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PRESENTATION

Operator

Good day, everyone and welcome to Alexander & Baldwin's first quarter earnings conference call. As a reminder this call is being recorded. For opening remarks and introductions, I would like to turn the call over to Mr. John Kelley, Vice President of Investor Relations.

John Kelley - *Alexander & Baldwin - VP, IR*

Thank you Cindy. Good day, everyone. This is John Kelley in Honolulu. Representing the company today are Allen Doane, President and CEO of A&B, Chris Benjamin, CFO and Vice President of A&B. After this introduction, Allen will provide an overview of the units, operating and financial performance and the outlook. Chris will then comment on financial matters, and I'll return with a quick overview of the Hawaii economy, and we'll open for questions.

In today's slides displayed on your website, please note you have the option to enlarge the slides on your screen, that may help you to see them more clearly, see some of the details on the slides. You can also print the slides, using the PDF file listed under supporting materials, and that might be helpful to record nodes. If anyone on the live call has trouble hearing, please dial star 0 and the operator will help you.

Copies of our earnings release are also available on the A&B website and there will be a replay of this conference call available on the web for one week, and I'm available to take calls later on. Please note at this time of the year Honolulu has a six-hour time difference with Eastern Standard Time. Statements in the call set forth our expectations and predictions that are based on facts and situations known to us as of today, April 29th, 2005. Actual results may differ materially due to risks and uncertainties, such as those described on page 22 of the form 10-K in our 2004 annual report, and our other subsequent filings with the SEC.

Statements in this call are not guarantees of future performance. I'd like to remind listeners of our corporate website. www.AlexanderBaldwin.com. It has very useful information about our land holding,s as well as links to a number of sources of economic information about Hawaii and to all of our subsidiaries websites.

With that, I would like to ask Allen Doane to comment on the quarter and the outlook. Allen?

Allen Doane - *Alexander & Baldwin - President, CEO*

Thank you, John. Aloha everyone. These stacked bars show our fully diluted earnings per share for the four quarters of 2004, and the just reported $0.86 in the first quarter of 2005. Given the internal forecasts that we operate our business from, we're certainly ahead of where we thought we would be, so we feel quite good about this quarter. Part of the improvement is due to higher than projected operating results, part is due to a one-time federal payment for our agricultural activity, and part is due to some real estate sales that occurred earlier in the year, than we had thought they would occur.

So we feel really good about having a 36% in increase in EPS and a 39% increase in net income, but as was indicated in the release yesterday, please note that there is a cautionary statement about extrapolating this quarter's results into growth for the full year.

The next slide shows the composition of operating profit for the first quarter of 2004 and 2005. It was a good quarter in just about every part of our business. The only area that -- from a quarter-to-quarter point of view doesn't look all that strong is property sales, and I believe that this is perhaps the second best quarterly results we've had in that -- that category, property sales in about five years. The problem is, is we're comparing it against the very best quarter that we had last year.

First quarter operating profit for ocean transportation, operating profit rose $11 million, 60% on about a 10 million, or a 5% increase in revenue. This is a little different than we normally see in the first quarter where there's quite a bit of seasonal softness. I have to say that of that $11 million increase, about 6 million of it comes from our results from SSAT, our Stevedores joint venture, and about half of that 6 million increase is the result of some adjustments from a January fiscal year end closing in that entity. But it was a good -- good quarter for SSAT, and over and above that we did have some one-time positive adjustments.

Ocean transportation volume metrics look pretty good. Container volume is up 4% on a year-over-year basis. That's quite -- quite strong. The auto volume is down by 2%. It's a fairly normal quarter. The Pasha auto carrier did complete one voyage at the end of the quarter, they reportedly carried about 2300 vehicles on that first voyage.

The yield metrics also looked fairly good. Container rates benefited from a 3.5% rate increase, a small increase in a handling charge for the terminal, and changes in the bunker fuel surcharge which you'll hear more about in a few moments. The auto rates here are the actual rates for the quarter. There was a $100 per auto increase on what we call POVs, private autos that followed a rate cut by Pasha when they introduced their service, late in the quarter, so that factor will affect our private vehicle shipments, we believe for the remainder of the year.

Fuel costs in ocean transportation, it's the source of many questions, as it should be. You can see on the left scale that our bunker costs are lower than would be the case for light crew. This is because we burn a residual fuel product that has a lower value after the best products have been taken off the top of the barrel, so to speak. Our costs are up about 10%, almost $3 per barrel. What happened in reality was, is that at the end of the quarter in March, we were paying $34 a barrel, and actually in April, we're now paying over $40 a barrel.

As a result, we did implement an increase in our fuel surcharge to 10.5% from a level of about 9.2% effective April 18th to neutralize the anticipated additional costs that we're incurring. The operating margins, as just touched on a little bit earlier at Matson are very strong. The 14.4% is not a replicable margin for the first quarter. It's about 5% higher than last year's margin of approximately 9.5%. About a third of that increase is a result of the SSAT fiscal year end adjustments, about another third relates to SSAT's strong normal operating performance, which we see continuing, and the balance of 40, 45 -- maybe 35 to 40% comes from all other factors inside the business.

Ocean transportation, bunker surcharge, we expect it and hope that it will continue to cover the added costs of the business, which have been quite significant recently. We also announced a new policy where we are going to one time a quarter preceding the end of a quarter, adjust the fuel surcharge to give our customers advance notice of what will be occurring.

We talked about the rate increase, the Pasha car carrier did enter the Hawaii service at the end of the quarter. We've announced in the quarter a decision to purchase two new vessels. Chris Benjamin will be talking more about that, even though we did have a webcast on that at the end of

February, to give you additional information about our Guam-China service. And then in the corner our primary competitor, Verizon, announced that it would be proceeding with an IPO.

Just a little bit more background on the competitive situation with autos in Hawaii. As you can see, we've got Matson in the left-hand column. Pasha in the center and Horizon on the right. Just a couple facts to give you some perspective. Matson has four ships weekly to Hawaii that do carry autos. Pasha has one ship every two weeks, and Horizon has a two times a week service.

Matson serves Hawaii from three major West Coast ports, where Pasha will serve Hawaii from San Diego only, and Horizon has a similar service to ours, in terms of having the same port locations on the West Coast. Matson has 55% of its capacity in what we call row/row, which is the most efficient way to carry autos. All of course, Pasha is an auto carrier and while they can carry other types of vehicles, primarily, they are an all row/row service, which is quite efficient and then Horizon is all autos in containers, which is the least efficient way to carry autos, so that's a little bit of the background on the competitive environment.

