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ALEX - Q4 2011 Alexander & Baldwin Earnings Conference Call

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OVERVIEW:

ALEX reported full-year 2011 adjusted net income, excluding impact of losses from operations and shutdown of discontinued CLX2 service, of $74m or $1.77 per share. 4Q11 adjusted net income, excluding impact of losses from operations and shutdown of discontinued CLX2 service, was $5m.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth quarter and full-year 2011 Alexander & Baldwin earnings conference call. My name is Jeremy, and I will be your operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session.

(Operator Instructions).

I would now like to turn the conference over to your host for today, Ms. Suzy Hollinger, Director of Investor Relations. Please proceed, ma'am.

Suzy Hollinger - *Alexander and Baldwin Inc - Director,IR*

Thank you, Jeremy. Aloha, and welcome to Alexander & Baldwin's fourth quarter and full-year 2011 earnings call. On the call with me today are Stan Kuriyama, A&B's President and CEO; Joel Wine, A&B's CFO; Matt Cox, President of Matson Navigation Company; and Chris Benjamin, President of A&B Land Group. Before we commence, please note that statements in this call and presentation that set forth expectations or predictions are based on facts and situations that are known to us as of today, February 13, 2012. Actual results may differ materially due to risks and uncertainties such as those described on pages 17 through 25 of our 2010 Form 10-K, and our other subsequent filings with the SEC. Statements in this call and presentation are not guarantees of future performance, and we do not undertake any obligation to update our forward-looking statements.

Management will be referring to non-GAAP financial measures when discussing results for the quarter and year. In particular, we will be referring to non-GAAP net income, diluted earnings per share, and Ocean Transportation operating profit, that exclude the impact of losses from the operation and shutdown of our discontinued CLX2 service. Included in the appendix of today's slide presentation is a reconciliation of the GAAP to non-GAAP financial measures, a statement regarding our use of these measures, and additional SEC required information. Slides from this presentation are available for your download at our website, www.alexanderbaldwin.com. This slide provides you an agenda for our presentation, after which we will take your questions. We will start with Stan, who will comment on the year.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

Good afternoon, everyone, and thank you for joining our call today. 2011 was a challenging and atypical year for the Company, with mixed results across our various lines of business, and the announcement of a major milestone in the Company's history. At Matson, we saw volume increases in our core Hawaii trade lane, due to a strong improvement in Hawaii tourism, as well as increases in Guam due to Horizon Line's exit from the trade. However, overcapacity, and lower rates in Transpacific trade significantly suppressed our earnings in our China services, resulting in the eventual discontinuation of CLX2. It was a difficult year for the Transpacific carriers, with nearly all companies incurring heavy losses in 2011. We remained fortunate, that even under these adverse conditions, the double head haul and premium service of our CLX1 strength, allows it to be one of the few profitable lines in the Transpacific trade.

In Real Estate, our commercial portfolio produced a nice double digit year-over-year improvement in operating profit, despite a still soft national economy. We made the long-term strategic decision in 2011 to refocus our commercial portfolio back to Hawaii over time. Accordingly, the pace of sales from our commercial portfolio was, and will increasingly be, dictated by the ability to locate acquisition opportunities in Hawaii. As a result, we saw far fewer large sales from our commercial portfolio in 2011 than in prior years. In addition, offshore demand for Hawaii resort residential product remained weak, resulting in fewer development and property sales than were expected when we started the year. Importantly, however, we continued to make good progress in expanding and positioning our pipeline of development projects in Hawaii for eventual market recovery.

Finally, our Agribusiness division, led by HC&S, had a banner year, and we expect strong performance to continue in 2012. Joel, Matt, and Chris will provide you with more detail on 2011, and our outlook for the coming year.

The major news last year, of course, was our announcement in December to separate Alexander & Baldwin into stand-alone publicly-traded land and transportation companies. We firmly believe that shareholders will benefit from the greater focus, alignment and transparency separation will bring. As you will hear from Joel, we are on track with our regulatory filings, and are currently targeting a third-quarter separation date.

Turning briefly to Hawaii's economy, tourism continues to be a real bright spot for the state. Tourism expenditures in 2011 were $12.5 billion, nearly matching the record $12.6 billion expended in 2007. When you consider that 2007 was followed by the recessionary years of 2008 and 2009, the strength and rapidity of tourism's rebound is a real testament to the industry's resiliency. Tourism was the primary reason Hawaii's unemployment rate averaged 6.3% in 2011, compared to the national average of 9%. More rapid economic recovery, however, will depend on the return of construction, which has yet to recover in any meaningful way. This has not escaped the notice of our elected officials and a few weeks ago, the State Senate proposed spending and expediting the permitting for $500 million of shovel-ready construction projects. Additional slides on the Hawaii economy are included in the appendix to this presentation. Let me now turn it over to Joel, who will walk you through our financial performance, and provide an update on separation.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Thanks, Stan. As Suzy mentioned, we will be discussing our results today on an adjusted basis, excluding the effects of losses related to the operation and shutdown of CLX2, which we discontinued in the third quarter of 2011. As an update, we continue to be on track with previous guidance on CLX2 shutdown costs. Adjusted net income for the year was $74 million or $1.77 per share, down from last year's result of $104 million or $2.51 per share. Adjusted fourth-quarter net income was $5 million, compared to $31 million last year. These declines resulted from three primary factors, the impact of weak Transpacific market conditions on CLX1 and SSAT, reduced commercial property sales which comprised the majority of 2010 Real Estate Sales, and a $6 million non-cash reduction in the carrying value of our Waiawa joint venture. Partially offsetting these declines for the year were $4 million of improved leasing results, and $16 million of higher Agribusiness results.

This next slide details operating profit by line of business for the year, and more clearly illustrates these impacts on the year-over-year performance of our Ocean Transportation and Real Estate Sales segments, as well as the improvements in Leasing and Agribusiness.

