization*. Meetings shall be presided over by the Chairman of the Board, or in the absence of the Chairman of the Board, by such other person as the directors may select. The Board shall keep written minutes of its meetings. The Secretary of the Corporation shall act as Secretary of the meeting, but in the absence of the Secretary, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

Section 14. *Action by Written Consent*. Unless otherwise required by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all the members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or such electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee thereof in accordance with applicable law.

Section 15. *Meetings by Electronic Means*. Unless otherwise required by the Articles of Incorporation or these Bylaws, members of the Board, or any committee thereof, may participate in a meeting of the Board or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 15 shall constitute presence in person at such meeting.

Section 16. *Compensation*. Each director, in consideration of such person serving as a director, shall be entitled to receive from the Corporation such amount per annum and such fees (payable in cash or stock-based compensation) for attendance at meetings of the Board or of committees of the Board, or both, as the Board shall from time to time determine. In addition, each director shall be entitled to receive from the Corporation reimbursement for the reasonable expenses incurred by such person in connection with the performance of such person s duties as a director. Nothing contained in this Section 16 shall preclude any director from serving the Corporation or any of its subsidiaries

in any other capacity and receiving compensation therefor.

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ARTICLE IV

Committees

Section 1. *Constitution and Powers*. Except as otherwise provided by applicable law, the Articles of Incorporation or these Bylaws, the Board may, by resolution of a simple majority of its members, designate one or more committees. Each committee shall consist of one or more directors of the Corporation. Except as provided by applicable law, the Articles of Incorporation or these Bylaws, the Board, by a simple majority vote of its members, shall have the right from time to time to delegate to or to remove from any Board committee the authority to approve any matters which would not otherwise require a higher vote than a simple majority vote of the Board. Except as required by applicable law, the Articles of Incorporation or these Bylaws, for those matters that require a higher vote of the Board than a simple majority vote, the Board, by such requisite higher vote, shall have the right from time to time to delegate to or to remove from any Board committee the authority to approve any such matters requiring such requisite higher vote.

Section 2. *Organization of Committees*. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Each committee that may be established by the Board may fix its own rules and procedures. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall be responsible to the Board for the conduct of the enterprises and affairs entrusted to them. Notice of meetings of committees, other than of regular meetings provided for by such rules, shall be given to committee members.

ARTICLE V

Officers

Section 1. *Officers*. The Board may (or, to the extent required by applicable law, shall) elect a Chief Executive Officer, a Chief Financial Officer and a Secretary. The Chief Executive Officer may be or become a director. The Board may elect from time to time such other officers as, in the opinion of the Board, are desirable for the conduct of the business of the Corporation. Any two or more offices may be held by the same person; provided, however, that no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Articles of Incorporation or these Bylaws to be executed, acknowledged or verified by two or more officers.

Section 2. *Chief Executive Officer*. The Chief Executive Officer shall have supervisory authority over the business, affairs and property of the Corporation, and over the activities of the executive officers of the Corporation. The Chief Executive Officer may enter into and execute in the name of the Corporation, powers of attorney, contracts, bonds and other obligations which implement policies established by the Board. The Chief Executive Officer shall have all authority incidental to the office of Chief Executive Officer, shall have such other authority and perform such other duties as may from time to time be assigned by the Board and shall report directly to the Board. If so elected by the Board, the Chairman of the Board may be the Chief Executive Officer. In the absence or inability to act of the Chief Executive Officer, the President shall perform the functions of the Chief Executive Officer.

Section 3. *President*. The President, if elected, shall have general supervision of the daily business, affairs and property of the Corporation. He shall have all authority incidental to the office of President and shall have such other authority and perform such other duties as may from time to time be assigned by the Chief Executive Officer or the Board. In the absence or inability to act of the President, the Chief Executive Officer shall perform the functions of the

President.

Section 4. *Chief Financial Officer*. The Chief Financial Officer shall be the principal financial and accounting officer of the Corporation and shall have such powers and perform such duties as may from time to time be assigned by the Chief Executive Officer or the Board. Without limiting the generality of the foregoing, the Chief Financial Officer may sign and execute contracts and other obligations pertaining to the

regular course of his or her duties which implement policies established by the Board. In the absence or inability to act of the Chief Financial Officer, the Treasurer shall perform the functions of the Chief Financial Officer.

