

MAUI LAND & PINEAPPLE CO INC

Form 10-Q

May 02, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended March 31, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**Commission file number 001-06510**

**MAUI LAND & PINEAPPLE COMPANY, INC.**

**(Exact name of registrant as specified in its charter)**

**HAWAII**                                      **99-0107542**  
(State or other jurisdiction              (IRS Employer  
of incorporation or organization) Identification No.)

**200 Village Road, Lahaina, Maui, Hawaii 96761**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(808) 877-3351**

**None**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes    No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes    No

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

Large accelerated filer    Accelerated filer

Non-accelerated filer    Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <b>Class</b> | <b>Outstanding at April 15, 2014</b> |
|--------------|--------------------------------------|
|--------------|--------------------------------------|

|                            |                   |
|----------------------------|-------------------|
| Common Stock, no par value | 18,779,127 shares |
|----------------------------|-------------------|

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**MAUI LAND & PINEAPPLE COMPANY, INC.**

**AND SUBSIDIARIES**

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Table Of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

|                                                                    | <b>March<br/>31,<br/><br/>2014</b>          | <b>December<br/>31,<br/><br/>2013</b> |
|--------------------------------------------------------------------|---------------------------------------------|---------------------------------------|
|                                                                    | <b>(in thousands except<br/>share data)</b> |                                       |
| <b>ASSETS</b>                                                      |                                             |                                       |
| <b>CURRENT ASSETS</b>                                              |                                             |                                       |
| Cash and cash equivalents                                          | \$479                                       | \$ 359                                |
| Accounts receivable, less allowance of \$163 for doubtful accounts | 1,493                                       | 1,203                                 |
| Prepaid expenses and other assets                                  | 538                                         | 596                                   |
| Assets held for sale                                               | 778                                         | 744                                   |
| Total Current Assets                                               | 3,288                                       | 2,902                                 |
| <b>PROPERTY</b>                                                    | 77,266                                      | 77,266                                |
| Accumulated depreciation                                           | (37,668)                                    | (37,084 )                             |
| Net Property                                                       | 39,598                                      | 40,182                                |
| <b>OTHER ASSETS</b>                                                |                                             |                                       |
| Deferred development costs                                         | 7,733                                       | 7,727                                 |
| Other noncurrent assets                                            | 2,760                                       | 2,942                                 |
| Total Other Assets                                                 | 10,493                                      | 10,669                                |
| <b>TOTAL</b>                                                       | <b>\$53,379</b>                             | <b>\$ 53,753</b>                      |
| <b>LIABILITIES &amp; STOCKHOLDERS' DEFICIENCY</b>                  |                                             |                                       |
| <b>CURRENT LIABILITIES</b>                                         |                                             |                                       |
| Current portion of long-term debt                                  | \$-                                         | \$ 49,000                             |
| Trade accounts payable                                             | 749                                         | 995                                   |

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|                                                                                                                   |                 |                  |
|-------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| Payroll and employee benefits                                                                                     | 221             | 362              |
| Current portion of accrued retirement benefits                                                                    | 420             | 443              |
| Income taxes payable                                                                                              | 999             | 1,421            |
| Current portion of accrued contract terminations                                                                  | 159             | 159              |
| Other accrued liabilities, including deferred revenue                                                             | 2,503           | 2,216            |
| Total Current Liabilities                                                                                         | 5,051           | 54,596           |
| <b>LONG-TERM LIABILITIES</b>                                                                                      |                 |                  |
| Long-term debt                                                                                                    | 50,600          | -                |
| Accrued retirement benefits                                                                                       | 20,307          | 20,867           |
| Accrued contract terminations                                                                                     | 316             | 475              |
| Other noncurrent liabilities                                                                                      | 4,932           | 5,046            |
| Total Long-Term Liabilities                                                                                       | 76,155          | 26,388           |
| <b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>                                                                    |                 |                  |
| <b>STOCKHOLDERS' DEFICIENCY</b>                                                                                   |                 |                  |
| Common stock--no par value, 43,000,000 shares authorized, 18,766,246 and 18,737,384 shares issued and outstanding | 76,976          | 76,810           |
| Additional paid in capital                                                                                        | 9,246           | 9,245            |
| Accumulated deficit                                                                                               | (94,503)        | (93,594 )        |
| Accumulated other comprehensive loss                                                                              | (19,546)        | (19,692 )        |
| Stockholders' Deficiency                                                                                          | (27,827)        | (27,231 )        |
| <b>TOTAL</b>                                                                                                      | <b>\$53,379</b> | <b>\$ 53,753</b> |

See Notes to Condensed Consolidated Financial Statements.