On slide 10, the year-over-year performance decline was reflected in lower operating cash flows which were $86 million in 2011, compared to $150 million last year.

Capital expenditures were $151 million in 2011, including $39 million of 1031 exchanges. In 2012, we anticipate spending approximately $195 million. In transportation, $15 million is allocated for undesignated growth opportunities, with the balance for replacement or maintenance needs. In Real Estate, we have earmarked $30 million for undesignated growth investments, and $60 million for our development projects, primarily at our Maui Business Park II and Waihonua business projects. In the Agribusiness other line, $15 million of the $25 million total is for the planned construction of the Port Allen solar facility, net of federal and state renewable energy tax credits. As in prior years, these budgeted figures are subject to change based on investment opportunities, market conditions and other factors.

On slide 12 is our condensed balance sheet. We ended the year with $2.5 billion of total assets, and $1.1 billion of equity. Leverage remains low, at 33% debt to debt plus equity. Our available borrowing capacity at year-end remains strong at $283 million.

Before turning the presentation over to Matt, let me give an update on our planned separation. We have determined that our preferred method of structuring the separation is by way of the creation of a new holding company parent, which will require merging the new parent with a wholly-owned subsidiary. This structure will allow us to affect the spin more efficiently than our other options. And will also allow for amendments to our charter to help ensure continued compliance with the US citizen requirements under the Jones Act. An 8-K will be filed today detailing these plans. Under Hawaiian law, the holding company merger requires shareholder approval. Therefore we will be seeking this approval as part of our upcoming annual meeting. However, it is important to note that a separation is not conditioned in any way on the merger vote. And if we do not achieve the necessary approval, other structural alternatives will be used to effect the separation.

As Stan mentioned, we are currently targeting a third-quarter separation. But this timing will be dependent on the timing of a number of future events, including the receipt of an IRS ruling on the tax-free nature of the spin, the request of which will be submitted this week; the SEC declaring an S-4 registration statement relating to the merger which we expect to file with the SEC shortly, and subsequent shareholder approval of the merger; and the SEC declaring effective, a Form 10, for the new A&B entity to be spun off. We plan to file the Form 10 in late March or early April. With that update, I will turn the presentation over to Matt, who will discuss Transportation performance.

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Thanks, Joel. Ocean Transportation adjusted operating profit for Matson was $81 million in 2011, compared to $119 million for the prior year. For the quarter, improved performance in Guam was more than offset by the poor conditions in the China trade that affected CLX1 performance, and the impact on Hawaii container volume of one less week recorded in the quarter compared to last year.

Now let me cover each trade lane in more detail. Overcapacity in the Transpacific continue to suppress freight rates, causing a significant decline in both quarter and year-over-year performance. Lower SSAT Transpacific lift volume, at the six terminals the joint venture operates also resulted in lower SSAT earnings in the quarter and for the year. However, relative to other carriers in the Transpacific, our CLX1 service performed well, maintaining profitability in a year when most market conditions caused most of the carriers to incur large losses. Our volumes remained healthy throughout the year, experiencing a 13% upswing in the fourth quarter compared to last year, reflecting an improved supply/demand dynamic for expedited service in the trade. Freight rates in 2012 will be dictated by the international carrier's ability to manage capacity, and the strength of the US economy. At this time, while we expect full or near full utilization of our CLX1 vessels, we are anticipating that freight rates will remain at about the same level we saw in 2011.

In Hawaii, utilization for the quarter remained high, above 90%, and container volumes were below last quarter's, only because of the extra week in 2010. Absent the extra week, volumes would have been slightly up for the quarter. In 2012, we expect stable performance for the Hawaii trade lane, due to continuing strength projected for Hawaii tourism. More meaningful growth in this trade is predicated on growth in the Hawaii construction sector, which has yet to materialize.

In Guam, declines in overall market demand, and a change in Horizon's sailing schedule suppressed Matson's volumes for most of the year. However, Horizon's termination of its Guam service in mid-November resulted in a 28% increase in the fourth quarter volume, which helped full-year volume end the year on par with 2010. While we expect to continue to benefit from Horizon's exit for some portion of 2012, ultimately our market share for the year will turn on the timing of a new entrant into the market, and the dynamics of their service in relation to market needs. Recently, the President announced a reduction in the number of Marines to be relocated from Okinawa to Guam, and rotating the balance of the troops to several bases in the Pacific, including Hawaii. While this plan, if adopted, will obviously reduce the scale of the Guam buildup, it will have the overall benefit of providing a more certain and orderly transition from Okinawa to Guam, and provide an impetus for moving ahead with the long-awaited Guam infrastructure projects.

Matson Logistics reported a small loss in the fourth quarter, resulting in a year-over-year decline in operating profit of approximately $2 million. Lower warehousing results and highway volumes impacted performance for the quarter and for the full year. In 2012, Logistics will focus on customer retention and expansion of our West Coast warehouse facilities, which I fully expect will result in a year-over-year improvement in our financial performance. And with that, now let me ask Chris to update you on Real Estate and Agribusiness.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Thanks, Matt. I'm happy to report that operating profit in the Real Estate Leasing segment for the full-year improved by 11% over 2010, primarily due to the reinvestment of 1031 funds, and a 7 percentage point increase in Mainland occupancy, which jumped from 85% in 2010 to 92% in 2011. Fourth-quarter operating profit also was up, thanks to a 6% increase in Mainland occupancy. For 2012, we expect both Mainland and Hawaii rents and occupancy to remain stable, and while quarter-to-quarter variability will occur, we anticipate modest full-year improvement in Leasing performance.