Section 5. *Secretary*. The Secretary shall act as Secretary of all meetings of the shareholders and of the Board; shall keep the minutes thereof in the proper book or books to be provided for that purpose; shall see that all notices required to be given by the Corporation in connection with meetings of shareholders and of the Board are duly given; shall be the custodian of the seal of the Corporation and shall affix the seal or cause it or a facsimile thereof to be affixed to all certificates for stock of the Corporation and to all documents or instruments requiring the same, the execution of which on behalf of the Corporation is duly authorized in accordance with the provisions of these Bylaws; shall have charge of the stock records and also of the other books, records and papers of the Corporation relating to its organization and acts as a corporation, and shall see that the reports, statements and other documents related thereto required by law are properly kept and filed, all of which shall, at all reasonable times, be open to the examination of any director for a purpose reasonably related to such director s position as a director; and shall, in general, have all authority incident to the office of Secretary and such other authority and perform such other duties as may from time to time be assigned by the Chief Executive Officer or the Board.

Section 6. *Vice Presidents*. The Vice Presidents, if elected, shall have such powers and shall perform such duties as may from time to time be assigned to them by the Chief Executive Officer or the Board. Without limiting the generality of the foregoing, Vice Presidents may enter into and execute in the name of the Corporation contracts and other obligations pertaining to the regular course of their duties which implement policies established by the Board.

Section 7. *Treasurer*. If elected, the Treasurer shall, if required by the Chief Executive Officer or the Board, give a bond for the faithful discharge of duties, in such sum and with such sureties as may be so required. Unless the Board otherwise declares by resolution, the Treasurer shall have custody of, and be responsible for, all funds and securities of the Corporation; receive and give receipts for money due and payable to the Corporation from any source whatsoever; deposit all such money in the name of the Corporation in such banks, trust companies or other depositories as the Board may designate; against proper vouchers, cause such funds to be disbursed by check or draft on the authorized depositories of the Corporation signed in such manner as shall be determined by the Board, and be responsible for the accuracy of the amounts of all funds so disbursed; regularly enter or cause to be entered in books to be kept by the Treasurer or under the Treasurer s direction, full and adequate accounts of all money received and paid by the Treasurer for the account of the Corporation; render to the Board, any duly authorized committee of directors or the Chief Executive Officer, whenever they or any of them, respectively, shall require the Treasurer to do so, an account of the financial condition of the Corporation and of all transactions of the Treasurer; and, in general, have all authority incident to the office of Treasurer and such other authority and perform such other duties as may from time to time be assigned by the Chief Executive Officer or the Board. Any Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall have such other duties and have such other powers as the Board may from time to time prescribe. In the absence or inability to act of the Treasurer or Assistant Treasurer, the Chief Financial Officer shall perform the functions of the Treasurer.

Section 8. *Assistant Treasurers, Assistant Controllers and Assistant Secretaries*. Any Assistant Treasurers, Assistant Controllers and Assistant Secretaries, if elected, shall perform such duties as from time to time shall be assigned to them by the Chief Executive Officer or the Board or by the Treasurer, Controller or Secretary, respectively. An Assistant Treasurer, Assistant Controller or Assistant Secretary need not be an officer of the Corporation and shall not be deemed an officer of the Corporation unless elected by the Board.

Section 9. *Removal*. Any officer may be removed, either with or without cause, by the Board at any meeting thereof or by any superior officer upon whom such power may be conferred by the Board.

Section 10. *Resignation*. Any officer may resign at any time by giving notice to the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation in writing or by electronic transmission. Any such resignation shall take effect at the time therein specified or if no time is

specified, immediately. Unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 11. *Vacancies*. A vacancy in any office because of death, resignation, removal, disqualification or any other cause may be filled at any time by the Board, or if such officer was appointed by the Chief Executive Officer, then by the Chief Executive Officer.

Section 12. *Bank Accounts*. In addition to such bank accounts as may be authorized in the usual manner by resolution of the Board, the President or the Treasurer, with approval of the Chief Executive Officer, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Corporation as the Chief Executive Officer shall deem necessary or appropriate; **provided that** payments from such bank accounts are to be made upon and according to the check of the Corporation as shall be specified in the written instructions of the President or the Chief Financial Officer or the Treasurer or Assistant Treasurer of the Corporation with the approval of the Chief Executive Officer.

