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CORPORATE PARTICIPANTS

Kevin Halloran *Alexander & Baldwin - VP, Corp. Devel., IR*

Allen Doane *Alexander & Baldwin - President, CEO*

Chris Benjamin *Alexander & Baldwin - CFO*

CONFERENCE CALL PARTICIPANTS

Jonathan Chappell *JPMorgan - Analyst*

Jonathan Habermann *Goldman Sachs - Analyst*

Brendan Reynolds *Wachovia - Analyst*

Doug Wake *First Investors - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2007 Alexander & Baldwin earnings conference call. (OPERATOR INSTRUCTIONS) As a reminder, ladies and gentlemen, this conference is being recorded. I would now like to turn the presentation over to your host for today's conference, Vice President, Corporate Development and Investor Relations, Mr. Kevin Halloran, please proceed, sir.

Kevin Halloran - *Alexander & Baldwin - VP, Corp. Devel., IR*

Thank you. Before diving in, I should note that statements in this call that set forth expectations or predictions are based on facts and situations that are known to others as of today, April 30, 2007. Actual results may differ materially due to risks and uncertainties such as those described on pages 16 through 22 of the Form 10K and our 2006 annual report and our other subsequent filings with the SEC. Statements in this call are not guarantees of future performance. I would also note that slides from this presentation are available for download at our website at www.Alexanderbaldwin.Com. You will see an icon in the upper left hand corner of the homepage that will direct you to the slides.

Good day, everyone, and welcome. We will report the first quarter results for Alexander & Baldwin which I can say were solid and portend a strong 2007 for us. Joining me today in Honolulu are Allen Doane, Chairman and CEO; and Chris Benjamin, Senior Vice President, Chief Financial Officer and Treasurer. After we have concluded the formal portion of the presentation, we will take your questions. I will now turn the call over to Allen.

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

Good morning, and good afternoon, everyone. First thing I'd like to do is to congratulate Kevin, who was promoted to Vice President of Alexander & Baldwin last week, so congratulations again, Kevin.

Kevin Halloran - *Alexander & Baldwin - VP, Corp. Devel., IR*

Thank you, Allen.

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

Before talking about financial results of the quarter, let me summarize several highlights that relate more to the future than to the past quarter. It is most noteworthy that we celebrated a year of service in the China market. That first voyage back to the U.S. was a lonely one with a vessel about

25% utilized despite months of pre-sale work. The story this year is very different with our ships sailing at close to 90% of theoretical capacity. Matson and Matson Integrated Logistics have announced new product extensions that leverage Matson's strong performance in the China trade in emerging MIL capabilities and transloading. More on these premium services later, but it's a strategic step forward.

There was really little of note in the quarter in Real Estate , which was in line with our expectations for the quarter. Our existing developments are making progress both in sales and in construction activity. High occupancy rates in our commercial portfolio are being sustained while our long existing strategy of 1031 property replacements continues. And I must note that just last week, our Board approved a 16% increase in our dividend following an 11% bump last year. These increases demonstrate our financial strength and more importantly, demonstrate our commitment for sustained dividend growth.

With that, let me provide a high level summary of the quarterly results. MIL, also known as logistic services and Real Estate leasing both had excellent quarters with double digit increases in operating profit as we had anticipated. The remaining three business segments had solid quarters, again as anticipated. On a year to year basis our earnings per share did lag 2006 but to use the same word for the third time, it was anticipated. The timing of Real Estate sales which can move the needle significantly quarter to quarter was the principle reason for the year to year shortfall as we had all units in our Hokua luxury condominium joint venture close in the first quarter of 2006. And as we regularly state, our benchmarks are annual in this business segment.

Before discussing segment performance, let's spend a few minutes on how we're growing A&B. New ways and new places isn't just a slogan. It's a commitment to profitable growth. As a backdrop, here is Matson's existing shipping network with the addition of China in the last year. By the way, we are the one and only U.S. shipping company with service from China.