Ocean transportation operating profit, the outlook there, cargo demand is very good. We expect the strength in Hawaii's economy to certainly continue for the balance of 2005 based upon what we've seen. We did implement a rate increase in January, and do have a program for quarterly fuel surcharge adjustments. Our fleet operations are on schedule. We've already talked about the competitive entry of the Pasha vessel.

The highlight of the margin improvement in the quarter was our SSAT performance, and we do expect our margins to be under some pressure for the rest of the year, due primarily to competitive issues. Very quickly, logistics had a tremendous quarter, operating profit more than tripled with a 30% increase in revenue year-over- year. The operating metrics are quite positive. MIL had a 30% increase in its highway volume, and a 7% increase in its rail intermodal traffic year-over-year.

You can see that our margins have -- reached a historical peak of about 3%, which for us in this business is very positive. Again, I would caution against annualizing the first quarter results for the rest of the year at Matson intermodal, but an outstanding quarter. The outlook continues to be for good demand. Our traffic segments seem to all be growing, and we are benefiting from a small acquisition that we did at the end of 2004, and are additionally benefiting from an acquisition that actually we did at the end of 2003, which continues to grow quite nicely.

So this is a small part of Matson but one that is increasingly giving them some growth dynamics that we like. Food products, very briefly, the results there were -- were startlingly good, but principally for a $5.5 million federal relief payment that was recorded in the quarter, but over and above that, in the first quarter even though it's a slow start in the year, relative to the rest of the quarters, HC&S our sugar producing entity get off to a positive beginning, and we did produce more sugar in the first quarter than we did in the first quarter of 2004. The profit outlook, sugar prices, while -- they've increased modestly are still at a relatively low level. We do expect a small production increase this year.

Our power situation is an interesting one. We do generate revenue and income based upon selling excess power to a utility on Maui. It seems that offsets what is an embedded increase in direct and indirect fuel costs we have, to operate our equipment to buy fertilizer, and for other products that have petroleum-based costs in them. So we're really not very exposed there with higher fuel costs. And of course, we had the benefit of the one-time federal payment being recorded in the quarter.

Property leasing continues to what we -- what I like to call just hum along very good quarter, 9.5 million last year in the quarter. 10.7 million this year. That's a 13% increase in operating profit. Our outlook in this business is that it's hard to get much higher occupancies than we already have. We're at about 90% in Hawaii, and have actually gone above 95 -- about the 96th percentile in our percent in our mainland occupancy. Rates are stable.

We did accomplish what we've -- what we have done regularly over a number of years, as we continue to prune and replace our portfolio. We did sell two properties in the quarter. We expect to replace those with other properties that we hope to like even more than the ones we sold. But that represented a little more than $20 million of transaction volume that becomes sort of embedded in the process of the Company.

Our property sales area had a $19 million profit last year which was a phenomenal profit. We have a 16.5 million, which is 2.5 million decrease in operating profit on a year-over-year basis. We feel really good as I indicated earlier, about this quarter. We actually pulled forward some of the sales that we had expected to achieve later in the year, so we had very, very good results. Nothing there that would indicate any problems in the business whatsoever.

Our outlook for the full year is higher sales. Given our pull forwards, and what you'll hear momentarily about one of our projects, we expect to have a light second quarter result, and you can see last year we had a very strong second quarter that followed a first quarter in '04, and then virtually nothing in the third and fourth quarter of '04. This year it looks like we're going to have a light second quarter, and a strong third and fourth quarter, and we expect results to be favorable for the year. Our development pipeline is very active, which I will explain in more detail momentarily.

Between our last call and this one, we did make another acquisition. We've sort of had a history. It's not quite planned this way, but we seem to do about four investment acquisitions a year. And we did have one in the first quarter. This is a really good one. And it's a acquisition of a 4-acre site for $19 million. We purchased it in February. It's in an exceptionally attractive location for redevelopment in the future, and we think we've got a tenant there now. We would hope that that tenant would continue to operate. It's Daiei, a Japanese department store. And we have quite a favorable return off of the ground lease on this site, but there is excellent redevelopment potential, as well in the future.

Our on-going development projects, [Lana Kea], this is the first residential high rise, residential high-rise in Wakiki in more than a decade. 100 units. All are under binding contracts. We're expecting now that our construction will be completed in July of this year. We're running actually about two or three weeks later than we had originally thought. That's pretty good performance, all things considered, but we will start our closings in the third quarter, rather than in the second quarter.

We did have a small sale of a related parcel that we -- actually -- we subdivided and sold off a small commercial parcel, and we were able to realize about $3.75 million on doing that in the quarter. But all the residential units will close, looks like, in the third quarter.

The next project is our [Lakua] joint venture with [McNaughton Kobayashi]. 247 units. 245 are under binding contracts. Construction will be complete in December. Again, this is one of these -- we're looking at December, but it could be January sorts of situations. There's nothing -- that is occurring that represents a major scheduling problem. This is a very large -- the largest residential building in the history of the state. And all is going quite favorably with this development. So we'll let you know about exactly when we will be recording income on this project.

Wailea. We closed three bulk parcels in 2004 and January of this year. We've closed one more bulk parcel, MF-5. You can kind of see that if you've got it on -- the screen on the upper left-hand side. And we also, for your perspective, in the middle there's a parcel called MF-8. That's the parcel that's being developed as a joint venture with Armstrong Builders. It's a project we call [Kai Malo] and let me talk about that project next.

Kai Malo joint venture with Armstrong. 150 units, we've -- through an incremental process, have begun the preselling of the project. So far, 86 units have been placed on the market, and all of them have been sold on a nonbinding basis. We're now in the process of converting those nonbinding sales to binding contracts, but the market reception has been exceptionally positive, and we're now going to be rolling out Phase 3, of 4 phases next month. Construction will begin shortly and we'll give you more details about closings at a future call, but you can expect to see results there, probably at the end of 2006.

Kukui'ula Ula, it's such a beautiful picture of what is going to be a wonderful development, the project description again, it's 1,000 acres. This project is really being led by our partner DMB Associates of Scottsdale, Arizona, fully entitled, 1300 units. The big news there is the initial market presales began in April, just in the last couple weeks. We'll be in a modest infrastructure construction phase relatively soon, and we'll give you more details in the future, about when we can expect initial closings, but it looks now that it will either be in the third quarter -- as early as the third quarter of 2006.