While we were pleased with the momentum in the Leasing segment, Real Estate Sales performance was down in 2011. An $11 million operating loss in the fourth quarter was driven primarily by a $6 million non-cash reduction in the carrying value of our Waiawa joint venture investment. After continued challenges in trying to move this development forward, including extremely high infrastructure costs, we made the decision to dissolve our partnership. Also contributing to the quarter loss was the fact that property sales did not cover normal operating expenses for the sale segment, largely due to the timing of sales. Absent the joint venture charge, we earned $22 million in Real Estate Sales in 2011, down from $50 million in 2010. The principal driver of this decline was a reduction in commercial property sales, due to a strategic shift in our approach to monetizing assets, and an intent to refocus our commercial portfolio back to Hawaii over time. With development sales still relatively modest, and other property sales difficult to forecast, we are not in a position now to provide an earnings outlook for 2012.

Although 2011 was a challenging year from a financial performance perspective, we enter 2012 with renewed optimism regarding our ability to create value through the growth and enhancement of our development pipeline. Throughout the economic downturn, we have endeavored to move our development projects forward with minimal capital deployment, through the planning and entitlement phases. Now, we're taking the next step in cautiously deploying modest amounts of capital to position a variety of these projects for marketing and construction, in anticipation of a market recovery. As an example, we commenced presales at our Waihonua condominium near the Ala Moana Shopping Center in Honolulu in December, and we are encouraged by the positive response we are seeing. 190 of the 340 units have been reserved under non-binding contracts, and we expect to begin converting reservations to binding contracts in March. Consistent with our typical capital discipline, a decision to commence construction, and the timing of that construction, will depend on achieving a satisfactory level of binding presales.

Turning to another development, all of the off-site work has been completed at our 179-acre Maui Business Park II project in Central Maui, and on-site work is underway. I am pleased to report that in January, we closed our first sale within the project, a 4-acre lot sale to Costco. While the sale is closed and we've received the cash, recognition of the gain is deferred for book purposes until later in 2012, when the improvements to this site have been completed.

On our last call, we discussed the October and November sales of 2 cottages at Kukui'ula. In January, a third cottage was sold, and I'm happy to report that we have just received a deposit on a fourth. While it's true that within the scope of a development like Kukui'ula, these are modest numbers, I can't overstate the importance of the positive momentum we are starting to build, which is further reflected in the activity levels of the project, and the increased traffic at our sales center.

Maintaining and building on this momentum will require a steady stream of built product at the project, and we're working closely with various third-party developers to catalyze additional vertical construction. Meanwhile, the accolades for Kukui'ula just keep coming, including recognition from Golf Magazine for our golf course, at its best new private course of the year. The course also was highlighted by Links magazine in its Best New Courses of 2011 issue, by the Robb Report and other publications.

While we continue to develop -- continue to move these development pipeline projects forward, we also continue to look for new real estate investments that we can add to our pipeline. We recently entered into two transactions reflective of our targeted Oahu development focus. The first is the acquisition of a development site within the Gateway at Mililani Mauka Shopping Center complex in central Oahu, upon which we plan to build a 28,000 square-foot retail center to complement the existing fully leased 6,000 square-foot multi-tenant retail building that we acquired on the same site. The center is well-located, and is the only retail shopping center in the new Mililani Mauka community, which is home to 20,000 residents.

We also recently entered into an option agreement to purchase a 3-acre fully-zoned high-rise condominium site, in close proximity to downtown Honolulu. This is another great example of how we're positioning ourselves with limited upfront capital outlay, to benefit from what we see as an emerging recovery and demand for well-located, high-quality residential product in Hawaii. So if there is a theme to our real estate story at this time, it's cautious optimism. We are not expecting an earnings surge in 2012, but we are prudently and cost-effectively positioning ourselves with a number of development projects that we think will bear fruit over the next few years.

That concludes the Real Estate discussion, and now I will turn to Agribusiness. As Stan mentioned, Agribusiness performed extremely well in the fourth quarter and for the year. The improvement in performance resulted from increased sugar production, and higher sugar and power margins. We were especially pleased with the yield performance at HC&S, where average yield exceeded 12 tons of sugar per acre for the first time since 2003, well on their way back to their long-term average of 12.4 tons of sugar per acre. We also executed two important transactions on Kauai in 2011, the sale of the assets of Kauai Coffee to Massimo Zanetti Beverage in late March, and the signing of an agreement with a local utility company for our development of a 6-megawatt solar farm.

These initiatives are part of a larger strategy to de-risk and enhance the earnings of our Agribusiness segment, by capturing predictable revenue streams independent of commodity price fluctuations. We can never remove all the risk from a farming operation, but we believe we have created a relatively stable and positive earnings stream for the near-term. And, continue to look for even further enhancements over the longer term. For 2012, we continue to expect strong performance, based on a forecasted improvement in yields, and on sugar prices that have been locked in for a large portion of the crop. That concludes our operational updates. Let me turn the call back to Stan for closing remarks.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

Thank you, Chris. I would like to wrap up with a recap of the 2012 outlook for the Company. As you know, we do not give specific EPS guidance, but I can say that our expectation is for improved financial performance from all of our business segments. In Ocean Transportation, we expect stable performance in the Hawaii trade lane, due to continued strong tourism performance. However, meaningful growth in the Hawaii trade is predicated on growth in the Hawaii construction sector, which has yet to recover. In the Transpacific, we expect to run our CLX1 ships at or near full capacity, but freight rates are expected to remain at about the same levels that we saw in 2011. Improved performance in Guam is projected, due to Horizon Line's exit from the trade, although at some point in the year, we expect a second carrier to enter the market. In Logistics, we will focus on customer retention, expansion at our warehouse facilities, and organic growth in our intermodal and highway businesses, and expect modest overall financial improvement.