To repeat, our ships are close to full returning to Long Beach from Ningbo and Shanghai. Matson is very deep in the annual contract cycle which establishes pricing for more than 50% of market volume. It's too early to describe the results although the nominal starting date for these contracts is May 1. For Matson, still new in the international shipping market, growth in container rates is a long term objective.

At the same time, we are improving our inland and container repositioning cost structure. Matson will begin offering a premium service product from China in May. Again, over an extended period, it should be helpful to our rate structure. What is interesting is the operating synergy between Matson's shipping business and MIL's non-asset based rail and trucking network. We're in the early stages of identifying ways to capitalize on this synergy. New ways and new places for our transportation business.

A separate but related growth initiative was the formation in April of a new subsidiary. An early stage third party logistics business, Matson Global for short. Today it has one employee, a highly experienced executive who just joined the Company. We will be marshalling our shipping, logistics, and Real Estate expertise to support the launch. Our initial focus will be in California, a good place to start, and certainly a key link in the Asia to U.S. supply chain.

As the next slide demonstrates, we are a novel company with experience in both logistics and Real Estate, a rare combination that may offer future opportunities. To expand on Real Estate for a moment, we have long experienced outside Hawaii with existing commercial properties but we have only recently taken small steps into development. We are careful and we work with partners who we trust and who know local market conditions when we venture outside of Hawaii. We have invested in development projects in recent years in Valencia, California and a few months ago in Bakersfield. We are of the opinion that good entry point investment opportunities may be available in the next 6 to 18 months in California both commercial and residential. If we invest outside Hawaii, it will be the same careful approach used in the past, but we won't go crazy. We know our strengths and our limitations, and we'll be looking for those few investments that fall outside the scope of major developers. Our focus is expected to be on the "Third California," less populated areas offering growth opportunities outside the major urban corridors of Los Angeles and San Francisco. With that let me turn it over to Chris Benjamin, our CFO, who will provide more detail on our operating performance and outlook and will also comment on financial matters.

Chris Benjamin - *Alexander & Baldwin - CFO*

Thanks, Allen, and hello to everybody that's listening. Before I talk about the operating unit performance and outlooks I should note that some of the operating metric slides that we typically present have been moved to an appendix section at the end of the slide show in order to speed up the call. I'll reference them as appropriate but we won't walk through them individually.

Ocean Transportation operating profit for the first quarter was $500,000 higher than the same period last year, or $3.8 million higher if we exclude the 2006 non-recurring gain from the sale of two obsolete vessels. The improvement was driven primarily by the growing volumes in the China service that Allen referenced earlier, and favorable yields in the Hawaii service. China service levels continue to impress our customers and they draw shippers to the service. The Hawaii container and auto yield improvements have been partially offset by lower volumes in that trade, most notably in the auto segment where lower retail and fleet sales have led to a 28% drop in shipments for the quarter. This is almost entirely a market effect with very little competitive influence.

As we've noted before, the contribution of these cars on the margin is limited due to the high handling costs, so the profit impact of this auto reduction was nominal. Container volume reductions were primarily in the lower margin construction material segment, where barge operators made some modest competitive inroads. Overall, operating margins for the Ocean Transportation segment of 8.1% were ahead of last years when you account for the sale of the surplus vessels.

Looking forward for Ocean Transportation, we continue to forecast respectable but more modest full year earnings growth than recent years. China growth will be an important driver especially as we work to increase margins. Hawaii is expected so stay at or near the high levels of recent years, but in anticipation of a slowing economy, Matson continues with a number of efficiency and capacity management initiatives.

The logistics segment once again produced solid growth in earnings up 19% despite lower volumes and revenue. Operating margins hit 5.4% for the quarter thanks to various margin and yield improvement efforts. As has been noted, MIL which is assisting Matson with the delivery of its Asian originated inland cargo as well as the repositioning of China containers Westward is benefiting from these additional loads. While there's a lot of activity at MIL related to the recently announced J. B. Hunt partnership and the formation of Matson Global, most of the benefits of these new initiatives will be longer term in nature. Nonetheless we are forecasting strong year-over-year growth for MIL in 2007.