Section 13. *Voting of Stock Held*. Unless otherwise provided in the Articles of Incorporation or directed by the Board, the Chief Executive Officer may from time to time personally or by an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, cast the votes which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, limited liability company, partnership, trust or legal entity (**Person**) any of the stock or securities of which may be held by the Corporation, at meetings of the holders of the stock or other securities of such Person, or consent in writing to any action by any such Person, and may instruct any person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as the Secretary may deem necessary or proper in the premises; or may attend any meeting of the holders of stock or other securities of any such Person and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such Person.

ARTICLE VI

Capital Stock

Section 1. *Capital Stock*.

(a) The capital stock of the Corporation may be uncertificated and ownership thereof shall be recorded (exclusively, in the case of uncertificated shares) on the books of the transfer agent or registrar for such capital stock, or, if there is no such transfer agent or registrar, on the books of the Corporation.

(b) Every holder of capital stock of the Corporation represented by certificates (and upon request, any holder of uncertificated shares) shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board, the Chief Executive Officer, President or any of the Vice Presidents and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him, her or it in the Corporation.

(c) Any or all signatures on the certificate may be a facsimile. In case an officer, transfer agent or registrar that has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

(d) The Board may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of the fact by the person

claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate the Board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to advertise the same in such manner as the Board shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation and its transfer agents and registrars with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 2. *Transfers of stock*. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate (or, if such stock is uncertificated, on the books of the transfer agent or registrar) or by such person s duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary of the Corporation or a transfer agent of the Corporation, and, if applicable, upon surrender of the certificate or certificates for such stock properly endorsed. Every certificate exchanged, returned or surrendered shall be marked Canceled , with the date of cancellation, by the Secretary or an Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation, its shareholders or creditors for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 3. *Transfer Agent and Registrar*. The Board may appoint one or more transfer agents and one or more registrars and may require all certificates for shares to bear the manual or facsimile signature or signatures of any of them.

Section 4. *Beneficial Owners*. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 5. *Regulations*. Except as otherwise provided by applicable law or in the Articles of Incorporation, the Board shall have the power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, registration, cancellation and replacement of certificates representing stock of the Corporation.

Section 6. *Dividends*. Dividends upon the capital stock of the Corporation, subject to the provisions in the Articles of Incorporation, may be declared by the Board at any regular or special meeting, and may be paid in cash, in property or in securities of the Corporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board may modify or abolish any such reserve.

ARTICLE VII

Indemnification

Section 1. *Directors Indemnification*. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person that was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, legislative or investigative (collectively, a **Proceeding**), by reason of the fact that such person is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys fees) reasonably incurred by such person in connection with such proceeding or any claim made in connection therewith. Such right of indemnification shall inure whether or not the claim asserted is based on matters which antedate the adoption of this Section 1 of Article VII. Subject to the second sentence of the next paragraph, the Corporation shall be required to indemnify or make advances to a person in connection with a Proceeding (or part thereof) initiated by such person only if the initiation of such Proceeding (or part thereof) was authorized by the Board or reasonably necessary to the effective defense of another Proceeding.

The Corporation shall pay the expenses (including attorneys fees) incurred by any person that is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership,

joint venture, trust, enterprise or nonprofit entity, in defending any Proceeding in advance of its final disposition; **provided that** the payment of expenses incurred by such a person in defending any Proceeding in advance of its final disposition shall be made only upon receipt of an undertaking by such person to repay all amounts advanced if it should be ultimately determined that such person is not entitled to be indemnified under this Section 1 of Article VII or otherwise. If a claim for indemnification after the final disposition of the Proceeding is not paid in full within 90 calendar days after a written claim therefor has been received by the Corporation or if a claim for payment of expenses under this Section 1 of Article VII is not paid in full within 20 calendar days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim.

The rights conferred on any person by this Section 1 of Article VII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, the Articles of Incorporation, these Bylaws, agreement, vote of shareholders or resolution of disinterested directors or otherwise. The Corporation s obligation, if any, to indemnify any person that was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity, as applicable.

Any amendment, modification or repeal of the foregoing provisions of this Section 1 of Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

Section 2. *Survival of Indemnification and Advancement of Expenses*. The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation or other person indemnified hereunder and shall inure to the benefit of the successors, assigns, heirs, executors and administrators of such person.