Table Of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(UNAUDITED)**

|                                                                        | Three Months<br>Ended March 31,<br>2014      2013<br>(in thousands<br>except<br><br>per share<br>amounts) |           |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------|
| OPERATING REVENUES                                                     |                                                                                                           |           |
| Real estate                                                            |                                                                                                           |           |
| Commissions                                                            | \$83                                                                                                      | \$96      |
| Leasing                                                                | 1,312                                                                                                     | 1,326     |
| Utilities                                                              | 722                                                                                                       | 827       |
| Resort amenities and other                                             | 352                                                                                                       | 380       |
| Total Operating Revenues                                               | 2,469                                                                                                     | 2,629     |
| OPERATING COSTS AND EXPENSES                                           |                                                                                                           |           |
| Real estate                                                            |                                                                                                           |           |
| Other                                                                  | 305                                                                                                       | 397       |
| Leasing                                                                | 550                                                                                                       | 780       |
| Utilities                                                              | 573                                                                                                       | 555       |
| Resort amenities and other                                             | 281                                                                                                       | 190       |
| General and administrative                                             | 411                                                                                                       | 711       |
| Depreciation                                                           | 584                                                                                                       | 686       |
| Pension and other postretirement expenses (Note 11)                    | 141                                                                                                       | 222       |
| Total Operating Costs and Expenses                                     | 2,845                                                                                                     | 3,541     |
| Operating Loss                                                         | (376 )                                                                                                    | (912 )    |
| Interest expense, net                                                  | (477 )                                                                                                    | (694 )    |
| Loss from Continuing Operations, net of income taxes of \$0            | (853 )                                                                                                    | (1,606)   |
| Loss from Discontinued Operations (Note 7), net of income taxes of \$0 | (56 )                                                                                                     | (209 )    |
| NET LOSS                                                               | \$(909 )                                                                                                  | \$(1,815) |
| Pension, net of income taxes of \$0                                    | 146                                                                                                       | 228       |

|                           |  |           |           |
|---------------------------|--|-----------|-----------|
| COMPREHENSIVE LOSS        |  | \$(763 )  | \$(1,587) |
| NET LOSS PER COMMON SHARE |  |           |           |
| --BASIC AND DILUTED       |  |           |           |
| Continuing Operations     |  | \$(0.05 ) | \$(0.09 ) |
| Discontinued Operations   |  | -         | (0.01 )   |
| Net Loss                  |  | \$(0.05 ) | \$(0.10 ) |

See Notes to Condensed Consolidated Financial Statements.

Table Of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY****(UNAUDITED)****For the Three Months Ended March 31, 2014 and 2013****(in thousands)**

|                                       | Common Stock |          | Additional<br>Paid in | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total        |
|---------------------------------------|--------------|----------|-----------------------|------------------------|-----------------------------------------------|--------------|
|                                       | Shares       | Amount   | Capital               | Deficit                |                                               |              |
| Balance, January 1, 2014              | 18,737       | \$76,810 | \$ 9,245              | \$ (93,594             | ) \$ (19,692                                  | ) \$(27,231) |
| Share-based compensation expense      |              |          | 99                    |                        |                                               | 99           |
| Issuance of shares for incentive plan | 36           | 218      |                       |                        |                                               | 218          |
| Vested restricted stock issued        | 17           | 98       | (98                   | )                      |                                               | -            |
| Shares cancelled to pay tax liability | (24          | ) (150   | )                     |                        |                                               | (150         |
| Other Comprehensive Income - Pension  |              |          |                       |                        | 146                                           | 146          |
| Net loss                              |              |          |                       | (909                   | )                                             | (909         |
| Balance, March 31, 2014               | 18,766       | \$76,976 | \$ 9,246              | \$ (94,503             | ) \$ (19,546                                  | ) \$(27,827) |
| Balance, January 1, 2013              | 18,664       | \$76,410 | \$ 9,236              | \$ (92,430             | ) \$ (27,579                                  | ) \$(34,363) |
| Share-based compensation expense      |              |          | 108                   |                        |                                               | 108          |
| Issuance of shares for incentive plan | 33           | 133      |                       |                        |                                               | 133          |
| Vested restricted stock issued        | 19           | 106      | (106                  | )                      |                                               | -            |
| Shares cancelled to pay tax liability | (17          | ) (70    | )                     |                        |                                               | (70          |
| Other Comprehensive Income - Pension  |              |          |                       |                        | 162                                           | 162          |
| Net loss                              |              |          |                       | (1,815                 | )                                             | (1,815       |

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|                         |        |           |          |            |              |              |
|-------------------------|--------|-----------|----------|------------|--------------|--------------|
| Balance, March 31, 2013 | 18,699 | \$ 76,579 | \$ 9,238 | \$ (94,245 | ) \$ (27,417 | ) \$(35,845) |
|-------------------------|--------|-----------|----------|------------|--------------|--------------|

See Notes to Condensed Consolidated Financial Statements.