The Real Estate leasing segment produced robust growth in the first quarter versus prior year, even after backing out of $1.7 million benefit from non-recurring items, growth was 10%. About half of this was fueled by new additions to the portfolio, while higher rents and continued high occupancies also contributed. For the balance of the 2007 we see a very positive market environment which should support rent and occupancy levels producing favorable growth, though I would point out the first quarter shouldn't be extrapolated to the full year due to the impact of the non-recurring items.

The Real Estate sales segment performed well in the quarter and in line with our expectations. As Allen noted, quarterly comparison are difficult and this one is particularly difficult because of the high level of first quarter 2006 property sales and JV earnings. Nonetheless, we completed the installment sale of a parcel on Kauai in the first quarter, and our Kai Malu joint venture at Wailea closed 16 units in the quarter. As importantly, sales are progressing at our other developments including Keola Lai, Kukui 'ula, Port Allen and Ka Milo and are doing so at attractive prices. We're very pleased that while absorption has slowed, prices have stayed strong for sometime suggesting that our markets are not over valued. Kevin will comment further on this in a moment. Our construction progress also is favorable.

This is a new slide and it supplements the pipeline timing chart that we have shown regularly for the past several quarters. You'll see that we have six projects at which sales have commenced and one more where construction is under way. I think this chart demonstrates not only how full our pipeline is but just how diverse it is. Just a reminder that Keola Lai will be complete in early 2008 and we expect to close most of those units in the first half of next year.

Allen is going to comment in a moment on our full year expectations for the Real Estate group as a whole, but suffice it to say that Kai Malu and other property sales should drive a very strong year for A&B properties. As we noted before, our 2007 residential sales are largely under binding contracts so we're confident in our outlook. It should be noted that the timing of sales in the Real Estate segment as has been noted is a bit episodic.

Kai Malu closed and should be fairly consistent throughout the year but other sales are a little bit difficult to predict. My sense is earnings will be a little bit back end loaded so as you adjust your modeling efforts you may want to keep that in mind.

Our Agribusiness segment had a reduction in earnings in the first quarter but actually got off to a better start than in 2006. From an operations standpoint that is. With higher production, however, comes higher standard cost recognition and this dampened profitability, along with the cost of repairs to a dam on Kauai. For the full year, it's early to have a firm outlook since production is a significant driver of profitability but at this point we're forecasting modest profitability for the balance of 2007. I certainly wouldn't suggest that you extrapolate the first quarter. Longer term, we're very optimistic about the value that we can create from our steadily expanding specialty sugar operation.

Moving now to a few financial matters. On Slide 28, I'd like to note that we're taking incremental steps to enhance the level of financial disclosures provided to our investors. Our businesses have evolved and grown to the point where additional information can assist investors in understanding the value of our business segments. In particular, we've had dramatic growth in the size and value of both our commercial property portfolio and the MIL business, and have a growing number of joint ventures including SSAT, a stevedorian joint venture. Our recently filed 10-K for 2006 contained additional financial disclosure on our JV investments. On pages 65 and 66.

Today, we will be filing an 8-K that includes expanded information on the assets, capital additions and depreciation of our operating segments. For the first time breaking out the logistics and leasing segments. And we're in the process of evaluating ways that we can provide additional useful information related to both our Real Estate leasing and development segments. I expect that we will be doing so later this year.

Moving to cash flows. Operating cash flows for the first quarter remain strong with the year-over-year reduction attributable to the non- recurrence of the Hokua condominium sales. Note that capital expenditures as defined by GAAP are down due to the first quarter 2006 investments made in the China start up, but as you'll see on the next slide, CapEx as we measure it internally was $56 million, including acquisition capital, construction at our development projects, and the reinvestment of 1031 funds. Our capital outlook for 2007 remains over $300 million of spending as shown on the slide.