ARTICLE VIII

General Provisions

Section 1. *Books and Records*. The books and records of the Corporation may be kept at such places within or without the Republic of The Marshall Islands as the Board may from time to time determine and may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 2. *Seal*. The Board shall approve a corporate seal which shall be in the form of a circle and shall bear the name of the Corporation and the year of its incorporation. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced or otherwise.

Section 3. *Fiscal Year*. The fiscal year of the Corporation shall be determined and may be changed by resolution of the Board.

Section 4. *Notices and Waivers Thereof*.

(a) Whenever notice is required by applicable law, the Articles of Incorporation or these Bylaws to be given to any director, member of a committee or shareholder, such notice may be given personally, by mail or as otherwise permitted by law, or in the case of directors or officers, by facsimile transmission or other electronic transmission,

addressed to such address as appears on the books of the Corporation. Any notice given by facsimile transmission shall be deemed to have been given upon confirmation of receipt by the addressee.

(b) Whenever any notice is required by applicable law, the Articles of Incorporation or these Bylaws, to be given to any director, member of a committee or shareholder, a waiver thereof given by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to

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notice. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the shareholders, directors or members of a committee of directors needs to be specified in any waiver of notice unless so required by applicable law, the Articles of Incorporation or these Bylaws.

Section 5. *Amendments*. These Bylaws may be amended only as set forth in the Articles of Incorporation.

Section 6. *Saving Clause*. These Bylaws are subject to the provisions of the Articles of Incorporation and applicable law. If any provision of these Bylaws is inconsistent with the Articles of Incorporation or the Business Corporations Act, such provision shall be invalid only to the extent of such conflict, and such conflict shall not affect the validity of any other provision of these Bylaws.

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Appendix B

May 5, 2011

Independent Directors Committee of the Board of Directors
Crude Carriers Corp.
3 Iassonos Street
185 37 Piraeus
Greece

Members of the Independent Directors Committee:

We understand that Crude Carriers Corp. (the Company), Capital Product Partners L.P. (the Merger Partner), Capital GP L.L.C., the general partner of the Merger Partner (the Merger Partner GP), and Poseidon Project Corp., a wholly-owned subsidiary of the Merger Partner (Merger Sub), propose to enter into an Agreement and Plan of Merger, dated as of May 5, 2011 (the Merger Agreement), pursuant to which Merger Sub will merge with and into the Company (the Merger) in a transaction in which each outstanding share of common stock, par value $0.0001 per share, of the Company (the Company Common Stock) and each outstanding share of Class B stock, par value $0.0001 per share, of the Company (the Company Class B Stock), other than shares of Company Common Stock or Company Class B Stock owned by the Company, the Merger Partner, the Merger Partner GP, Merger Sub or any of their respective subsidiaries, all of which shares will be cancelled, will be converted into the right to receive 1.56 (the Exchange Ratio) common units representing limited partner interests in the Merger Partner (the Merger Partner Common Units). The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

You have asked for our opinion as to whether the Exchange Ratio pursuant to the Merger Agreement is fair, from a financial point of view, to the holders of the Company Common Stock, other than (a) the Merger Partner, (b) the Merger Partner GP, (c) the officers and directors of the Company that are also officers or directors of the Merger Partner or the Merger Partner GP, respectively, or (d) affiliates of any of the foregoing or of the Company (collectively, the Company Unaffiliated Stockholders).

In arriving at our opinion, we have, among other things:

(i) reviewed the Merger Agreement;

(ii) reviewed certain publicly available financial and other information about the Company and the Merger Partner;

(iii) reviewed certain information furnished to us by the managements of the Company and the Merger Partner, including financial forecasts and analyses, relating to the business, operations and prospects of the Company and the Merger Partner, respectively;

(iv) held discussions with members of senior managements of the Company and the Merger Partner concerning the matters described in clauses (ii) and (iii) above;

(v) reviewed the share trading price history and valuation multiples for the Company Common Stock and the Merger Partner Common Units and compared them with those of certain publicly traded companies that we deemed relevant;

(vi) compared the proposed financial terms of the Merger with the financial terms of certain other transactions that we deemed relevant;

(vii) reviewed the relative financial contributions of the Company and the Merger Partner to the future performance of the combined company on a pro forma basis;

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(viii) reviewed appraisals dated March 31, 2011 and April 12, 2011 respectively prepared by Pareto Shipping AS and RS Platou ASA and furnished to us by the Merger Partner with regard to the vessels owned by the Merger Partner, and appraisals dated March 31, 2011 and April 14, 2011 respectively prepared by Pareto Shipping AS and Clarkson Valuations Limited and furnished to us by the Company with regard to the vessels owned by the Company (collectively, the Appraisals);

(ix) considered the potential pro forma impact of the Merger; and

(x) conducted such other financial studies, analyses and investigations as we deemed appropriate.