Table Of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

|                                                      | <b>Three Months<br/>Ended March<br/>31,<br/>2014      2013<br/>(in thousands)</b> |        |
|------------------------------------------------------|-----------------------------------------------------------------------------------|--------|
| NET CASH USED IN OPERATING ACTIVITIES                | \$(1,287) \$(1,759)                                                               |        |
| INVESTING ACTIVITIES                                 |                                                                                   |        |
| Purchases of property                                | -                                                                                 | (4 )   |
| Payments for other assets                            | (34 )                                                                             | (39 )  |
| NET CASH USED IN INVESTING ACTIVITIES                | (34 )                                                                             | (43 )  |
| FINANCING ACTIVITIES                                 |                                                                                   |        |
| Proceeds from long-term debt                         | 1,600                                                                             | 1,700  |
| Debt and common stock issuance cost and other        | (159 )                                                                            | (270 ) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES            | 1,441                                                                             | 1,430  |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 120                                                                               | (372 ) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD     | 359                                                                               | 829    |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD           | \$479                                                                             | \$457  |
| Cash paid during the period:                         |                                                                                   |        |
| Interest (net of amounts capitalized)                | \$426                                                                             | \$566  |
| Income taxes                                         | \$150                                                                             | \$-    |

**Supplemental Non-Cash Investing and Financing Activities—**

Funds related to the sale of property that were held in escrow pending the completion of post-closing obligations were \$0 and \$150,000 at March 31, 2014 and 2013, respectively.

\$218,000 and \$133,100 of common stock was issued to certain members of the Company's management at March 31, 2014 and 2013, respectively.

See Notes to Condensed Consolidated Financial Statements.

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**MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**1. Basis of Presentation**

The accompanying interim unaudited condensed consolidated financial statements have been prepared by Maui Land & Pineapple Company, Inc. (together with its subsidiaries, the “Company”) in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information that are consistent in all material respects with those applied in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and pursuant to the instructions to Form 10-Q and Article 8 promulgated by Regulation S-X of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes to financial statements required by GAAP for complete financial statements. In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary to fairly present the Company’s financial position, results of operations and cash flows for the interim periods ended March 31, 2014 and 2013. The condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the fiscal year ended December 31, 2013.

**LIQUIDITY**

The Company reported a net loss of \$0.9 million for the three months ended March 31, 2014. The Company reported negative cash flows from operations of \$1.3 million for the three months ended March 31, 2014. The Company had an excess of current liabilities over current assets of \$1.8 million and a stockholders’ deficiency of \$27.8 million at March 31, 2014.

The Company has two primary credit facilities that have financial covenants requiring among other things, a minimum of \$3 million in liquidity (as defined), a maximum of \$175 million in total liabilities, and a limitation on new indebtedness. The Company has pledged a significant portion of its real estate holdings as collateral for borrowings

under these credit facilities. Both facilities were scheduled to mature in May 2014. In April 2014, the Company extended the maturity date of both credit facilities to August 1, 2016.

The Company's cash outlook for the next twelve months and its ability to continue to meet its loan covenants is highly dependent on selling certain real estate assets at acceptable prices. If the Company is unable to meet its loan covenants, borrowings under the Company's credit facilities may become immediately due, and the Company would not have sufficient liquidity to repay such outstanding borrowings. In addition, the Company is subject to several commitments and contingencies that could negatively impact its future cash flows, including required funding of the Company's defined benefit pension plans and ongoing legal disputes related to The Residences of Kapalua Bay project. These matters are further described in Notes 11 and 14.

The aforementioned circumstances raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be able to successfully achieve its initiatives summarized below in order to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern.

In response to these circumstances, the Company continues to undertake efforts to generate cash flow by employing its real estate assets in leasing and other arrangements, by the sale of several real estate assets, and by continued cost reduction efforts.

## **2. Use of Estimates**

The Company's reports for interim periods utilize numerous estimates of general and administrative expenses and other costs for the full year. Future actual amounts may differ from the estimates. Amounts in the interim reports are not necessarily indicative of results for the full year.

Table Of Contents**3. Average Common Shares Outstanding Used to Compute Loss Per Share****Three Months Ended**

**March 31,  
2014                      2013**

|                      |            |            |
|----------------------|------------|------------|
| Basic and diluted    | 18,747,529 | 18,673,220 |
| Potentially dilutive | 74,397     | 134,989    |

Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares from share-based compensation arrangements had been issued.

Potentially dilutive shares arise from non-qualified stock options to purchase common stock and non-vested restricted stock. The treasury stock method is applied to determine the number of potentially dilutive shares for non-vested restricted stock and stock options assuming that the shares of non-vested restricted stock are issued for an amount based on the grant date market price of the shares and that the outstanding stock options are exercised. These amounts were excluded because the effect would be anti-dilutive.

**4. Property***Land*

Most the Company's 23,300 acres of land were acquired between 1911 and 1932 and is carried on the consolidated balance sheet at cost. Approximately 21,300 acres of land are located in West Maui and comprise a largely contiguous parcel that extends from the sea to an elevation of approximately 5,700 feet and includes approximately 900 acres within the Kapalua Resort.

*Land Improvements and Buildings*

Land improvements and buildings are largely comprised of restaurants, commercial retail and light industrial buildings located at the Kapalua Resort and used in the Company's leasing operations. Some of the buildings and land improvements were constructed and placed in service in the mid-to-late 1970s. Depreciation expense would be considerably higher if fixed assets were stated at current cost.

*Machinery and Equipment*

Machinery and equipment are mainly comprised of zipline course equipment installed in late 2000 at the Kapalua Resort and used in the Company's leasing operations.