And finally let me conclude with some comments on our capital structure. Our balance sheet remains very healthy with debt-to-capital steady at 30% for the quarter. This puts us in a good position to fund investments and we have several that we're evaluating. Our balance sheet and our confidence in our earnings trajectory enabled our Board to approve the largest percentage increase in our dividend in over 20 years, the 16% increase as Allen noted and of course we will continue to evaluate share repurchases to find the right time and the right price to make an investment in the Company. This has been and will continue to be an important tool for us. With that, I'd like to hand it off to Kevin.

Kevin Halloran - *Alexander & Baldwin - VP, Corp. Devel., IR*

Thank you, Chris. Very solid quarter there. I'm pleased to report on the economic and market outlook, and as you will note on Slide 33, the Hawaii economy continues to grow and its core underlying fundamentals continue to be stable. We are seeing some positive signals emerge such as revised upward forecasts for payroll job growth and real personal income. In addition, while the forecast for visit arrivals has been adjusted downward slightly from when we last reported, the unemployment forecast continues to be favorable and we have a current rate at a low 2.6%. Taken together, these metrics portray an economy on solid ground.

On the commercial Real Estate front, we haven't seen any weakness. In fact, the very tight office market is now at unprecedented strength as evidenced by the very low, I'm sorry, very low vacancy rate seen in the past quarter. In addition, with occupancy levels at 98% for both industrial and retail space, we expect that rental rates will continue to improve throughout the year. This certainly bodes well for our income portfolio in Hawaii , not only to sustain its high occupancy levels but to gradually increase its rent base over time.

On the residential side, we reported last quarter that we surmised that we had entered a plateau, and the new numbers certainly bear this out. While we can expect a drop in the volume of single family home sales for the year, we do not foresee a softening in prices. We do expect variability from island to island and of course, between the type of residential products we offer. I spoke about a plateau, and these next two slides, 36 & 37 illustrate the point very clearly. It is hard to note at this point whether the recent uptick in sales prices for single family homes reflect new market momentum or simply reflect a difference in the type of homes being sold. What we do know with certainty is that the nature of the Hawaii single family home market continues to be supply constrained, and this underlying foundation provides us encouragement moving forward.

The surge in condominium sales prices particularly on Maui and Kauai reflects the sale of newer condominiums in the marketplace, including some of our own. These new properties that have come online recently are priced higher than the median and may explain the pricing strength. While we can't say that we will return to the growth patterns of the years leading up to 2006, we do feel confident in this asset class and of course in this marketplace. With that, I will turn the call back over to Allen who will wrap up with his outlook for the year. After that, we will certainly be pleased to take your calls.

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

Thanks, Kevin. I want to close with a few comments about our direction and what we expect for the rest of the year. There is no denying that it is tougher to make money in our businesses this year than it has been over the last several years, but I feel good about what we will achieve this year and the ground work we're laying for future growth. It is worth noting that each of our business segments is forecast to show earnings growth for the full year. Our Real Estate business, despite a slower pace in the housing market is showing its resilience. I remain confident in our ability to achieve the 13 to 15% rate of growth that we have been targeting and achieving for the past several years. In transportation, the 5 to 8% growth forecast is slightly below our long term goal but consistent with a moderating economic environment, and our Agribusiness segment will show modest growth but continues to provide important benefits to A&B. With that, I'll turn it over to the operator for your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Our first question will come from the line of Jonathan Chappell of JPMorgan. Please proceed. Thank you.

Jonathan Chappell - *JPMorgan - Analyst*

Good morning, guys.

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

Good morning, Jonathan.

Jonathan Chappell - *JPMorgan - Analyst*

First question on the Matson side. You did give a little bit of color, Chris, on the volumes and how especially in autos it wasn't really competitive driven. How much of the auto volume decline had to do with the fact that you have some vessels undergoing conversion right now and how much of it is just weakness in the market overall?

Chris Benjamin - *Alexander & Baldwin - CFO*

Jonathan, that's an easy one to answer. None of it had to do with capacity issues. We carry every car that we need to carry and we'll just do it through lift on lift off if we don't have sufficient ro-ro capacity so that doesn't affect our volumes at all.

Jonathan Chappell - *JPMorgan - Analyst*

When the Conrail come back from conversion do you expect the auto volume situation to improve?

