YOUNG BROTHERS
Your Neighbor Island Partner

P.O. Box 3288
Honolulu, HI 96801-3288
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www.youngbrothershawaii.com

January 13, 2009

To Our Valued Customer:

As you may already be aware, on **December 19, 2008**, Young Brothers, Limited filed an application with the Public Utilities Commission (PUC) requesting a rate increase (see attached news release). The review of our application by the PUC and the Consumer Advocate is a very lengthy process that will take up to eight months. Once all parties involved have completed their review, the PUC will render a decision on the percentage increase for our various lines of services. This decision on our application is not expected until sometime in August. As the August time frame gets closer, we will keep you informed on the status of our application.

If you have any questions, please feel free to call our Customer Service Department at 543-9311 or call your Account Representative. Thank you for your continued patronage.

Sincerely,

/s/ Matthew J. Humphrey
Matthew J. Humphrey
Vice President and General Manager

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News Release

For Immediate Release
December 19, 2008

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Young Brothers Seeks Rate Increase in August 2009

Company May Lower Requested 17.9 Percent Increase by August 2009 and Substantially Eliminate 6.57 Percent Fuel Surcharge in March 2009

HONOLULU – Citing $90 million in investments in transportation improvements over the last three years, rising costs of doing business and reduced cargo volumes, Young Brothers, Limited announced that it filed an application with the Public Utilities Commission (PUC) earlier today requesting an average 17.9 percent rate increase effective in August 2009.

Although the company could have requested a higher increase, Young Brothers (YB), recognizing the State's economic predicament, took approximately $987,000 or about 8.6 percent off of the increase in revenue it could have requested in order to reach the requested 17.9 percent.

"Young Brothers and its customers share similar challenges with the economic recession and therefore we have decreased the return that we could have requested on our investment," said Roy Catalani, Vice President for Strategic Planning and Government Affairs. "It is important to note that this application is part of a long process to determine actual rate increases requested for August 2009 and, because of the nature of this process, Young Brothers must make projections about its revenues and expenses in our current volatile economy approximately eight months ahead of the time that rates would become effective. Developments over the course of 2009, such as an end to the current economic slide and a rebound of cargo volumes, may decrease the amount of our requested rate increase," said Catalani. "Unfortunately, such a rebound is not expected by our economics expert."

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"Young Brothers will take measures in 2009 that may also result in reductions to its requested increase. For example, it will seek community input on and PUC approval of certain sailing schedule changes to reduce costs and it will work with its parent company to apply for federal loan guarantees that may decrease the interest rates it pays on its private sector loans. In either case, if successful, any and all cost savings will be passed on to our customers."

Catalani continued that, "Young Brothers will work with the smaller neighbor island communities of Molokai and Lanai, being those without well-developed consolidation or on-island distribution systems, to reduce or limit the requested August 2009 rate increase and will also work with farmers to review the possibility of Young Brothers increasing the discount it currently provides on cargo rates for local agricultural products." Young Brothers has for many years provided and currently provides farmers a 30 percent discount on cargo rates for local agricultural products.

In addition, with respect to its current 6.57 percent fuel price adjustment (reviewed and adjusted every three months under a fuel price adjustment formula filed with the PUC), if fuel prices remain stable or close to current prices through February 2009, Young Brothers projects it will substantially reduce or even eliminate the fuel price adjustment at the next adjustment date on March 1, 2009.

These measures will be in addition to measures already taken by Young Brothers to reduce costs. For example, the design and size of its new barges, as well as upgrades to its tugs, allow YB to more efficiently deliver cargo in fewer barge sailings resulting in fuel and other operational cost savings. The successful performance of YB new barges has resulted in YB taking older vessels out of service as scheduled and thereby reducing the high maintenance costs of the older vessels.

Notwithstanding the current economic downturn, Young Brothers has been putting into place its next generation of water transportation equipment and infrastructure, developing needed additional cargo capacity to meet future demand, and enhancing customer service. In April 2006, Young Brothers announced that it was embarking on a 10-year capital reinvestment plan totaling $186 million "and we are delivering and will deliver on that commitment," said Young Brothers President Glenn Hong.

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In 2006, 2007 and 2008, Young Brothers has made capital expenditures of over $90 million to deliver three new, large flat deck barges, a roll/roll off barge, new cargo-handling equipment, a new computer system and a statewide telephone system. In the PUC filing, Young Brothers states: "The present rate increase request, if granted, will help support completed and ongoing investments in our facilities and vessels and offset both increases in operational costs and reductions in cargo volume reflecting the downturn in the economy."

These investments complement YB's collaboration with the State and the Hawaii Harbor Users Group in making major changes to inter-island cargo facilities in Honolulu and Kahului completed in 2007, with further improvements to its Honolulu and Kawaihae facilities scheduled for 2009 and an entirely new Hilo facility scheduled for completion in 2011.

Young Brothers' requested average 17.9 percent rate increase in August 2009 includes a 15 percent increase in rates for standard containers, refrigerated containers, platforms and flatracks and a ten percent increase for automobiles and roll on-roll-off cargo. An increase of 25 percent is being sought for less-than-container load (LCL) which include "G" vans, palletized and mixed cargoes (both refrigerated and dry cargoes) and the minimum charge for shipments. As noted above, Young Brothers will work with smaller communities that rely on LCL shipments to reduce or limit the amount of this requested increase. In spite of this increase to LCL rates, certain LCL lines of service have and will continue to result in net losses to Young Brothers.

Young Brothers, Limited provides inter-island cargo service throughout the State of Hawaii with ports in Honolulu, Maui, Molokai, Lanai, Hilo, Kawaihae and Nawiliwili. Visit YB at www.youngbrothershawaii.com.

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