It's a very large project. We've contributed our land to it and also our investing on a equity basis. 40% of the future of capital requirements which we now estimate to be 50 to 75 million. The real news here is the initial rollout is something that's called a Founder's program. 123 of these 1300 units, three different products. The response has certainly exceeded expectations. There are more than 300 nonbinding reservations that have been received at this stage.

The initial 123-unit product types are comprised of 35, what we call Amokka which is a -- not ocean, but mountainside homesites. One-half acre ranging from $1 million to $3.5 million. 17 cottages. Homesites, can you imagine a cottage homesite selling for 1 to 2 million? And then 71 colleges at 1.5 million to $4 million, which means there's something on the land. So it's fairly early in the process, but it's good to get positive information at this early stage.

And that concludes my report on the quarter. John? I'll turn it over to Chris Benjamin.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Thank you, Allen and Aloha to our listeners. I'm going to keep my remarks on the financial statement brief today, and then take a little time to reiterate and expand on some of the financial aspects of Matson's new Guam China service.

Starting with our balance sheets, our total assets increased $41 million during the quarter, most of this was an increase in cash of about $27 million, ahead of next month's vessel acquisition. Our investment line increased primarily as a result of strong earnings that were retained within our Stevedores joint venture. Real estate development's increased due to construction spending at Lana Kea and Kunia, and finally we accrued a withdrawal from the CCF in the quarter which resulted in a reduction in that balance.

On the liabilities side, we had a $29 million reduction in current liabilities during the quarter. It's a combination of a number of small changes including lower payables and lower current portion of long-term debt. The other notable change on the balance sheet besides our increase in shareholders' equity was a $32 million increase in deferred taxes, primarily resulting from our ability to reduce current tax liability through the use of the CTF in connection with our upcoming vessel purchase.

Turning to our debt levels, you the can see that we had a modest decrease in the quarter. Our ratio of debt to debt plus equity at quarter-end was 20%. This of course will increase in the second quarter with the vessel acquisition, and I will describe that a little bit more in a moment.

As for our cash flows, our cash balances increased, as I mentioned a moment ago by $27 million in the quarter. That was a result of continued strong operating cash flows and modest repayments of debt.

Going to our CapEx, you may have noticed that the CapEx -- on our cash flow statement was fairly modest during the quarter. This presentation shows you what we think of as our total CapEx which is -- doesn't reconcile-- it doesn't match what's on our cash flow statement, but at the bottom of the page you can see that reconciliation. Focusing on the top of the page you can see that we've only just begun our capital program for the year. We expect to deploy a total of nearly $450 million in capital into our businesses this year, and through March we had expended just $40 million of those dollars. In our January conference call, I showed a budget of $275 million for the year. This has now increased by 170 million, all of which is included in the transportation line, and is a result of the recently announced Guam China service, and the acquisition of vessels and other equipment for that service.

Year-to-date capital expenditures have been primarily within our real estate business, and have been associated with the acquisition of the Daiei property that Allen mentioned, and construction costs at several real estate developments.

I'd now like to reiterate and expand a little bit on some information that we provided in our February conference call regarding our new Guam China service. We announced at that time, that we would purchase 2 new container ships, and combine them with 3 other modern ships that are already in our Hawaii service, to form a five-ship string that will provide weekly service to Honolulu from L.A. Long Beach, then carry cargo to Guam, before going to China to pickup Eastbound cargo and returning to L.A. Long Beach.

This map shows that service route which is unique among Pacific trade routes, because it includes significant generating cargo on the three longest of its four legs. As for the investment highlights, this investment decision resolves one of our most significant strategic issues, that we had talked about at length in our prior calls. The question about how we serve Guam in the future. It also creates an exciting opportunity for us by allowing us to tap the robust Asia export trade, and finally it adds two new technologically advanced vessels to our Hawaii service, and further improves the reliability and efficiency of our fleet.

To reiterate the capital requirements, the contract price for the vessels is $144.4 million each, or $289 million in total. There are other expenses associated with supervising the completion of the ships, and taking delivery of them, and these are estimated at 26 million. In addition to acquiring the vessels, Matson will also be purchasing and leasing containers, and making modest investments in terminal equipment and information systems, in order to establish this service. These costs are estimated at about $50 million.

Significant sources of capital to pay for the new service will be deferred taxes. The capital construction fund mechanism allows us to deposit Matson pretax earnings and use them to purchase domestically built ships. Given the total vessel expense of roughly $315 million we'll be able to defer about 100 million of taxes to help provide capital for the vessels purchase. As indicated previously, we will also be borrowing a total of $210 million, 105 million for each ship. Matson has undertaken a very thorough review of its borrowing options and the market right now are very attractive, I'm not prepared to give specifics at this time because we're still in final negotiations with lenders. But I can say, that our structure is likely to be a 15-year fixed rate facility on the first vessel, Manu Lani, in order to take advantage of current interest rates, followed by a 10-year floating rate facility for the second vessel.

Turning now to the economics of the investment, we have two things going on here, as we've discussed before. One is the termination of a profitable alliance through which we serve Guam today. The other is the startup of a new service to China. Another, John, has received many inquiries about how much money we'll make in the new service, and when it will exceed the earnings of our current Guam service. We don't provide point estimates on any aspect of our future earnings nor do we breakdown our Matson earnings by trade lines, on a historic basis. Let me provide what I hope will be helpful guidance.

We believe that our Guam China service has the potential to more than replace our current Guam earnings over time. However, it is a significant service, and we will have a ramp-up period for the China leg. It's worth noting that there will not be a similar ramp-up period for the Hawaii and Guam legs, because those freight packages are solid. We expect an operating profit impact of 20 to 25 million in 2006. Directly associated with this transition as the APL alliance expires, and we start the new China service. We also will have about $12 million of new interest expense in 2006 associated with the vessel purchase. These impacts, however, reflect only the Guam China service. They don't take into account other growth that we expect to see in the Hawaii trade and our other businesses.

In 2007 and beyond, we expect this gap to narrow steadily as I said, and we expect it to eventually be more profitable than our current service. I'll come back to this topic in a moment, but first let me reiterate that we expect no operating impact in 2005, as a result of this transition. But we do expect a modest increase in interest expense, associated with buying the first ship.