*Construction in Progress*

Construction in progress is comprised primarily of a potable water well that was drilled and tested in Upcountry Maui but has not been placed into service.

**5. Assets Held for Sale**

At March 31, 2014, assets held for sale consists of a 4-acre parcel and building that serves as the maintenance facility for the Kapalua Plantation Golf Course.

At March 31, 2013, assets held for sale included a 7-acre parcel in Kahului and a 630-acre parcel in Upcountry Maui.

Table Of Contents**6. Long-Term Debt**

Long-term debt at March 31, 2014 and December 31, 2013 consisted of the following:

|                                    | <b>March<br/>31,<br/>2014</b> | <b>December<br/>31,<br/>2013</b> |
|------------------------------------|-------------------------------|----------------------------------|
|                                    | <b>(in thousands)</b>         |                                  |
| Wells Fargo revolving loans, 3.99% | \$30,600                      | \$ 29,000                        |
| American AgCredit term loan, 5.00% | 20,000                        | 20,000                           |
| Total                              | 50,600                        | 49,000                           |
| Less current portion               | -                             | 49,000                           |
| Long-term debt                     | \$50,600                      | \$ -                             |

**WELLS FARGO**

The Company has a \$32.7 million revolving line of credit with Wells Fargo that was scheduled to mature on May 1, 2014. In April 2014, the Company extended the maturity date to August 1, 2016. Interest rates on borrowings are at LIBOR plus 3.65% and the line of credit is collateralized by approximately 880 acres of the Company's real estate holdings at the Kapalua Resort. The line of credit agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$3 million, maximum total liabilities of \$175 million, and a limitation on new indebtedness. The credit agreement includes predetermined release prices for the real property securing the credit facility. There are no commitment fees on the unused portion of the revolving facility. Absent the sale of some of its real estate holdings or refinancing, the Company does not expect to be able to pay the outstanding balance of the revolving line of credit on the maturity date.

**AMERICAN AGCREDIT**

The Company has a \$20 million term loan with American AgCredit that was scheduled to mature on May 1, 2014. In April 2014, the Company amended its term loan agreement to extend the maturity date to August 1, 2016. The interest rate on this credit facility is based on the greater of 1.00% or the 30-day LIBOR rate, plus an applicable spread of 4.00% and provides for a reduction in the applicable spread to 3.75%, if the principal balance of the loan is reduced to \$15 million. The loan agreement requires a mandatory principal repayment of \$3 million by May 1, 2015 and an

additional \$2 million by May 1, 2016. The loan agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$3 million, maximum total liabilities of \$175 million and a limitation on new indebtedness. It also requires mandatory principal repayments of 100% of the net proceeds of the sale of any real property pledged as collateral for the loan and mandatory principal repayments based on predetermined percentages of 60% to 75% of the net proceeds from the sale of non-collateralized real property. The loan is collateralized by approximately 3,100 acres of the Company's real estate holdings in West Maui and Upcountry Maui. Absent the sale of some of its real estate holdings or refinancing, the Company does not expect to be able to pay the outstanding balance under the term loan on the maturity date.

As of March 31, 2014, the Company believes it is in compliance with the covenants under the Wells Fargo and American AgCredit credit facilities.

## **7. Discontinued Operations**

The Company ceased spa operations in June 2013 and beach club operations in September 2013 in conjunction with the conclusion of The Residences at Kapalua Bay foreclosure proceedings and settlement. In September 2011, the Company ceased all retail operations at the Kapalua Resort. In March 2011, the Company ceased operating the two championship golf courses at the Kapalua Resort. In December 2009, the Company ceased all agriculture operations. Accordingly, the operating results including any gains or losses from the disposal of assets related to these former operations have been reported as discontinued operations in the accompanying consolidated financial statements.

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The revenues and income (loss) before income tax benefits for the discontinued operations were as follows:

|                                            | <b>Three<br/>Months<br/>Ended</b> |         |
|--------------------------------------------|-----------------------------------|---------|
|                                            | <b>March 31,<br/>2014 2013</b>    |         |
|                                            | <b>(in<br/>thousands)</b>         |         |
| Revenues                                   |                                   |         |
| Spa & Beach Club                           | \$-                               | \$725   |
| Total                                      | \$-                               | \$725   |
| Income (loss) from Discontinued Operations |                                   |         |
| Spa & Beach Club                           | \$-                               | \$(201) |
| Golf courses                               | -                                 | -       |
| Retail                                     | (24)                              | (1)     |
| Agriculture                                | (32)                              | (7)     |
| Total                                      | \$(56)                            | \$(209) |

## 8. Recently Issued Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-11, *Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU requires unrecognized tax benefits, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except when such a loss or credit carryforward is not available at the reporting date, in which case the unrecognized tax benefit should be presented as a liability. The amendments in this ASU should be applied prospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)—Reporting Discontinued Operations and Disclosures of Disposals of an Entity*. This ASU changes the criteria for reporting discontinued operations where only disposals representing a strategic shift in operations should be presented as discontinued operations. Additionally, the new guidance requires expanded disclosures that will provide financial statement users with more information about the discontinued operations assets,

liabilities, income, expenses and pre-tax income. The amendments in this ASU may be early adopted, but only for disposals (or classifications held for sale) that have not been reported in financial statements previously issued. The amendments in the ASU should be applied prospectively for annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