In Real Estate Leasing, we expect both Mainland and Hawaii rents and occupancy to remain stable. And, while quarter-to-quarter variability will occur, we expect modest full-year improvement in this segment as well. Real Estate Sales are opportunistic and episodic by nature, and therefore always difficult to predict. As mentioned, we have begun to implement our long-term strategy of repositioning our commercial portfolio for greater Hawaii concentration. And, we expect to continue to make good progress on expanding and positioning our development pipeline for market recovery. And finally, as you just heard from Chris, Agribusiness is expected to continue to perform well, based on forecasted sugar production, and pricing that has already been locked in for over half of the 2012 crop.

Despite our mixed financial performance in 2011, the Company remains strong. We have highly valuable assets, a strong balance sheet, and unique franchises and competitive strengths. Our businesses are built and positioned for improved financial performance, as the Hawaii and national economies and real estate markets recover. 2012 will be a historic year for the Company. And it will be important to maintain our focus on our daily operations, while ensuring a successful separation into two strong, independent businesses later in the year. That concludes our formal remarks this afternoon. And we would now welcome your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Our first question comes from Sheila McGrath with KBW. Please proceed.

Sheila McGrath - *Keefe, Bruyette & Woods - Analyst*

Yes. Good afternoon. First on Transportation, the Transpacific trade lane you continue to cite weakness here, dragging results. Based on 2011 rates in this trade lane, when do you think comparisons will become easier on this, as we progress through 2012?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Hi, Sheila. This is Matt, and I will answer that question. I think there are a couple of factors I think that will drive the Transpacific rate environment. The first is, the carrier capacity, and in that regard, it is the number of ships that are on order, and of that amount which of the ships will be deployed into the Transpacific trade versus other trades. And then secondly, of course, is end demand. And that is a function of US retail sales and other things that drive the Transpacific demand market. And I think over time, the supply and demand of vessels or the capacity will be most predominant factor. And if you look at the fundamentals, our expectation is that rates will remain muted through 2012, and we expect to see some improvement beginning in 2013. But I would say, as a note of kind of cautious optimism, we did note that the Transpacific stabilization agreement has announced some rate increases, which if effective would -- could provide a boost to earnings. But it really depends on the behavior of the carriers and capacity management. So what we're -- that is why our internal planning expectation is, that rates will remain relatively stable for 2012.

Sheila McGrath - *Keefe, Bruyette & Woods - Analyst*

Okay. Also on Transportation, are the CLX2 losses -- are they done being recognized, or do you expect that to continue into 2012?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

The losses, which we estimated at shut down in the third quarter of $20 million to $25 million, we still expect to fall within that range. And I think what you will see is that, there are some expenses which trail into 2012, related to off-hiring equipment and so on, but they are very small. So the bulk -- the vast majority of the expenses were recorded in 2011.

Sheila McGrath - *Keefe, Bruyette & Woods - Analyst*

Okay. Thanks, and quickly on Real Estate. The pricing of the Maui business parcel, I assume the $35.00 a square foot is for the square foot of land? So it would be at $1.5 million per acre. I'm just wondering if you view this as a good barometer for other sales at Maui Business Park, number one? And also, any thought on limiting sales here, to either ground lease or develop the real estate, given your change in spinning off the Real Estate company?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, Sheila, on the first question -- this is Chris. Good afternoon. On the first question, I would say that that's a relatively -- it certainly is within the range of -- I would say, probably the range of sales prices would be between $1.5 million and $2.5 million an acre over time at this project. This was obviously a fairly early sale, and I think it was about $1.6 million, yes, a little over $1.5 million. So I think it's certainly within the range, and hopefully, there will be sales that are higher than that, but it is a good range.

As far as the latter question, it's a good question. I think that our focus on this projects is going to be develop this project for sale. But our focus will be to continue to look for reinvestment opportunities into Hawaii, both from Mainland assets and other exchangeable sales that we might have in Hawaii. But I don't think it's going to change our strategic intent with respect to this project. Although there certainly could be selected parcels within the project, where we decide to either do a ground lease, or even potentially develop and hold an income producing asset. We will just see how it goes and go forward.

Sheila McGrath - *Keefe, Bruyette & Woods - Analyst*

Okay. Thank you.

Operator

Our next question comes from Jack Atkins with Stephens. Please proceed.

Jack Atkins - *Stephens Inc. - Analyst*

Thanks for taking my questions. First one here is, just trying to sort back end what a good operational or normalized EPS would have been in the quarter, excluding all the charges. I guess we are kind of coming up with a $0.21 number, ex all the charges and the professional fees. Is that fair do you think, or are we outside of the ballpark there?

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Hi Jack, it's Joel. So as you can see in our release and our comments, $0.11 was our adjusted number that we adjusted for the CLX2 activity. And then we had the one-time write off of the joint venture Waiawa, which was about $6 million. If you apply our typical effective marginal tax rate of 38% or 39% or so, that would be about $4 million, and therefore on a per share basis around $0.10. So obviously, adding that to the $0.11 that we adjust, gets you to 21. That is irrespective of any adjustments to corporate expense or anything, any other item. But there really weren't any other one-time or unusual adjustable type items. So those are the two things I would point you to.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. Sure. And then the professional expenses in the quarter, Joel, can you quantify those for us?

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

We are not saying anything about those, Jack. We did report that is was -- overall expense of $7.4 million for the quarter, compared to $4.5 million last year.

Jack Atkins - *Stephens Inc. - Analyst*

Okay.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

The legal and professional costs were a big part of that. But what I will tell you is that, as we get closer to separation, the time of separation, we'll have more visibility on all the one-time costs, and that will be transparent over time. But we're not commenting on it, at this time.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. But is it safe to say that most, if not all, of the increase year-over-year there is largely tied to professional fees?

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

That was the biggest item.

Jack Atkins - *Stephens Inc. - Analyst*

Okay, that is helpful. And then shifting gears here, looking at the transportation piece. Matt, we have seen a nice bounce in Transpac spot rates over the last five or six weeks, driven by the one-time increase put through by the TSA. As we go into bid season here in early March, do you think that bodes well for Matson? And how should we think about the bump we've seen over the last couple of weeks.