Next related to the project financials, on the investment itself, we do expect for 2006, the investment will be modestly dilutive to earnings, but in 2007, we increase modest accretion, and then the earnings benefit to accelerate in subsequent years. Again, let me say that we need to reconcile this statement about modest dilution, and then near term accretion from the investment itself, with my comments about operating profit shortfalls in the near term, and you need to remember that absent this investment, we would have had no replacement for our Guam service, and the earnings generated by it. As for the financial returns from this investment, we are confident that the new China Guam service, exceeds our risk adjusted cost of capital for this type of trade.

Finally, let me conclude by going back to the question of when the service will contribute the same earnings as the present alliance. This depends on many variables, but most of all it will be determined by how fast we can fill our ships with eastbound China cargo. We'll be targeting about 1,000 containers per week, and are hopeful that we would be able to fill those ships in a short period of time. But the first success factor for us will be the quality of our service. We feel very strongly that we can offer transit times and cargo availability as strong as or better than most -- I'm sorry. As strong as any, and better than most carriers. The key to this, is that on arrival in our dedicated Long Beach terminal, which is not a large congested, multi-user terminal, our customers cargo can be off-loaded and delivered quickly. In a way, continued port congestion in southern California, could actually help us by encouraging more shippers to give Matson cargo.

We also recognize the importance of local relationships and partners in China. We are choosing our on-the-ground partners very carefully, and already have Matson people in China. Things also depend on the state of the overall market, and the overall level of rates. On that front, we've assumed in our forecast that the prevailing forecast for rate decreases with the expected influx of new large ships in the Asia trade will be realized.

However, we also are encouraged by the higher Asia U.S. rates announced recently, which we feel provide a favorable indicator for our new service. While we're not prepared to predict an influction point, as to when our new service will exceed the earnings of our old, it is important to keep in mind, that rather than a perpetual gap of 10 to $20 million in operating profit, we do believe that our new deployment has strong potential to meet and certainly exceed, the earnings generation of our current relationship with APL.

So with that let me turn it back to John who will talk a bit about the Hawaii economy.

John Kelley - *Alexander & Baldwin - VP, IR*

Thanks, Chris. At this point the two primary drivers for Hawaii's growth continue to be in good shape. The visitor industry and the very strong real estate and construction activity in the economy. Moreover, growth has spread now to nearly every other segment of the economy. By virtually all measures Hawaii is humming right now, if I can snitch a phrase from Allen.

Visitor days are a measure of -- of dwell time, of economic benefit. Those are up almost 16% in March, and almost up 12% year to date. Airline seats provide the means for visitors to get here, and they are up more than 10%, that's a domestic and international comprehensive measure. The unemployment rate in the state was 2.8% in March, almost half the U.S. rate, and nearly the lowest level in the country, and then housing remains vibrant. Oahu numbers are primarily a measure of local demand and limited supply is effecting both resales and new buildings, so units are down year-to-year but prices are still very strong. This is definitely a supply constrained market.

Two forecasting entities just released their forecast for the next two to three years. Both are presented on this slide although they are similar in trend. This table shows three important measures. Visitor arrivals, wage and salary jobs, and real personal income. Both UH and the Department of Business and Economic Development and Tourism seek continuing growth in visitors, with some deceleration.

Job growth has practical limits based on the already low unemployment rate, the high cost of living, and low in-migration, so jobs are also expected to grow, but also at a lower rate. And finally, the last series of forecasts, real income is a proxy for GDP, or gross state products, excuse me, shows good steady growth, exactly what works well in a [inaudible-background noise] community, and I'd point out that the New Hero and debit forecasts can be accessed from our corporate website.

And I think with that we'd like to open for questions. Operator, if you can remind the folks how to do that properly?

QUESTIONS AND ANSWERS

Operator

Certainly, Mr. Kelley. [OPERATOR INSTRUCTIONS] First question is from John Chappell, JP Morgan.

John Chappell - *JP Morgan - Analyst*

Good morning. Two questions, and not surprisingly both on the Matson side. The first, Chris, you gave a real good presentation on the new Guam service, but I guess up until the last two weeks, anytime anyone ever mentioned China, everyone got very excited. What's the potential of the China market? How much have you put that into the forecast for the returns on this business, and really, other than having some marketing people on the ground right now, are you are looking at gaining access to that market?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Well, to answer the first part of your question, we are as I think you know, relatively conservative in our forecasting, and we certainly took a very hard look at the China market before we chose to enter it.

Keep in mind as I mentioned earlier, we're looking to fill one ship a week with 1,000 containers, and our primary objective is to identify the pricing level at which we believe we can do that, and again, I believe we've been relatively conservative in doing so.

But we did anticipate from the shipping standpoint that capacity would increase significantly around the time that we put these ships in, and we feel very -- very positive that we will be able to fill these ships, at rates that are consistent with our pro formas, and we think the news of the last couple weeks with respect to capacity and rates in the trade, -- are very positive and make us feel even more confident there.

John Chappell - *JP Morgan - Analyst*

Okay. The second one has to do with the U.S. shipyards. Obviously once you receive -- or not obvious, but after you receive the two new ships from Kvaerner, we've heard they're switching to Jones [ACT] Product Takers. What are you seeing and what's the capacity at other shipyards, if competitors wanted to enter this market, or, if you wanted to, you know, continue to modernize your fleet.

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah, that's a good question. The -- what we do know is the Kvaerner shipyard announced a contract to construct 10 tanker vessels for a domestic operator, -- over a several year period. They tell us they have some capacity to build container ships, but we're not quite sure about what -- what that would mean.

What we do know about other shipyards in the U.S. -- and it's more hearsay than anything else, is that the amount of work that is associated, excuse me, with the military, is really keeping everyone quite -- quite busy. So it doesn't look like there's a lot -- of shipyard building capacity out there, over the next few years, that's looking to build container vessels.

John Chappell - *JP Morgan - Analyst*

Okay. And you've addressed the Pasha competitive issue. I know it's fairly early in the game, but do you have any sense on whether they're looking to add new ships to that lane as well?

Allen Doane - *Alexander & Baldwin - President, CEO*

There are no surprises there. They entered the service about when we thought they would. They have a very efficient vessel. And we will see -- what this means. You -- you have to recognize that autos -- are significant, but still a very small part of the overall business of shipping -- to Hawaii. So we don't have -- any new information other than the fact that they've made several calls to Hawaii, in the last -- last month.

John Chappell - *JP Morgan - Analyst*

Okay. Thanks, Allen and Chris.