## **9. Accrued Contract Terminations**

In November 2013, the Company and the other parties involved in The Residences at Kapalua Bay development project reached a comprehensive settlement with respect to numerous issues and disputes surrounding the project. As part of its portion of the settlement, the Company committed to pay \$0.6 million over the next four years for the annual dues of the 132 releasing fractional owners, of which \$0.5 million remained outstanding as of March 31, 2014. In addition, the Company agreed to pay \$29,000 monthly for continued access to the Kapalua Spa and Beach Club for its Kapalua Club members.

## **10. Share-Based Compensation**

The total compensation expense recognized for share-based compensation was \$99,000 and \$108,000 for the three months ended March 31, 2014 and 2013, respectively. There was no tax benefit or expense related thereto for each period presented. Recognized stock compensation was reduced for estimated forfeitures prior to vesting primarily based on historical annual forfeiture rates of approximately 0% and 3.1%, as of March 31, 2014 and 2013, respectively. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. Executive officers and management were awarded an incentive bonus of \$218,000 and \$133,100 in February 2014 and 2013, respectively, based on meeting certain performance metrics included in the Executive and Key Management Compensation Plan. In accordance with the plan, the incentive award was settled through the issuance of 35,917 and 33,187 shares of common stock in February 2014 and 2013, respectively.

Table Of Contents*Stock Options*

A summary of stock option award activity as of and for the three months ended March 31, 2014 is as follows:

|                                        |               | <b>Weighted</b> | <b>Weighted</b>   | <b>Weighted</b>    | <b>Aggregate</b>  |
|----------------------------------------|---------------|-----------------|-------------------|--------------------|-------------------|
|                                        | <b>Shares</b> | <b>Average</b>  | <b>Average</b>    | <b>Average</b>     | <b>Intrinsic</b>  |
|                                        |               | <b>Exercise</b> | <b>Grant-Date</b> | <b>Remaining</b>   | <b>Value</b>      |
|                                        |               | <b>Price</b>    | <b>Fair Value</b> | <b>Contractual</b> | <b>\$(000)(1)</b> |
|                                        |               |                 |                   | <b>Term</b>        |                   |
|                                        |               |                 |                   | <b>(years)</b>     |                   |
| Outstanding at December 31, 2013       | 60,000        | \$ 19.63        |                   |                    |                   |
| Forfeited or cancelled                 | —             | \$ —            | \$ —              |                    |                   |
| Outstanding at March 31, 2014          | 60,000        | \$ 19.63        | \$ 7.33           | 3.1                | \$ —              |
| Exercisable at March 31, 2014          | 60,000        | \$ 19.63        | \$ 7.33           | 3.1                | \$ —              |
| Expected to vest at March 31, 2014 (2) | —             | \$ —            | \$ —              | —                  | \$ —              |

(1) For in-the-money options

(2) Options expected to vest reflect estimated forfeitures

There were no stock options granted or exercised in the three months ended March 31, 2014 or 2013. The fair values of shares vested were \$12,000 for the three months ended March 31, 2014 and 2013. As of March 31, 2014, there was no unamortized compensation expense for awards granted under the stock option plans that is expected to be recognized over a weighted average period of 1 year.

*Restricted Stock*

During the three months ended March 31, 2014, 17,398 shares of restricted stock vested as directors' and management service requirements were met.

A summary of the activity for nonvested restricted stock awards as of and for the three months ended March 31, 2014 is as follows:

|                                        | <b>Shares</b> | <b>Weighted<br/>Average<br/>Grant-Date<br/>Fair Value</b> |
|----------------------------------------|---------------|-----------------------------------------------------------|
| Nonvested balance at December 31, 2013 | 31,795        | \$ 5.79                                                   |
| Vested                                 | (17,398)      | \$ 4.81                                                   |
| Nonvested balance at March 31, 2014    | 14,397        | \$ 5.97                                                   |

#### 11. Components of Net Periodic Benefit Cost

The net periodic benefit costs for pension benefits for the three months ended March 31, 2014 and 2013 were as follows:

|                                | <b>Three<br/>Months<br/>Ended<br/>March 31,<br/>2014 2013<br/>(in<br/>thousands)</b> |       |
|--------------------------------|--------------------------------------------------------------------------------------|-------|
| Interest cost                  | \$772                                                                                | \$720 |
| Expected return on plan assets | (777)                                                                                | (726) |
| Recognized actuarial loss      | 146                                                                                  | 228   |
| Net expense                    | \$141                                                                                | \$222 |

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The Company's cessation of its pineapple operations at the end of 2009 and the corresponding reduction in the active participant count for the Pension Plan for Bargaining Unit and Hourly Employees (Bargaining Plan) triggered the requirement that the Company provide security to the Pension Benefits Guaranty Corporation (PBGC) of approximately \$5.2 million to support the unfunded liabilities of the Bargaining Plan. In April 2011, the Company executed a settlement agreement with the PBGC and pledged security of approximately 1,400 acres in West Maui that will be released in five years if the Company does not otherwise default on the agreement.