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes, Jack. I would say two or three things. I would first say, as the international carriers are reporting their fourth-quarter operating results, all the national carriers are reporting significant losses.

Jack Atkins - *Stephens Inc. - Analyst*

Right.

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

And losses, that frankly, that are not sustainable over time. And so, but secondly, as I mentioned earlier, this -- the capacity equation is not very helpful -- so this will all turn on the international carrier's ability through their alliances and on their own, to manage capacity to fit the available demand in the market. And if they do it, then I think the rates will rise. But they've had a mixed record over time on their ability -- they were very successful, for example, in 2010 in getting rates up, despite some choppy supply demand economics. And if they do, that will be a meaningful boost. It's a little hard to tell, and as you've heard, we were planning on a more muted freight rate environment. But to the extent it does happen, that will be an upside to the trade and to our service.

Jack Atkins - *Stephens Inc. - Analyst*

Sure. And so what portion of that Transpac piece of your business, the CLX business, is under contract versus sort of open to the spot market? And then when do you typically contract for most of that space. Is it around this time of year, or is it throughout the year?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes. So to your two questions, about half of our overall volume is contracted on an annual basis, and about half of it is spot market. And of the amount that is contracted on an annual basis, the vast majority of those contracts renew on May 1. So it is a May 1 to April 30 contract cycle, although there is a smattering of other contracts that occur a little bit before that. But for the most part, May 1 is the -- May 1 to April 30 is the main contract season.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. That's helpful. So if we see Transpac rates stay elevated here, post lunar new year, and maybe $1700 or $1800 a box, is that -- theoretically that should bode well for you as you enter that contract season, right?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

That's correct.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. That's helpful. Could you give us your equity earnings from the SSA Terminals for the quarter and for the full year?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

The answer is -- we will -- we publish that information -- I'm just -- don't have it right in front of me Jack, but we are seeing if we can provide it. It certainly available in the footnote of our 10-K document.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Jack, I will get that number for you in a few moments.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. Okay. That's helpful. And then Matt, could you break down the capital spending plans for Matson in 2012? You had $70 million on deck here. Could you maybe breakdown -- break that number down as far as what piece of the business that is going into?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Well I would say, Joel mentioned in his comments, of that $70 million, $15 million is earmarked for growth capital.

Jack Atkins - *Stephens Inc. - Analyst*

Okay.

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

The rest -- the bulk of that remaining capital will go into maintenance CapEx in various lines of our business, both on the vessels. We have a reduced container fleet requirement, because we've retained some of the CLX2 containers that we would otherwise be needing to purchase. And so, it is really spread throughout the Company. I would highlight one small project that is of note. We have invested or plan on investing on a small fleet of 253-foot domestic boxes that will operate on the U.S. railway network and run -- and manage through our Logistics subsidiary. So while the earnings on that are not expected to be material, it is a new line of business for us, and one we're pretty excited about.

Jack Atkins - *Stephens Inc. - Analyst*

Okay, great. And the last thing I've got, and I will jump back in queue. And when you think about your maintenance CapEx for the Matson fleet in 2012, do you have any major maintenance related activities on your fleet? And could you help us think about the impact that could potentially have on sales and earnings in a potential -- sales and margins rather in the Ocean Transportation business in a particular quarter or two?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

I can give you some broad strokes. The -- as far as the maintenance CapEx, it could be broadly defined into two buckets. One, our projects that are required as environmental upgrades, or safety items that we're adding to our fleet and for chassis' and containers and other cargo handling equipment that needs to be replaced periodically. The second element of our ongoing capital program is for the routine dry docking of our vessels, which are not included in these capital figures, and we do that on a periodic basis. And so I would say, there is nothing that stands out, as being a meaningful mover of earnings over time in fiscal 2012. We do have some vessels that are in dry dock, and our deployments change slightly when that occurs. But I would say nothing that is a significant needle mover on the margin percentages.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. Great. Thanks. I will jump back in queue.

Operator

And our next question comes from Brendan Maiorana with Wells Fargo. Please proceed.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Thanks, and good afternoon. Matt, so maybe just a follow-up on that. Is $55 million a good mid cycle maintenance CapEx number for the transport business?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Hi Brendan. I think we have used over time, a number more like $60 million to $70 million of maintenance CapEx, outside of the vessel replacements which are episodic and cyclical. So I would say, that is a good number to use over time.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Okay. All right. Thank you. And then, so just looking at the CapEx budget on the Real Estate side, Joel, I think you mentioned that out of the $100 million of Real Estate CapEx, there was a -- I think you said $70 million was related to Maui Business Park and Waihonua. I was wondering if you could maybe break that out? And then does that get Maui Business Park -- does that complete the CapEx spend for that, and such that the sales that would happen thereafter would all -- wouldn't require additional CapEx, and you would be pretty much fully built out on that project, and it would be just sales?

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Yes. I will let Chris elaborate on the overall build out there, but we said $60 million is the number embedded in the overall forecast next year, the $100 million number. And about $30 million in addition, Brendan, was just undesignated growth. That gets you the $90 million, and then about