Operator

Thank you. We'll now move to Jamelah Leddy of McAdams Wright Reagan.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Thank you. Could you maybe discus a little bit more how the congestion at Long Beach can help you? I didn't quite understand that.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

The point there is that we have a dedicated terminal in Long Beach. So that our ships do not have to queue up. We schedule them in in a manner that we can virtually immediately begin offloading cargo. So in that sense, -- if there's greater congestion in the multi-user terminals, we have the ability to get our ships in, and get them unloaded much more quickly. We also because we serve trades that are very time-sensitive, in terms of cargo, we're bringing commodities and products to Hawaii that are very time-sensitive.

The way we operate on a normal basis, is with a great customer orientation, and we take great care to get the customers cargo off the ships in a timely manner. And we believe that that same orientation with the China service as we unload on the West Coast, we can provide a superior service.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Thank you. That helped.

With respect to your normal sales efforts in China, I mean, you addressed this a little bit in your last question, but I'm just trying to get a feel for how quickly you think that you'll be able to hit the ground running, once you've put your ships into service. Sounds like one vessel a week with 1,000 containers doesn't sound like it should be that difficult -- to fill up. I mean, do you anticipate having close to 100% capacity right after the bat, or the -- ?

Allen Doane - *Alexander & Baldwin - President, CEO*

, we don't. In fact, we've -- you know, we're almost a year away from having our -- first ship get to -- it's going to be February of 2006, so we're actually about nine or ten months away from it. But we've assumed a multiyear ramp-up. In no way are we in our own projections, assuming that we're going to fill those ships right away or even in the first year.

I hope that we're being too conservative, but we've put this together. We've put our plans together in a way -- that we believe that we'll achieve above cost of capital returns using some, I think as Chris had said in his remarks, some pretty conservative assumptions and I'm not -- excuse me, -- I'm not going to go over -- the details of exactly what we're going to do when, but I can tell you -- that it's going to take us several years -- to get these -- get these ships close to being filled up.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. And then with respect to the incremental margin that you received on the shipping side of business that was a result of your venture with SSA, going forward, I guess -- I'm just trying to figure out how to think about this. I think in your opening remarks, Allen, you mentioned that of the 6 million, half was expected to be somewhat recurring, but then at some -- another point you mentioned a third of the incremental 5% increase in growth margin, so I'm wondering if I should think about it in a percentage way, or an absolute dollar, and how recurring that is and how seasonal their business is?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. Actually we're thinking about the same thing ourselves.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay.

Allen Doane - *Alexander & Baldwin - President, CEO*

The results with SSAT have been quite favorable, and in both of those comments we're trying to separate what we consider to be some more one-time effects from -- from a stronger on-going operating rate. We do think -- that embedded in our overall margin will be some improvement associated with better earnings from SSAT. I believe-- getting outside my accounting knowledge here, but I believe we record on an equity basis, our earnings and our revenue at the same level. Yeah, it's just starting so okay.

So basically, you know, when you get earnings on a venture like this, it has a pretty strong effect on your operating margins, because there's really no revenue associated with it, where the rest of the business can earn 10 to 15% margins. So you really get a leveraging effect when things go well. We're in the process -- of working with our partner -- to reforecast 2005, but -- the volumes what we've been seeing -- are pretty good.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. And you mentioned that you didn't -- if I heard correctly did not expect the rest of the year -- well, I guess you expected the rest of the year to be under pressure, due to competition, so does that imply that you expect margins to be less than they were a year ago, or I guess excluding this --

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Allen Doane - *Alexander & Baldwin - President, CEO*

You know, I can't -- I can't quite go that far to get the projections, but let me tell you what -- what I'm really saying is, that when you see the kind of performance that we had in the first quarter, I -- I'd hate to have -- that pushed forward, in terms of incremental improvement on a year-over-year basis. We just can't sustain -- sustain what we had in the first quarter. But having said that, our -- we really are -- are still optimistic for the remainder of the year in the business.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. And just one last question. And I know you don't provide forward guidance, but in your comments about being cautious about extrapolating the sales growth, I think that you said that that was because Q2 sales had been pulled forward a little bit. Again, does that imply that Q2 sales may decline year-over-year given that you had some strong sales last year in Q2?

Allen Doane - *Alexander & Baldwin - President, CEO*

You know, what -- -- that comment was -- excuse me just a minute -- end stages of a cold here. The -- what we've got is we really haven't changed our outlook for the year. It's still a positive outlook. We just -- it's a little more in the first quarter than we thought we would, and now we can see we're going to do a little less -- we're not going to do much in the second quarter, but it looks like all of what we're not going to do in the second quarter is going to come in the third quarter, so I would not read anything negative at all -- in the comment that was made.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. Great. Thank you very much. Congratulations I'll let someone else have some time.

Operator

Thank you we'll now move on to Nicolas Aberle, Caris & Co.

Nicholas Aberle - *Caris & Co. - Analyst*

How's it going, guys?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Hello.

Nicholas Aberle - *Caris & Co. - Analyst*

A couple of questions here. Just wanted to hop back on the Pasha subject. In the press during the quarter talking about prices coming down and how you guys and Horizon lines also matched the price cuts, I was just wondering if you guys could confirm that, and talk about potential scope for pricing decreases for the remainder of the year?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. They came in at a price level for private vehicles which represents about 15% of the market. At a rate that was $100, or a little less than 10% below what had been the prevailing rate. That rate was matched -- that lower rate was matched by both Matson and then Horizon. So that's -- that's what's happened.

The remainder of the market operates on a different basis of a matter of contracts that -- of a deal with some very significant volumes of manufacturers and rental car companies have, and I would not be in a position to -- to talk about -- about any of those -- for pretty obvious competitive reasons.

Nicholas Aberle - *Caris & Co. - Analyst*

Maybe -- I mean, you could -- could you just briefly comment on how the contracts are structured, are they -- do they have a timeframe on them, or are they open to be switched at any time?

Allen Doane - *Alexander & Baldwin - President, CEO*

They do have timeframes, yes. And I -- I can state because it's been publicly reported by Pasha that they do have one contract, that's with Chrysler and it's for their westbound vehicle shipments only. They also are shipping Hondas as well, which is a much smaller number of vehicles from the mainland U.S.