Chris Benjamin - *Alexander & Baldwin - CFO*

There's no connection between the two. Obviously, our operating costs will improve with more ro-ro capacity but as I said before, I don't think there's any correlation between how we're carrying the cars and the volumes.

Jonathan Chappell - *JPMorgan - Analyst*

Okay.

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

Yes, with a high level of assurance, we can tell you that most of it above 80% of the variance is strictly market driven. Principally the rental car fleets.

Jonathan Chappell - *JPMorgan - Analyst*

Any news other than what we're reading in the press about the Conrail conversions in China and some peoples complaints about that situation?

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

Well, what we know is the Mokihana is on its way back now and is going to be reaching Long Beach pretty soon and then will be leaving to go to Mobile, Alabama to finish its conversion work.

Jonathan Chappell - *JPMorgan - Analyst*

Yes.

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

Other than that, we really don't have any other updates.

Jonathan Chappell - *JPMorgan - Analyst*

Okay. And then one last thing. Congratulations first of all on getting the presentation down like that, but there's also not as much detail on the Real Estate side so if I can just ask for a quick update on Kukui' ula and the sales process there.

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

Sure. We have gotten a couple comments, John, that people wanted us to kind of shorten up the front, so because I don't think everybody wants to stay on the line that long, so we tried to make a change this quarter to see if it would work.

Jonathan Chappell - *JPMorgan - Analyst*

I applaud it.

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

At Kukui 'ula, we had 17 closing in fourth quarter of last year, those were our last closing. We've had so far year-to-date and if you give me a minute I'll figure out the quarter, but year-to-date, we've had 19 closing as of the end of last week, so so far, we've got 36 closing and prices are holding up, so I think that things are going probably as well as we could expect in a little bit more challenging market. I think we believe that sales are going to pick up and the market will improve and particularly as we get closer to completing our resort infrastructure, I think our sales activity will begin to accelerate more, so construction is making good progress. We're continuing to sell product and just stepping back for a minute, you just got to remember, this is a ten year plus project, and it's clear that in a project of this length you're going to go through one or two market cycles and that's what we're in now.

Jonathan Chappell - *JPMorgan - Analyst*

Okay. I'm sure others will have follow-ups, but thank you very much Allen and Chris.

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

Thanks, John.

Operator

Our next question will come from the line of Jonathan Habermann of Goldman Sachs.

Jonathan Habermann - *Goldman Sachs - Analyst*

Just a quick question. The land sale, I guess agri related, what was that specifically?

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

Oh, that was a sale that we had of a bulk parcel in Kauai,

Jonathan Habermann - *Goldman Sachs - Analyst*

Do you have anymore anticipated land sales or is that just anything else similar to that or is that just a one-time thing?

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

That was a one-time thing, but we do periodically sell land on Kauai and on Maui so it's kind of programmed and it's part of our plan where we monetize land that is not urbanized.

Jonathan Habermann - *Goldman Sachs - Analyst*

Okay. And then I guess back to Kevin's comments and even yours Allen, in terms of the economy being relatively stable at this point, Real Estate being solid, I guess just what will eventually sort of get earnings growth back up again at Matson? I'm just wondering as you're sort of seeing competitive pressures as well as pricing pressures there?

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

Well, yes. I think that earnings growth is not bad at Matson, so I guess what we've got is we've got a more what we call a moderating economic environment which is not all that different than what the remaining 49 states are experiencing right now, and what we are experiencing, however, is a little more rapid of a contraction in the construction with housing materials as sales have gone down, so that's probably had the biggest impact, I would think, and I think we're going to get to a stabilization point at some time in the not too distant future and then we'll start to see the return to positive growth, but what we've had is what is very similar to what's happened in other markets. We've had a fairly rapid contraction in Real Estate construction and that impact has actually been felt at Matson with construction materials, so those trends may continue for awhile, but at some point it will stabilize. Chris?