In our review and analysis and in rendering this opinion, we have assumed and relied upon, but have not assumed any responsibility to independently investigate or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available by the Company and the Merger Partner or that was publicly available (including, without limitation, the Appraisals and the other information described above), or that was otherwise reviewed by us. We have relied on assurances of the managements of the Company and the Merger Partner that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. In our review, we did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, nor did we conduct a physical inspection of any of the properties or facilities of, the Company or the Merger Partner, nor have we been furnished with any such evaluations or appraisals, other than the Appraisals, nor do we assume any responsibility to obtain any such evaluations or appraisals.

With respect to the financial forecasts provided to and examined by us, we note that projecting future results of any company is inherently subject to uncertainty. The Company and the Merger Partner have informed us, however, and we have assumed, that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the managements of the Company and the Merger Partner as to the future financial performance of the Company and the Merger Partner, respectively. We express no opinion as to the financial forecasts provided to us by the Company or the Merger Partner or the assumptions on which they are made.

Our opinion is based on economic, monetary, regulatory, market and other conditions existing and which can be evaluated as of the date hereof. We expressly disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting our opinion of which we become aware after the date hereof.

We have made no independent investigation of any legal or accounting matters affecting the Company or the Merger Partner, and we have assumed the correctness in all respects material to our analysis of all legal and accounting advice given to the Company, the Independent Directors Committee of the Board of Directors of the Company (the Independent Committee) and the Board of Directors of the Company, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the Merger Agreement to the Company and its stockholders. In addition, in preparing this opinion, we have not taken into account any tax consequences of the transaction to any holder of Company Common Stock. You have advised us that the Merger will qualify as a tax-free reorganization for United States federal income tax purposes. We have also assumed that in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Company, the Merger Partner or the contemplated benefits of the Merger.

We were not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of the Company or any other alternative transaction.

It is understood that our opinion is for the use and benefit of the Independent Committee in its consideration of the Merger, and our opinion does not address the relative merits of the transactions contemplated by the Merger

Agreement as compared to any alternative transaction or opportunity that might be available to the Company, nor does it address the underlying business decision by the Company to engage in the Merger or the terms of the Merger Agreement or the documents referred to therein. Our opinion does not constitute a recommendation as to how any holder of shares of Company Common Stock or Company Class B Stock should vote on the Merger or any matter related thereto. In addition, you have not asked us to

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address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of shares of Company Common Stock. We express no opinion as to the price at which shares of Company Common Stock or the Merger Partner Common Units will trade at any time. Furthermore, we do not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable or to be received by any of the Company s officers, directors or employees, or any class of such persons, in connection with the Merger, whether relative to the Exchange Ratio or otherwise. Our opinion has been authorized by the Fairness Committee of Jefferies & Company, Inc.

We have been engaged by the Independent Committee to act as its financial advisor in connection with the Merger and will receive a fee for our services, a portion of which is payable upon delivery of this opinion and a significant portion of which is payable contingent upon consummation of the Merger. We also will be reimbursed for expenses incurred. The Company has agreed to indemnify us against liabilities arising out of or in connection with the services rendered and to be rendered by us under such engagement. We maintain a market in the securities of the Merger Partner, and in the ordinary course of our business, we and our affiliates may trade or hold securities of the Company or the Merger Partner and/or their respective affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold long or short positions in those securities. In addition, we may seek to, in the future, provide financial advisory and financing services to the Company, the Merger Partner or entities that are affiliated with the Company or the Merger Partner, for which we would expect to receive compensation. Except as otherwise expressly provided in our engagement letter with the Independent Committee and the Company, our opinion may not be used or referred to by the Company, or quoted or disclosed to any person in any manner, without our prior written consent.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof, the Exchange Ratio pursuant to the Merger Agreement is fair, from a financial point of view, to the Company Unaffiliated Stockholders.

Very truly yours,

/s/ JEFFERIES & COMPANY, INC.