Nicholas Aberle - *Caris & Co. - Analyst*

Got you. And the next question was with respect to logistics revenues. They were down sequentially, and actually at the lowest levels over the last couple of quarters, although the margins were strong. Anything going on there? Is it more of a seasonal effect?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes. It -- it's definitely more of a seasonal effect. The first quarter is -- in this business a low quarter. The third and the fourth quarter are both -- are both quite -- quite strong quarters.

Nicholas Aberle - *Caris & Co. - Analyst*

Okay. Property sales, talked about you know, after your fiscal '04 ended about how property sales would potentially be a little bit more linear on a go forward basis. Right off the bat we've had Q1 look like it's going to have a lion's share of the first half property sales, is this something that may be an anomaly, is this something you're trying to address going forward, or is it something that's impossible to try to deal with?

Allen Doane - *Alexander & Baldwin - President, CEO*

That's a good question. It's going to be more linear but the nature of this business, you cannot -- you cannot forecast with any degree of certainty, whether something's going to happen on June 20th, or whether it's going to happen on July 4th. So small changes in project schedules which really have essentially nothing to do with the overall economics of an investment, have a tendency to get booked in one quarter versus another.

Some people call it lumpy, but when you're getting high IRRs on your project and it's got a couple weeks, or a month or so-- of a change in your timing, it really -- is a pretty small matter. You know, it's just a part of being in the business we're in. We're pretty good at figuring out the year. And we got a fair sense of where the quarters are, but you know, we -- if we can do more sales in the first quarter, we're not going to delay them to the second quarter, so we -- you know, we have more normalization.

We're going to get them when we can and if in the second quarter we have a -- we can't rush forward and spend a lot more money to complete a project to book something at the end of June, if two weeks later it would normally occur anyway, so it's really the nature of the business. You really want to be concerned when you start falling off -- the edge in terms of major project delays, or major changes in market circumstances. Those are the things that you really want to be concerned about, and that's what we're concerned about.

Nicholas Aberle - *Caris & Co. - Analyst*

So at the end of the day, over the last couple of years you guys have switched to more of a development-type strategy on the property sales side, so that's going to contribute to more linear sales going forward, but at the end of the day, I mean, it's -- this business is inherently volatile. Is that a fair statement?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes. It's a fair statement. It's volatile is -- it's cyclical, and there is -- the ability to normalize development activity in any one quarter is not that great.

Nicholas Aberle - *Caris & Co. - Analyst*

Okay. Last question. Kukui'ula talking about marketing efforts kicking off for that project, any way you can disclose who you guys are using for your marketing, or are you guys doing that yourself?

Allen Doane - *Alexander & Baldwin - President, CEO*

Excuse me. The-- it's DMB and a -- and an organization that DMB has used in many of its projects, that's actually doing the initial marketing. We can give you separate from this call information on who that is, but essentially, what's happening is that we're also using the internal DMB market -- marketing group to assist in doing this, so we're getting a lot of support from the multitude of other DMB projects on the mainland, to make commitments and investments in Hawaii.

Nicholas Aberle - *Caris & Co. - Analyst*

Perfect. Nice quarter, guys.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thank you.

Operator

Thank you. We' now move to Justin Hughes of Philadelphia financial. Sorry. Just one moment. Pardon me. We're going to take Tom Spiro of Spiro Capital first, and then we'll move back.

Tom Spiro - *Spiro Capital - Analyst*

This is Tom Spiro of Spiro Capital. Aloha. Congratulations on such a strong start to the year. Very impressive.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thank you.

Tom Spiro - *Spiro Capital - Analyst*

I had several questions. I'll start with the real estate segment. Could you give us an update on [Mona Lani]?

Allen Doane - *Alexander & Baldwin - President, CEO*

On -- oh the project on the big island, Kai Lani?

Tom Spiro - *Spiro Capital - Analyst*

Yes.

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. We expect there that we're still in the design phase, but we think that we'll be in a position to have a groundbreaking there before the end of this year. We have a partner in Brookfield Homes, so we're looking at doing something in the neighborhood of about 137 units that are going to be adjacent to the golf course in the area. I was just there about two weeks ago, Tom. Great site. And it will be our first substantial project on the big island, and it looks like -- at this stage, it looks like a good one.

Tom Spiro - *Spiro Capital - Analyst*

Great. I know there are a number of real estate projects with respect to what you're seeking variances of one form or another. Any developments in that area?

Allen Doane - *Alexander & Baldwin - President, CEO*

Variances, no, but we're going through an entitlement process in a number of different areas,-- and there really isn't anything material to report in this quarter. It's just the normal course of permitting and entitlement activity for the Company.

Tom Spiro - *Spiro Capital - Analyst*

Okay. On the subject of the Guam China trade, I had a couple of questions. One, Chris you mentioned the cost of capital. The product is justified on a cost of capital basis. Do you -- do you include some significant risk premium for this particular project, when you do your evaluation?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

We -- we did, Tom. We addressed that in two ways. One is, of course, with the cash flows that we project for the project itself that are -- that are conservative in nature and risk adjusted, and then we also use a cost of capital that included a beta that was reflective of the risks inherent in the international shipping trades.

Tom Spiro - *Spiro Capital - Analyst*

Oh, that's great. And in the -- sort of the large universe of Matson customers, now take advantage of the Hawaii service, are there some customers who might take advantage of the new China service, and have you talked to them on a preliminary basis?

Allen Doane - *Alexander & Baldwin - President, CEO*

The answer is yes, without being all that specific, but Matson will have an ability -- to work with some of its existing relationships, a number of its existing relationships, to provide services from China, where it already provides services to Hawaii.

Tom Spiro - *Spiro Capital - Analyst*

That's great. On the food side, I wondered, Allen, if we're still expecting in this fiscal year for our tons produced to exceed those of last year?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes, we are, but it's early, Tom. [laughter]

Tom Spiro - *Spiro Capital - Analyst*

And you mentioned briefly that the pricing has improved slightly. How much is under contract and at what price versus last year?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Tom, right now, we have in sugar prices have been fairly low for quite a while. They've recovered a bit recently. We have just under 50% of our anticipated crop priced for this year, and while we are above our expectations, we're still in a range that is by historic standards, is relatively low, just under $0.21 a pound.

Tom Spiro - *Spiro Capital - Analyst*

Is that approximately the same as last year or more or less?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

I think it's pretty close. Tom, I don't recall exactly where we ended up last year. But the significant portion of last year's crop that was priced at about $0.205. We did a little bit better early in the year, but I think we came in right around where we are now to this year.