Chris Benjamin - *Alexander & Baldwin - CFO*

Yes. I think that's a couple other things I guess I would mention , first of all one of the things I think we've talked a lot about of course is the growth in the logistics side and that, but on the Ocean Transportation side, I think there are any number of things that could help us. The contraction in auto shipments has been dramatic and it's really been as the rental car companies have stopped turning over cars and at some point, they've got to start turning those cars again and I think we would hope and anticipate that some of the volume picks back up there.

I think obviously the construction pace and the overall economy are big drivers but if we can get some of the auto volumes back and then obviously the connections that we're forming between the logistics business and the shipping business I think are certainly our primary focus right now for Matson growth, but I think there could be growth in our core markets and we've talked before about Guam as well. The volumes to Guam as the military moves get closer and infrastructure and housing development and the like take place in Guam, I think that could be a nice driver as

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

And excuse me, that's just worth reemphasizing that as we see somewhat stable markets in our core areas, part of what we're doing and part of what we're emphasizing is finding new products, new revenue sources for the Company.

Jonathan Habermann - *Goldman Sachs - Analyst*

Sure.

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

So that's also a significant part of our future outlook.

Jonathan Habermann - *Goldman Sachs - Analyst*

Just one last one, on the departure of the truck brokerage agency, can you just provide a little commentary there? Has that since been rectified?

Chris Benjamin - *Alexander & Baldwin - CFO*

Yes. That was a situation where a truck brokerage agent that worked with Matson Integrated Logistics was acquired by another Company so we lost that book of business, however we have been able to retain a lot of the business through relationships with other agents and we've actually as you know of course year-over-year our earnings increased so we've more than offset that loss, but with respect to that particular book of business, we've recaptured a significant portion but not all of it.

Jonathan Habermann - *Goldman Sachs - Analyst*

Okay, thank you very much, guys.

Chris Benjamin - *Alexander & Baldwin - CFO*

Thank you.

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

Thank you.

Operator

(OPERATOR INSTRUCTIONS) Our next question will come from the line of Chris Haley of Wachovia Securities. Please proceed.

Unidentified Participant

Hi, good morning, guys, it's Brendan Reynolds, Chris. Just following up on the Matson conversation or more specifically just for the Ocean Transportation, you guys kind of affirmed your '07 outlook. I think that overall for Matson, was up 5 to 8%, I think if I recall the ocean transport you expected kind of low to mid single digit growth maybe 3 to 4%. It seems like you're getting headwinds in terms of year-over-year just with respect to the Hawaii volumes being down, pressure on the auto side, and last year, you had a good ramp up in growth with the China line so I'm wondering what gives you guys the confidence that you will get that growth, because it seems like year to year you're getting from headwinds.

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

Well, we're going to be actually continuing to show some good volume numbers in China, so that's going to be a favorable factor. I think that on the Hawaii side, it's clear that we're in a mode where if our growth isn't as high as it's been we're going to have to be pretty effective in managing our costs so we're working hard in that area as well. So I'd say those are a couple of drivers. There are other elements involved in it, but right now, we haven't seen anything at all that's particularly inconsistent with the plans that we had when we started the year.

Brendan Reynolds - *Wachovia - Analyst*

Allen, maybe if you could just follow-up on the cost side, comparing '07 to '06, do you think that you're equal, ahead of game or maybe a little bit behind?

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

On the cost side?

Brendan Reynolds - *Wachovia - Analyst*

Yes

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

We're pretty much on track so far.

Brendan Reynolds - *Wachovia - Analyst*

And then on the Real Estate side, I'm talking about you mentioned just potential commercial and residential opportunities in California, it sounds like it's a longer term initiative. Would that be more of just a continuation of your 1031 exchange program or is that sort of increasing the pie in terms of your commercial Real Estate holding?

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

That's a good question. It's actually the latter. It's increasing the pie rather than a 1031. What we've done is we've been had some very good experience to date on joint venture investments in ground up development, and some fringe areas outside of Los Angeles, so we announced Bakersfield development several months ago. We're doing quite well in Valencia, and the point of the comments a little bit earlier were that we're looking at several other potential developments, even residential development where we have a partner or we would be a partner, so we think that conditions are improving for us to have entry points in several investments.