$10 million is the typical number for the lease portfolio. So that is a breakdown of the $100 million that we commented on. But with respect to the 60, for the Maui Business Park and it's overall timing on that, Chris can elaborate on that.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Yes. So the commercial portfolio -- I'm sorry -- the development pipeline capital is about $60 million. And what that -- what we do there, Brendan, is we sort of think about, if we hit every single target this year in terms of construction and everything else, we'd spent a certain amount. But then we give it a little bit of a timing adjustment. And so, the way we put our budget together -- a little less than half of the kind of gross number is for Maui Business Park II of that $60 million -- or of the gross number, and then we net it down to about $60 million that we think will actually spend. So probably with timing adjustments, think of it as $25 million or $30 million, probably going into Maui Business Park II this year. As to whether or not that is the bulk of the capital, the short answer is no. There's certainly will be capital over time, but it gets us to a level of completion, where there is significant monetization potential at that point. Not only recognition of the Costco margin that I referenced earlier, because a lot of our north project infrastructure will be done. But it also gets us to a level of completion, where we can start to make available lots in the South project. So there will be ongoing capital beyond that, but this will be -- get us to a point, where there's significant monetization potential for the project. This is a long-term project. This is probably a 10 to 20 year project. So there will be more capital, as we fully build it out over time.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Okay. And then is there anything built into that number for Kukui'ula for '12? And how does that budget get impacted by the potential to do more vertical construction of the Cottages? Does that materially impact of the overall budget for that project, which I think was around $850 million or so?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Yes, I mean, certainly, everything we are doing at this point is working with third-party developers on the vertical construction. And we are not -- other than very modestly -- I referenced I think the cottage that we sold, or is now under non-binding reservation --I don't know if I referenced it. But that was a rare example of where we actually build a spec cottage. In -- for the most part, all of this product is going to be build by third parties, and so it is not at this point impacting our estimates of our capital requirements. Should we at a later date decide that we want to do some more of the vertical, we certainly have that opportunity to do that. But at this point, that is not our plan. That is why we're working with third-party developers on that. As far as the capital into the project this year, I don't want to get into too many specifics. And, of course, it depends on the pace of sales, which lately has been positive for us, but it still remains to be seen, how sales will go through throughout the year. I would just say, that we have earmarked a modest amount of capital into the project, certainly much less than we put in over the last couple years. And it will depend really on the pace of sales.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Okay. Fair enough. And then for Port Allen solar, I think I heard you mention it was $15 million net of the tax -- taxable benefit that you get. I thought there was going to be very limited capital spend outside of the tax benefit, so what is the return that you get on the dollars that you are likely to put in? And how should we think about that return over time? Is it more of a one-time in nature, or is it more periodic over the life of the solar panels?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

No -- I think that -- a couple of things. One is, it you're absolutely right, we get most of that capital back pretty quickly, but it is not all within 2012. Tax credits, and some of the tax benefits are -- pretty much all the tax benefits are realized immediately. But there is also accelerated depreciation that will be realized over the next couple of years. So it is actually -- I think it is about five, six years, before all of the capital is out. I think most of the capital would be backed out of it within about -- a little over a year from now, say 18 months from now. Most of the capital will be back, or 70%

or so, and so it's -- or maybe even more. So it is just won't all be back by the end of this year. So I think that the $15 million may be a little bit conservative, in other words and maybe a little bit less than that that's outstanding at the end of the year, but that is just kind of what we've earmarked.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Okay. And then just lastly for me, what type of opportunities are you seeing in the Hawaii, to try to reorient the portfolio, the Real Estate portfolio back there? Are there things that are becoming more available on the commercial side, or is it still fairly limited? And what are the types of returns you think you can get for the opportunities that's out there?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, that is a tough one, Brendan, and I think the short answer, is it is still a challenging market. And that is why we have always -- looked to the Mainland because it is just a small market. There aren't -- the number -- there isn't the number of transactions that you would like to be able to choose from. And so, that's why we've looked to the Mainland, why we have not ruled out the possibility of continuing to place capital on the Mainland. What I would say though, that I think we are really ramping up our effort, of trying to be very targeted on the Hawaii market, identifying assets, and identifying owners that we think that we would like to talk about and talk to. And, we're going to be very targeted in our efforts to identify replacement assets in Hawaii. But I can't tell you the floodgates have opened, or that we have got a dozen properties that we're looking at right now. It is going to be a challenge, and that is why we are very cautious, when we say we refocus. We say refocus over time, because we don't want to take a significant hit on yield, just to get our assets back to Hawaii. It's going to be a trade off. Clearly, yield could very well suffer, if we tried to do that to quickly.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Do you think about it in the sense of, the spread on the yield that you can get in Hawaii, relative to the yield you can get on the Mainland, that's acceptable? So if it's -- if the cap rates are down in Hawaii, but they are also down on the Mainland, is it a kind of a push? And you think that's the case, that you're seeing cap rate compression with your assets on the Mainland?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, I think the first part -- the answer to the first part of your question is yes, as a buyer and seller almost at the same time, in most of these cases where you're trying to do in exchange, you do think about that way. And so, if you are paying a lower cap -- buying at a lower cap rate, but you're also selling a lower cap rate, then that is a bit of a push. So that is one thing. I think that, the other thing that we factor in, even if we're buying a little bit lower cap rate in Hawaii, we think that there is more opportunity for us to add value to assets in Hawaii. And so over time, we may even be able to tolerate the near-term hit on yield, in exchange for having a more concentrated portfolio where we think we can add value.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

Yes, Brendan, I would say if you looked at -- if you compared Hawaii prices for commercial properties to Mainland prices, ten years ago there was a definite premium to Hawaii real estate. But over the last ten years, I've really seen the premium disappear where I think -- to a point where today, our comparable properties in Hawaii and the Mainland would trade at comparable cap rates.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Do think that your portfolio is comparable in the Mainland versus what you would want to have in Hawaii?

THOMSON REUTERS

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, I think -- (Multiple Speakers).

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

I think that the way I would say it, is from an asset class mix, I think it is very comparable to what we would have. I think we are going to continue to look at multiple asset classes. I think though, that there could be opportunities. This Gateway at Mililani Mauka is a great example of where we are buying an existing asset, but it has some additional development land, that we can do a development of a new center on. And so that has just a little bit added strategic value to us, than say, buying a retail center on the Mainland. So my hope is that it is probably a similar mix. We may look at other property types in Hawaii if we feel that we've got a good understanding of them. But it is similar mix, with hopefully more value added potential.