The Company was advised in October 2011 that the cessation of its golf operations and the corresponding reduction in the active participant count for the Bargaining Plan and the Pension Plan for Non-Bargaining Unit Employees triggered the requirement that the Company provide additional security to the PBGC of approximately \$18.7 million to support the unfunded liabilities of the two pension plans or to make contributions to the plans in excess of the minimum required amounts. In November 2012, the Company executed a settlement agreement with the PBGC and pledged security of approximately 7,000 acres in West Maui that will be released in five years if the Company does not otherwise default on the agreement. No formal appraisal or determination of the fair value of the 7,000 acres was performed by the Company in connection with the settlement agreement with the PBGC.

In June 2013, the State of Hawaii enacted a bill directing the Department of Land and Natural Resources (DLNR), in consultation with the Hawaiian Islands Land Trust, to engage in the purchase of an approximately 270-acre parcel of former agricultural land in West Maui, known as Lipoa Point, from the Company. The bill further requires the DLNR to ensure to the maximum extent practicable that the Company uses the proceeds of the sale to benefit the Company's defined benefit pension plans. As of March 31, 2014, the Company had unfunded pension fund liabilities of \$20.7 million. The unfunded obligations are secured by approximately 8,400 acres in West Maui with a carrying value of \$1.8 million, which includes Lipoa Point. The passage of the bill does not obligate the DLNR to purchase the property or obligate the Company to sell the property. Any such sale would be subject to negotiation between the parties, including the purchase price. There is no certainty that any such sale will take place, and even if it does, the amount by which the Company's unfunded pension fund liabilities would be reduced is uncertain. Any such reduction may not be sufficient to release the security interest on any of the Company's other West Maui real estate holdings securing the Company's unfunded pension fund liabilities.

The minimum required contributions to the Company's defined benefit pension plans in 2014 are expected to be \$2.8 million, of which \$0.5 million has been funded through March 31, 2014.

**12. Income Taxes**

The effective tax rate for 2014 and 2013 reflects the recognition of expected federal alternative minimum tax liabilities and interim period tax benefits and changes to the tax valuation allowance.

The Company uses a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interest accrued related to unrecognized tax benefits is recognized as interest expense and penalties are recognized in general and administrative expense in the Company's condensed consolidated statements of operations and comprehensive loss; and such amounts are included in income taxes payable on the Company's condensed consolidated balance sheets.

In April 2013, the Company and the IRS arrived at a settlement which concluded the IRS examination of the Company's federal income tax returns for 2003 through 2008. Under terms of the settlement, the Company agreed to pay \$1.8 million to the IRS, of which \$0.9 million was paid as of March 31, 2014.

### **13. Operating Segment Information**

The Company's presentation of its reportable operating segments is consistent with how the Company's chief operating decision maker determines the allocation of resources. Reportable segments are as follows:

Real Estate includes the development and sale of real estate inventory and the operations of Kapalua Realty Company, a general brokerage real estate company located within the Kapalua Resort.

Leasing primarily includes revenues and expenses from real property leasing activities, license fees and royalties for the use of certain of the Company's trademarks and brand names by third parties, and the cost of maintaining the Company's real estate assets, including conservation activities.

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Utilities primarily include the operations of Kapalua Water Company and Kapalua Waste Treatment Company, the Company's water and sewage transmission operations (regulated by the Hawaii Public Utilities Commission) servicing the Kapalua Resort. The operating segment also includes the management of ditch, reservoir and well systems that provide non-potable irrigation water to West and Upcountry Maui areas.

Resort Amenities include a membership program that provides certain benefits and privileges within the Kapalua Resort for its members.

Financial results for each of the Company's reportable segments for the three months ended March 31, 2014 and 2013 were as follows:

|                                            | <b>Three Months</b>   |             |
|--------------------------------------------|-----------------------|-------------|
|                                            | <b>Ended March</b>    |             |
|                                            | <b>31,</b>            |             |
|                                            | <b>2014</b>           | <b>2013</b> |
|                                            | <b>(in thousands)</b> |             |
| Operating Revenues                         |                       |             |
| Real Estate                                | \$83                  | \$96        |
| Leasing                                    | 1,312                 | 1,326       |
| Utilities                                  | 722                   | 827         |
| Resort Amenities                           | 327                   | 376         |
| Other                                      | 25                    | 4           |
| Total Operating Revenues                   | \$2,469               | \$2,629     |
| Operating Income (Loss) (1)                |                       |             |
| Real Estate                                | \$(336 )              | \$(491 )    |
| Leasing                                    | 224                   | (141 )      |
| Utilities                                  | 12                    | 109         |
| Resort Amenities                           | 9                     | 114         |
| Other (2)                                  | (285 )                | (503 )      |
| Total Operating Loss                       | (376 )                | (912 )      |
| Interest Expense, net                      | (477 )                | (694 )      |
| Loss from Continuing Operations            | (853 )                | (1,606)     |
| Loss from Discontinued Operations (Note 7) | (56 )                 | (209 )      |

Net Loss \$(909 ) \$(1,815)

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(1) Includes allocations of general and administrative expenses.