Tom Spiro - *Spiro Capital - Analyst*

That's great. Just to go back to real estate for a moment, I know you mentioned on some earlier calls that you're looking for a third to major project. A third multi-year project to go with the two in hand. I know you're not going to talk about anything specific here, but is the environment conducive to finding that opportunity?

Allen Doane - *Alexander & Baldwin - President, CEO*

It's an environment where we're still confident there are opportunities.

Tom Spiro - *Spiro Capital - Analyst*

Do you expect that third leg to be in Hawaii or on the mainland?

Allen Doane - *Alexander & Baldwin - President, CEO*

I would expect it to be in Hawaii.

Tom Spiro - *Spiro Capital - Analyst*

Well, that's great. Thanks so much.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Thanks, Tom.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thank you, Tom.

Operator

Thank you and my apologies we will go back to Justin Hughes of Philadelphia Financial.

Justin Hughes - *Philadelphia Financial - Analyst*

Good morning. Actually I have to say afternoon now. Just a couple of questions on Kukui'ula. You got deposits on 123 units, indications for 300 you said earlier, does that change your plans on when you're going to release the next phase? Because I think initially you were planning to sell these -- or to get deposits on these 123 between now and July.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Yes.

Allen Doane - *Alexander & Baldwin - President, CEO*

At that stage I don't think the plans have changed at all.

Justin Hughes - *Philadelphia Financial - Analyst*

Okay. Do you know, when will the next phase be taking indications or deposits?

Allen Doane - *Alexander & Baldwin - President, CEO*

We're just going to have to, you kind of do this on a linear basis, every stage depends on where you are with the one before, and we'll be -- we're going to be meeting with our partners, to decide how to deal with this good news.

Justin Hughes - *Philadelphia Financial - Analyst*

And what do you expect the average selling price to be on these first 123?

Allen Doane - *Alexander & Baldwin - President, CEO*

Well, let me give you -- let me go back and give you if range. I can't give you the average right now, but I'm going to give you the range of these again, Justin.

Justin Hughes - *Philadelphia Financial - Analyst*

Okay. Just one moment. Let me get my --

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

The overall span is about 1 million to 4 million but it varies among the three products.

Justin Hughes - *Philadelphia Financial - Analyst*

1 to 4 million?

Allen Doane - *Alexander & Baldwin - President, CEO*

Let me, if you have the slides, if you have them, but --

Justin Hughes - *Philadelphia Financial - Analyst*

That's okay. I can get it off the slides.

Allen Doane - *Alexander & Baldwin - President, CEO*

The lots are -- the lots are 1 to 3.5 million, and the homes are -- they're cottages excuse me. Cottages are 1.5 to 4 million. Okay.

Justin Hughes - *Philadelphia Financial - Analyst*

Do you -- do you think those will be moving up on the second phase?

Allen Doane - *Alexander & Baldwin - President, CEO*

You know what? It will depend, because this is -- a pretty big project. This represents a little less than 10% of the overall unit count, and there are some parts of the project, that are not as valuable. Don't have quite as good of views, are more dense, and then there are other parts that are extraordinary. So we have not introduced what I would call the most extraordinary of the -- of the homesites, nor have we introduced some of -- the lower end places that -- that still have pretty high price tags.

Justin Hughes - *Philadelphia Financial - Analyst*

Okay. And then switching to the shipping side, I know we talked about this quite a bit on the SSA contribution but did we ever get an exact dollar amount that the fiscal year and closing adjustments added?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes, we did. And the total is a little more than -- than $3 million of the $6 million that's associated with the improvement at SSAT.

Justin Hughes - *Philadelphia Financial - Analyst*

Okay. And assuming you know you attributed part of that to higher international volumes, if volumes continue to increase is there any cap on how much your equity interests could be?

Allen Doane - *Alexander & Baldwin - President, CEO*

It's a percentage of the total, so --

Justin Hughes - *Philadelphia Financial - Analyst*

Okay.

Allen Doane - *Alexander & Baldwin - President, CEO*

So there's no cap on the percentage amounts. It's just a percentage of what the overall total is.

Justin Hughes - *Philadelphia Financial - Analyst*

Okay. Good. And then last question. It's my understanding that you've also added a new auto manufacturer to your shipping business. How close has that come to replacing Chrysler?

Allen Doane - *Alexander & Baldwin - President, CEO*

Oh, it's -- it comes more than halfway.

Justin Hughes - *Philadelphia Financial - Analyst*

More than halfway?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. I hate to sound evasive isn't quite the right word but maybe it is, because it -- it's just a little difficult when you realize lots of people are on the telephone line, to start talking about competitive issues over a webcast.

Justin Hughes - *Philadelphia Financial - Analyst*

Uh-huh. I know it's a kind of question you can't put an exact number on but that's -- that's close enough. Thank you. It's a very good quarter and I hope you're able to beat that cough soon, Allen.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thanks.

Operator

Thank you. We'll now move on to Rob [Mayton] of [Schneider] Capital.

Rob Mayton - *Schneider Capital - Analyst*

Hi, guys.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Hey, Rob.

Rob Mayton - *Schneider Capital - Analyst*

I just had a couple more questions on Kukui'ula. It looks like you've got a quarter acre and half acre sites here. I'm just trying to figure out of the -- of the 1,000 acres, how much of that is actually, you know, sold as residential lots or units. Is it -- if I kind of take, you know, maybe a third of an acre as average, I'd get maybe 300 or 400 acres and the rest, I guess is kind of common space, and golf courses and stuff like that? Is that about right?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. You've got about -- something in the neighborhood of about 60%, which is directly convertible to -- to ownership, and then -- you've got common areas, golf courses, margins on when you enter, all the landscaping and all of that, but I'd have to go back and look at the exact number, but I think it's something in that range, if it's materially different than that, we'll let you know.

Rob Mayton - *Schneider Capital - Analyst*

Okay. So 60% would suggest closer to half an acre average, so are there some -- are there some bigger plats, some of the more desirable ones that you were talking about too?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes.

Rob Mayton - *Schneider Capital - Analyst*

Okay. And I think you said in your prepared remarks -- the location of -- I'm trying to get a better understanding -- of the lots that you did sell, or took reservations on, there was a pretty wide range of prices there, and you said this -- these are kind of more on the mountainside, but what would -- what would be the differentiator in this area for, you know, 1million versus 3.5 million?