Brendan Maiorana - *Wells Fargo Securities, LLC - Analyst*

Sure. Okay. All right. Thanks.

Operator

Our next question comes from Dean Machado with LionEye Capital. Please proceed.

Dean Machado - *LionEye Capital - Analyst*

Hi, it's LionEye Capital and it's Dean Machado. So what happened with profitability at Logistics?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes, Dean, this is Matt. How are you?

Dean Machado - *LionEye Capital - Analyst*

Hi, Matt. How are you doing?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

So --

Dean Machado - *LionEye Capital - Analyst*

I'm kind of asking in the context of, it's been fairly stable for gosh, I don't know, 8 or 10 quarters at about $2 million a quarter or so. And all of a sudden, it is a negative number.

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes. I would say there were a couple of things that happened in particular. One of which was -- and I referenced it very -- in a small way in my comments, which was we operate a number of warehouses in various parts of the country for customers. One, we have collection of warehouses in northern California. And we lost a significant customer at the end -- towards the end of 2011, associated with a plant closure of the customer. And so we end up having some warehouse capacity unfilled. And so, we are actively ramping up our marketing activities to backfill that warehouse space. And I would say, that was a driver, and one of the big drivers in the year-over-year performance. I think the -- I thought we were just saw a general slow down, at the end of the year in overall business. Nothing to point a finger at. But --

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Dean Machado - *LionEye Capital - Analyst*

When did that space -- that warehouse space free up? Was that in the fourth quarter?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Well, it was --

Dean Machado - *LionEye Capital - Analyst*

Beginning or end -- ?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes, so it was not a finite moment in time. The plant closed or shut down in the second half of the year, but we were burning off inventory the -- and so it didn't happen all at once. It certainly was felt most prominently, as the warehouse was emptying in the third quarter into the fourth quarter. And as I said, we are ramping up our marketing activities to backfill it. We also had a second warehouse space in southern California that we found, an ideally located warehouse, and we were able to fill about half of it in 2011. We still have about another 70,000 square feet or so that we are actively marketing. And once those are filled, our margins, I think will return normal, and I think actually will be a new earnings base. So we are in a bit of a transition there. I do feel confident that year-over-year, we're going to see an increase in our Logistics earnings.

Dean Machado - *LionEye Capital - Analyst*

Okay. Okay. Good. Thanks, Matt. On the Waiawa JV, what was the carrying value before the write-down, and what do you have now? You're dissolving the JV, so does that leave you with a half of -- I think it is 58 acres or so? Or? Hello?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Yes, I'm sorry.

Dean Machado - *LionEye Capital - Analyst*

Sorry, I guess --

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Sorry, Dean. I was just -- we were passing notes here. So the -- we have -- the carrying value was $8 million. We have written down the asset to about $1.6 million. It's a fairly complicated transaction, but what we are doing in the unwinding, essentially leaves us with a potential sort of contingent payment for land, in the event that it is developed in the future. And I don't want to get into too many of the details, but the bottom line is, that we have a small carrying value associated with the potential for -- I'm sorry -- obviously -- just (inaudible).

Dean Machado - *LionEye Capital - Analyst*

It's like an option now or -- an option on future development basically, is what you have written it down to, is that what it is? Can you hear me okay? (Multiple Speakers). I feel like we are not -- (Multiple Speakers). I feel like we are not connecting.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Dean --

Dean Machado - *LionEye Capital - Analyst*

Yes.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

I had to ask for some clarification on this side, so just bear with me here.

Dean Machado - *LionEye Capital - Analyst*

Oh, okay.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

I am going to retract what I just said, because I misstated earlier. We had a 1. -- we had a $8 million carrying value. When we finally resolve and shut this down, essentially what we are doing as a JV, is we are selling land that the JV currently owns. We're going to get $1.6 million for that land. And so we've written our value of the investment down to that $1.6 million, so that we will have no book gain or loss when the transaction finally closes.

Dean Machado - *LionEye Capital - Analyst*

Okay. So the JV -- correct me if I'm wrong, but I believe the JV had 58 acres of land in it, in Waiawa? Is that correct?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

That's correct.

Dean Machado - *LionEye Capital - Analyst*

So you're -- the JV is selling 58 acres, and your share of the 58 acres, which I presume is half is -- you're valuing it effectively at $1.6 million, such that you don't have to pay gain. Is that basically -- I mean I guess $1.6 million for 27 or I guess 29 acres of land in Central Oahu sounds light to me.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

That is our share, right?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Yes.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

So, yes, the total consideration being paid for the land, Dean, is higher than that. So we get our share which is the $1.8 million. So we reduce our $8 million carrying costs to 1.6 -- $1.6 million. And then now, we are going to write-off the balance.

Dean Machado - *LionEye Capital - Analyst*

Okay. Okay. I think I understand. I will think about it more. If I have other questions, we can talk about it later. Just on the earnings for the quarter, I kind of did the math, and I added back my estimate of professional fees, and got to something north of $0.21, which was talked about before. So I just want to confirm that your $0.11 number does not include any sort of add back for the Waiawa write-down?

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Correct. All we are adjusting for, when we talk about adjusted earnings, is CLX2.

Dean Machado - *LionEye Capital - Analyst*

CLX2.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

We are not going to be adjusting for a lot of other things that we -- when we said this in our last quarter, we're going to adjust for CLX2, because it was a big investment in a business that we shut down. So that is all that is adjusted for in that $0.11. And what I said -- then to Jack's question, Dean, is that if you look at Waiawa on an after-tax basis, that would be ballpark, $0.10.

Dean Machado - *LionEye Capital - Analyst*

Right.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

That's why you take the $0.11 that was in our press release, plus Waiawa $0.10, that gets you to $0.21. (Multiple Speakers).I'm not suggesting that is a new adjusted number or anything else. I'm just simply pointing out, that if you want to adjust for Waiawa, that would effectively add $0.10 of earnings per share.