(2) Consists primarily of miscellaneous transactions and unallocated general and administrative, pension and other post-retirement expenses.

#### 14. Commitments and Contingencies

##### *Discontinued Operations*

On April 19, 2011, a lawsuit was filed against the Company's wholly owned subsidiary Maui Pineapple Company, Ltd. (MPC) and several other Hawaii based farms by the Equal Employment Opportunity Commission (EEOC). The lawsuit alleges the farms should be held liable for illegal acts by Global Horizons, Inc., a company that had hired Thai workers to work at the farms. The lawsuit was filed in the United States District Court, District of Hawaii, as Civil Action No. 11-00257. On June 13, 2013, the EEOC filed a motion to add as defendants Maui Land & Pineapple Company, Inc. and Hali'imaile Pineapple Company, Ltd. On September 10, 2013, the Court denied the EEOC's motion. MPC believes it was not involved in any wrongdoing, disagrees with the charges and is defending itself. Because this lawsuit is in its early stages and has not gone to trial, MPC is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying condensed consolidated financial statements.

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Pursuant to a 1999 settlement agreement with the County of Maui, the Company and several chemical manufacturers have agreed that until December 1, 2039, they will pay for 90% of the capital costs to install filtration systems in any future water wells if the presence of a nematocide, commonly known as DBCP, exceeds specified levels, and for the ongoing maintenance and operating cost for filtration systems on existing and future wells. The Company estimated its share of the cost to operate and maintain the filtration systems for the existing wells, and its share of the cost of a letter of credit used to secure its obligations, and as of March 31, 2014 has recorded a reserve for environmental liability of \$59,000. The Company is presently not aware of any plans by the County of Maui to install other filtration systems or to drill any water wells in areas affected by agricultural chemicals. Accordingly, a reserve for costs relating to any future wells has not been recorded because the Company is not able to reasonably estimate the amount of liability, if any.

*Kapalua Bay*

On May 23, 2011, a lawsuit was filed against multiple parties including the Company by purchasers of two units at the project formerly known as The Ritz-Carlton Residences at Kapalua Bay. The lawsuit was filed in the Circuit Court of the Second Circuit, State of Hawaii pursuant to Civil No. 11-1-0216-(3). The lawsuit alleges deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations with regard to the sale of the two residential units and seeks unspecified damages, treble damages and other relief. The Company disagrees with the allegations and plans to vigorously defend itself. Because this lawsuit is in its early stages and has not gone to trial, the Company is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying condensed consolidated financial statements.

On June 7, 2012, a group of owners of 12 whole-ownership units at the project formerly known as The Ritz-Carlton Club and Residences, Kapalua Bay filed a lawsuit against multiple parties including the Company. The Company believes it has not been involved in any wrongdoing, disagrees with the charges and plans to vigorously defend itself. Because this lawsuit is in its early stages and has not gone to trial, the Company is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying condensed consolidated financial statements.

On June 19, 2013, a lawsuit was filed against multiple parties including the Company by several owners of timeshare condominium interests in the project formerly known as The Ritz-Carlton Residences at Kapalua Bay (Fractional Interests). The lawsuit was filed in the Circuit Court of the Second Circuit, State of Hawaii, pursuant to Civil No. 13-1-0640-(2). The lawsuit alleges unfair and deceptive trade practices, negligent misrepresentations, omissions, concealment, and fraud in the inducement among other allegations with regards to the marketing and sales of certain Fractional Interests and seeks unspecified damages, treble damages and other relief. The Company disagrees with the allegations and plans to vigorously defend itself. Because this lawsuit is in its early stages and has not gone to trial, the

Company is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying condensed consolidated financial statements.

In addition to the matters noted above, there are various other claims and legal actions pending against the Company. In the opinion of management, after consultation with legal counsel, the resolution of these other matters is not expected to have a material adverse effect on the Company's financial position or results of operations.

## **15. Fair Value Measurements**

GAAP establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements to enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. GAAP requires that financial assets and liabilities be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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The fair value of cash, receivables and payables approximate their carrying value due to the short-term nature of the instruments. The valuation is based on settlements of similar financial instruments all of which are short-term in nature and are generally settled at or near cost. The fair value of debt was estimated based on borrowing rates currently available to the Company for debt with similar terms and maturities. The carrying amount of debt at March 31, 2014 and December 31, 2013 was \$50,600,000 and \$49,000,000, respectively, which approximated fair value. The fair value of cash and debt has been classified as level 1 and level 2 measurements, respectively.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2013 and the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. Depending upon the context, the terms the "Company," "we," "our," and "us," refer to either Maui Land & Pineapple Company, Inc. alone, or to Maui Land & Pineapple Company, Inc. and its subsidiaries collectively.