Chris Benjamin - *Alexander & Baldwin - CFO*

And Brendan, if I could just jump in for one second, I think part of your question was are we going to be putting new non-1031 money into our commercial portfolio and the answer to that would be no. These would be development projects that Allen's talking about. We would probably continue our practice of putting primarily 1031 money into the commercial portfolio and only supplementing it as needed on individual properties to round out an investment.

Brendan Reynolds - *Wachovia - Analyst*

In terms of funding these potential activities, it sounds like it's largely going through JV structures so Chris when you talk about that target leverage in the mid 30s to 40%, is that inclusive of your portion of JV debt or should we strip that out when we're thinking about your leverage target?

Chris Benjamin - *Alexander & Baldwin - CFO*

That 30% does not include any figure, any value for the JV debt so that's all separate.

Brendan Reynolds - *Wachovia - Analyst*

Okay. Thanks.

Operator

(OPERATOR INSTRUCTIONS) Our next question will come from the line of [Doug Wake] of First Investors. Please proceed.

Doug Wake - *First Investors - Analyst*

Hello?

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

Hello.

Doug Wake - *First Investors - Analyst*

Yes. Sorry, I was reentering a question, I don't know if they got me. Can you guys talk a little bit more about the guaranteed service, with the partnership with JB Hunt, maybe some of the risks involved, how you are going to manage that and what kind of pricing you think you'll get there?

Chris Benjamin - *Alexander & Baldwin - CFO*

Sure. I'd be happy to. Two different services, one is a guaranteed ocean service that Matson has announced. The second one is a partnership with JB Hunt. Let me talk about the first one which is really just a time based guarantee. We've had such success in operating the service from the West Coast to, I'm sorry, from China to the West Coast that we feel there's a market there, although it's unproven at this point because this hasn't been offered before, but we think there's a market there for a guaranteed service that will commit to getting cargo from Shanghai to Long Beach in a fixed number of days.

The way that will work is basically, pricing will be discounted if the guarantee is not met, and so as far as managing the risks, the risks of that especially given our very high service levels are relatively modest. The second service that we announced is a partnership with JB Hunt where we will take 40' ocean containers across the ocean and then transship them or basically unload them and then load them into 53' containers that JB Hunt would then take over the road to inland destinations. And what it provides is I'm sorry, it provides economies of scale because rather than having the 40' containers going I think I said over the road, it should be rail. I apologize. Rather than having 40' containers going, you've got the economies of scale of transshipping into the 53's. That also is a new service and something that we will be kicking off very shortly, and as far as our expectations for both of them, I think we're being cautious about projecting volumes because they are a bit new and unproven, but we feel very good about the way we're leveraging the fast service that we have with these two products, because it allows our customers to benefit in a door to door solution not just port to port solution.

Doug Wake - *First Investors - Analyst*

So the transloading then, is there going to be a time guarantee there as well or how is that going to work?

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

Yes, there is. There's definitely a time guarantee on the transloading to inland destinations.

Doug Wake - *First Investors - Analyst*

So then a customer can want to go and buy something from Shanghai and have it delivered out to Chicago could use both services together, both with a time guarantee and then basically know when they are going to get their products and I guess my concern is you have a typhoon or something out in the Pacific and your cargo is delayed and you get kind of screwed on both ends.

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

That could happen. So far, we've been pretty good at meeting our schedules, so it's all about probability and we think the probability is quite high that we'll be able to make this an economic proposition.

Chris Benjamin - *Alexander & Baldwin - CFO*

I think it's also worth pointing out that if we have a problem like that and don't meet the guarantee, the cargo doesn't travel free. It travels at a discounted rate so we mitigate the risk in that way.

Doug Wake - *First Investors - Analyst*

Thank you very much.

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

Thank you.

Operator

(OPERATOR INSTRUCTIONS) Our next question is a follow-up from the line of Chris Haley of Wachovia Securities. Please proceed.