Dean Machado - *LionEye Capital - Analyst*

Right. And if -- I don't want to put words in your mouth, but if I want to, personally, adjust for professional fees based on the conversation earlier, I get to about $0.03 or so, and that gets me to about $0.24.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Okay.

Dean Machado - *LionEye Capital - Analyst*

So just one last one, on a Kukui'ula, who is the buyer for -- what is the demographic of the typical buyer of a property there?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

It is typically -- now obviously, it varies, but it is typically a baby boomer with family, whether it is children or grandchildren, who wants to have a very family-oriented home on Kauai. It is a very active lifestyle community, both from the on-property amenities, to the way that we help our owners access everything there is to do on Kauai. So while there is certainly, a golf course amenity, and that is a central feature, it is not by any means sort of a golf-only community. It is a very, very active community. And just given the price point, of course, it is a relatively high net worth buyer.

Dean Machado - *LionEye Capital - Analyst*

(Multiple Speakers). Right. So is it sort of a non-local buyer or is that sort of a foreign buyer more so?

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, typically, the market that initially was targeted and is where most of our buyers have come from, is the Pacific West, southwest Arizona, California. But we have owners from Boston and the Midwest and all over country. We, typically to date, we have not targeted nor do we have a lot of offshore overseas buyers. But certainly, with the growing interest in Hawaii real estate, from Asia and from Canada and elsewhere, we certainly hope to reach out to and attract buyers from those markets. And as far as the local buyer, I mean it's certainly not a primary residential product. It is typically a resort, second home kind of community. But we have a large number of buyers, who were already homeowners on Kauai, who have made the choice to buy at Kukui'ula because of the quality of the product.

Operator

And our next question comes from Jack Atkins with Stephens. Please proceed.

Jack Atkins - *Stephens Inc. - Analyst*

Thanks. I have just a couple quick follow-ups here. So first, Matt, if we can go back to Logistics business for a moment, it sounds like there, you've got some headwinds, probably in the first quarter or two, until you can backfill that warehouse space. So is it safe to assume that the first quarter at least, should sort of be breakeven at best, in that business? Or how should we think about profitability and logistics flowing throughout the year?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes, it's a good question. We haven't really talked too much about timing, but I think it is fair to say, that our operating results in the Logistics unit, while I'm confident that year-over-year we will see an improvement, until we get that space filled which as I said we're actively marketing, will have a little bit of a suppressing effect, whether that is breakeven or slightly above/below breakeven. I think other businesses will -- we get into the cyclical element of our business, that also has a play on our quarter-over-quarter results. But I think the observation is a fair one, that the results year-over-year will be a little muted in that unit, until we get that space backfilled.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. Great. And then we think about Ocean Transportation, we talked about kind of broadly, I guess probably -- you outlined your plan for improvement in that business by year-over-year on the top line. Could you maybe talk little bit about, as far as operating margins go, what your outlook is for that business and in 2012? And really is the operating margin improvement there a function of the leverage from CLX1, or is there something that you could do in the core Jones Act business to boost margins there, assuming flat Transpac rate environment as well?

Matt Cox - *Alexander and Baldwin Inc - President, Matson Navigation*

Yes, I think that the operating margin basis I would say, overall if you look at the segment and guidance that we have given by trade, we do expect a modest improvement in our Ocean Transportation business year-over-year. And with China at cyclical lows, I think we're expecting to see some modest improvement of our margin adjusted for CLX2 in 2011. So that is about as specific as I can get. I don't think we are going to quite be at our historic 10% to 12% operating margins in 2012, unless we see a significant pickup in the China trade, one which we are not, frankly, expecting, but if it comes, it will be an upside.

Jack Atkins - *Stephens Inc. - Analyst*

Okay, that's great. And the last question I've got here, is just with regards to Real Estate Sales. When we think about the fact that you guys halfway through the first quarter, could you maybe give us a little bit of color on how Real Estate Sales have trended in the first quarter? I understand it's a very lumpy business, but is it safe to assume the first quarter looks like the fourth quarter? Or should we see some improvement there sequentially? Just anything you can do to frame that up for us would be helpful.

Christopher Benjamin - *Alexander and Baldwin Inc - President, A&B Land Group*

Well, you're right, Jack, it is difficult. We do feel good about some of the early momentum, both on the development sales at Kukui'ula, although we're quick to admit, that that's not going to be a big driver of financial performance for the year, because sales are still modest. We have closed a couple of sales of land in Hawaii, relatively modest sales, but they have been positive. We should be recognizing the Costco margin, but that will be later in the year. So as far as the first quarter, I would certainly expect to be better than the fourth quarter, even if you strip out the Waiawa charge. But it is really too early to say, whether it will be a strong quarter or just a very, very modest quarter.

Jack Atkins - *Stephens Inc. - Analyst*

Okay, great. Thank you.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Jack, it's Joel. I just want to come back to you on the answer to the SSAT. So the income portion on the equity method for the fourth quarter for SAT was $1.8 million. And for the full-year 2011, $8.6 million.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. That's great. Thank you very much.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

And just a last piece of data on SSAT. Our invested capital in SSAT at year-end was $56 million.

Jack Atkins - *Stephens Inc. - Analyst*

Okay. Thank you.

Joel Wine - *Alexander and Baldwin Inc - Senior Vice President, CFO and Treasurer*

Sure.

Operator

And at this time, there are no further questions. (Inaudible)

Suzy Hollinger - *Alexander and Baldwin Inc - Director, IR*

Thanks, everyone. If you have additional questions, that you want to ask, please call me, this is Suzy, 808-525-8422. Thank you.

Stan Kuriyama - *Alexander and Baldwin Inc - President & CEO*

Thank you, everyone.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.