Allen Doane - *Alexander & Baldwin - President, CEO*

It would be views, it would be the size of the lot which does vary, it would be topography, whether all of the -- all of the land on the lot is usable or not.

Rob Mayton - *Schneider Capital - Analyst*

Okay. But none of these are down, you know right on the ocean?

Allen Doane - *Alexander & Baldwin - President, CEO*

No.

Rob Mayton - *Schneider Capital - Analyst*

Okay.

Allen Doane - *Alexander & Baldwin - President, CEO*

We don't actually -- to be honest we really don't have any ocean. We have ocean view, but we don't have any ocean front.

Rob Mayton - *Schneider Capital - Analyst*

Front?

Allen Doane - *Alexander & Baldwin - President, CEO*

Properties here.

Rob Mayton - *Schneider Capital - Analyst*

Okay. And the -- the cottages, are those on quarter acre size lots, similar to the cottage sites that you're selling?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yeah. Those are -- those are about that size.

Rob Mayton - *Schneider Capital - Analyst*

-- but these are individual units, not any of the multi-unit stuff that you've talked about?

Allen Doane - *Alexander & Baldwin - President, CEO*

Yes.

Rob Mayton - *Schneider Capital - Analyst*

Okay. And I guess -- I guess that's all I had. Thanks a lot.

Allen Doane - *Alexander & Baldwin - President, CEO*

Were you looking to purchase one of these?

Rob Mayton - *Schneider Capital - Analyst*

Well, I wanted to get in on that first phase but I guess I'm not in the Founders Club.

Allen Doane - *Alexander & Baldwin - President, CEO*

I guess a lot of people do. Yeah, you know, it's actually really early in the process. We've just -- we -- DMB has launched it just in the last couple weeks, we need to go back -- and sit down now and kind of assess what this all means. It certainly is good news.

Rob Mayton - *Schneider Capital - Analyst*

Okay. Thanks a lot.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thanks, Rob.

Operator

Thank you. [OPERATOR INSTRUCTIONS] We will take a follow-up question from Tom Spiro of Spiro Capital.

Tom Spiro - *Spiro Capital - Analyst*

All right. Anything new in the ethanol area?

Allen Doane - *Alexander & Baldwin - President, CEO*

Ethanol?

Tom Spiro - *Spiro Capital - Analyst*

Yes.

Allen Doane - *Alexander & Baldwin - President, CEO*

No. Not much new. We have a -- a contract to sell our molasses to a venture and the venture is going through a permitting process, but given what is not happening versus what is happening it looks like the process -- is not going ahead very quickly.

Tom Spiro - *Spiro Capital - Analyst*

And that's -- last question. Just to return to Matson for a moment Allen, you said in your comments at one point, that the margins might be under some pressure. Apart from whatever impact Pasha may have in the balance of the year, am I right in thinking that the unit volumes, containers should be up, pricing is up, and at least through the first quarter, the SSAT contribution also is up? Are there any other factors we need to be thinking about?

Allen Doane - *Alexander & Baldwin - President, CEO*

Well, you also need to take into account that the price increase is implemented at the beginning of the year, and then you've got cost increases that occurred throughout the year. So that's -- that's a fairly normal pattern. You've got labor -- and a number of other costs that will increase through the year, while you are implementing in January, your price increases.

Tom Spiro - *Spiro Capital - Analyst*

I don't mean to fence with you but I guess there's also the question of the congestion of last year, the ninth ship you needed -- all those sorts of things that hit in Q4.

Allen Doane - *Alexander & Baldwin - President, CEO*

That's right, Tom. In -- in this business, nothing goes -- goes right for very long. I mean, there's always some issue somewhere, -- and you just have to be prepared that there can be these operational -- operational problems.

Tom Spiro - *Spiro Capital - Analyst*

Thank you.

Operator

Thank you. We'll now take a question from Alex Barron of JMP Securities.

Alex Barron - *JMP Secutities - Analyst*

Yes. Thank you very much. I wanted to ask you about Ho Kua. I know you said it could straddle the fence between '05 and '06, but is that something that you expect to, if you've already sold most of it, is that something you would expect to book pretty much all in one quarter, or would it be spread out over several quarters?

Allen Doane - *Alexander & Baldwin - President, CEO*

We will -- sorry, Alex. Thanks for the question. We would only recognize the revenue as we close the units, so if for example the project construction completed in mid to late December, there is a chance that we would close only a portion of those units, and we would only recognize the revenue for those units that actually -- the sales that actually closed.

Alex Barron - *JMP Secutities - Analyst*

Okay. Because I thought you said you had pretty much sold all of them.

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

Well, they are sold under binding contracts but it's the actual closing of the actual -- of the sales process, that can't happen until construction is complete, that determines when you book the revenue, and the process of closing is not an instantaneous process for the entire building. It happens on a one-by-one basis and they can happen relatively quickly but depending on when construction is completed, that goes back to Allen's comment that it could straddle us in.

Alex Barron - *JMP Secutities - Analyst*

Now, is that a function of physical construction that isn't complete in the building all at one time, or is that more a function of when people get their mortgage?

Chris Benjamin - *Alexander & Baldwin - CFO, VP*

In terms of the closings?

Alex Barron - *JMP Secutities - Analyst*

Yes.

Allen Doane - *Alexander & Baldwin - President, CEO*

No. There's -- there really are two"s aspects of it as we understand it. One is just the physical completion of the building and the other is is when it's complete, how -- how fast can you process the closings?

Alex Barron - *JMP Secutities - Analyst*

Okay. And then on the Kai Malu project in Wailea, I think you mentioned something about the timing of when you expect to start closings there, but I missed it if it was late '06 or mid '06 or when --?

Allen Doane - *Alexander & Baldwin - President, CEO*

It's sometime -- we're not sure yet, but some time probably third or fourth quarter of '06.

Alex Barron - *JMP Secutities - Analyst*

Okay. And you expect that would run through the end of '07 roughly?

Allen Doane - *Alexander & Baldwin - President, CEO*

It will run into '07, yes.

Alex Barron - *JMP Secutities - Analyst*

Okay. Great. Thank you.

Operator

Thank you and gentlemen it appears we have to no further questions at this time. I'd like to turn the call back over to Mr. Kelley for any closing remarks.

John Kelley - *Alexander & Baldwin - VP, IR*

Thank you, everyone, for participating. We appreciate your time and interest. Aloha.

Operator

Thank you. This will conclude our conference. We'd like to thank you again for your participation and have a great day.