Brendan Reynolds - *Wachovia - Analyst*

Hi. Allen, Chris, and Stan, I seem to recall from last quarter that there was some comments made regarding the residential business, and the availability that you had on your for sale properties that the backlog or level of LOI's or a level of confidence that you had for the 2007 year for residential sales was very good or you had a high level of commitments with the expected activity during the 2007 year. Could you give us kind of an update in terms of where things are in terms of projects that you plan to make available or have on the market today and for this year?

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

Yes, Chris, Stan isn't on the call, and basically, what we said before and what we continue to say is that the primary profit drivers for '07 which would be our Kai Malu project on Maui, a few other Wailea sales, and some typical portfolio sale activity are all in a state of either committment, they are in a binding committment level those that haven't closed year-to-date, so we still have a high level of confidence in the delivering the sales numbers that we thought we would at the beginning of the year.

Brendan Reynolds - *Wachovia - Analyst*

Okay. That's helpful. If you could also maybe provide some color in terms of how your activities are matching those on the continent from residential developers in terms of of pushing out projects, timetables of projects, can you kind of give us a sense as to what you are doing today with regard to the market environment that has changed over the last 12 months?

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

Yes, I guess think are kind of several elements to it. On the commercial side, there really hasn't been a lot of change, frankly. Conditions are very very stable and strong. We're taking the opportunity as we have in the past to continue to reshuffle our portfolio, so the commercial side has not changed in any material sense. We're finding it a little more difficult but certainly not impossible to reinvest in good commercial properties, and that's something that's consistent with what we see going on elsewhere.

On the residential side, we have, we're in a situation where we look like we've got a fairly stable pricing environment in Hawaii. Sales velocity is down. We have on existing projects very careful about modulating our investment on new activities at the present time. I think kind of the big issue for us is when is the environment going to be good for us to go in and to buy again, and we are seeing only a few selective buy opportunities in terms of good Real Estate development investments but overall, we're in not a bad place in the cycle. Our capital investment on the projects that we've started is continuing and we're feeling pretty good about our prospects so there have been, there hasn't been kind of what you would see as sort of the wrenching changes that have occurred on home builders. Just hasn't happened with us. We're pretty selective in what we do. Kukui 'ula has been the one area where we've had the, I think the biggest slowdown and even there the prospects are still favorable.

Chris Benjamin - *Alexander & Baldwin - CFO*

I guess I would just add that really, we haven't changed our approach at all. We always have an approach of phasing projects, moving forward with phases as we get sufficient binding sales contracts. Obviously on a high rise condominium like Keola La'i you can't stage it or do it in phases but there as you well know, we had a significant number of binding contracts before we ever began construction, so I would say that while maybe at Kai Malu we are on the first phase and maybe we originally we thought we would be further than that, a couple areas where maybe the sales activity is slowing down hasn't changed our approach. We've always been disciplined about the way we go about it and we're moving full steam ahead on construction at Kukui 'ula for the reasons that Allen cited earlier. It's easier to sell a product when the infrastructure is in place, so I'd say, in Wailea we're moving ahead quite nicely, so I'd say that the discipline is still there. Pace maybe a little bit slower but we haven't fundamentally changed the approach.

Brendan Reynolds - *Wachovia - Analyst*

Thank you. Very helpful.

Chris Benjamin - *Alexander & Baldwin - CFO*

Thanks, Chris. (OPERATOR INSTRUCTIONS)

Operator

Thank you very much. Oh, I'm sorry. Ladies and gentlemen, this concludes the question and answer portion of today's conference. I will turn it back to management for any closing remarks. Sir?

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

No, we have none. Kevin, you'll be available for any follow-up questions?

Kevin Halloran - *Alexander & Baldwin - VP, Corp. Devel., IR*

Sure.

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

We'll look forward to hearing from you. Thanks a lot, everybody.

Kevin Halloran - *Alexander & Baldwin - VP, Corp. Devel., IR*

Thanks very much. Have a great day.

Operator

Thank you for your participation, ladies and gentlemen. You may now disconnect. Have a wonderful day.