***Overview of the Company***

Maui Land & Pineapple Company, Inc. is a Hawaii corporation and the successor to a business organized in 1909. The Company consists of a landholding and operating parent company, its principal subsidiary, Kapalua Land Company, Ltd. and certain other subsidiaries of the Company.

We own approximately 23,300 acres of land on Maui and develop, sell, and manage residential, resort, commercial, and industrial real estate through the following business segments:

***Real Estate***—Our real estate operations consist of land planning and entitlement, development, and sales.

***Leasing***—Our leasing activities include commercial, industrial and agricultural land and facilities leases, licensing of our registered trademarks and trade names, and stewardship and conservation efforts.

*Utilities*—We operate two publicly-regulated utility companies which provide potable and non-potable water and sewage transmission services to the Kapalua Resort. In addition, we also manage ditch, reservoir and well systems which provide non-potable irrigation water to West and Upcountry Maui areas.

*Resort Amenities*—Within the Kapalua Resort, we manage a private, non-equity club program.

### **Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of accounting estimates. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the consolidated financial statements and thus actual results could differ from the amounts reported and disclosed herein. Our critical accounting policies that require the use of estimates and assumptions were discussed in detail in our most recently filed Form 10-K. There have been no significant changes in our critical accounting policies during the first three months of 2014.

There are no accounting pronouncements or interpretations that have been issued but not yet applied by us that we believe will have a material impact on our consolidated financial statements.

Table Of Contents**RESULTS OF OPERATIONS***Three Months Ended March 31, 2014 compared to Three Months Ended March 31, 2013***CONSOLIDATED**

|                                          | <b>Three Months<br/>Ended</b>                       |             |
|------------------------------------------|-----------------------------------------------------|-------------|
|                                          | <b>March 31,<br/>2014</b>                           | <b>2013</b> |
|                                          | <b>(in thousands,<br/>except share<br/>amounts)</b> |             |
| <i>Consolidated Revenues</i>             | \$2,469                                             | \$2,629     |
| <i>Loss from Continuing Operations</i>   | \$(853 )                                            | \$(1,606)   |
| <i>Loss from Discontinued Operations</i> | \$(56 )                                             | \$(209 )    |
| <i>Net Loss</i>                          | \$(909 )                                            | \$(1,815)   |
| <i>Net Loss Per Common Share</i>         | \$(0.05 )                                           | \$(0.10 )   |

We reported a net loss of \$0.9 million or \$(0.05) per share during the three months ended March 31, 2014 compared to a net loss of \$1.8 million or \$(0.10) per share for the same period in 2013. The decrease in consolidated revenues during the three months ended March 31, 2014 compared to the three months ended March 31, 2013 was primarily due to a decrease in sales of potable and non-potable water in our utilities business segment. Loss from discontinued operations for the three months ended March 31, 2013 was attributable to the cessation of our former spa and beach club operations.

**REAL ESTATE**

**Three  
Months  
Ended**

**March 31,  
2014   2013  
(in  
thousands)**

|                                     |         |         |
|-------------------------------------|---------|---------|
| <i>Operating Revenues</i>           | \$83    | \$96    |
| <i>Operating Costs and Expenses</i> | 419     | 587     |
| <i>Operating Loss</i>               | \$(336) | \$(491) |

We had no sales of real estate inventory during the three months ended March 31, 2014 and 2013. Operating revenues for the three months ended March 31, 2014 and 2013 were from real estate sales commissions from resales of properties owned by private residences in the Kapalua Resort and surrounding areas by our wholly-owned subsidiary, Kapalua Realty Company, Ltd.

Real estate development and sales are cyclical and depend on a number of factors. Results for one period are therefore not necessarily indicative of future performance trends in this segment.

**LEASING**

**Three Months  
Ended**

**March 31,  
2014   2013  
(in thousands)**

|                                     |         |          |
|-------------------------------------|---------|----------|
| <i>Operating Revenues</i>           | \$1,312 | \$1,326  |
| <i>Operating Costs and Expenses</i> | 1,088   | 1,467    |
| <i>Operating Income (Loss)</i>      | \$224   | \$(141 ) |

*Average Occupancy Rates:*

|                         |    |   |    |   |
|-------------------------|----|---|----|---|
| <i>Kapalua Resort</i>   | 79 | % | 81 | % |
| <i>Hali'imaile Town</i> | 88 | % | 87 | % |
| <i>Other West Maui</i>  | 38 | % | 40 | % |

We have contracted a third-party property management company to manage our commercial leasing portfolio. The decrease in operating costs and expenses during the three months ended March 31, 2014 was primarily due to costs associated with the termination of our zipline operator in February 2013. In January 2014, our Honolua Store lessee completed a \$4.0 million renovation of the Honolua Store. Other West Maui leasable properties are mainly large-acre former pineapple field parcels and maintenance facilities.

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Our leasing operations face substantial competition from other property owners in Maui and Hawaii.

**UTILITIES**

|                                          | <b>Three<br/>Months<br/>Ended</b> |       |
|------------------------------------------|-----------------------------------|-------|
|                                          | <b>March 31,<br/>2014 2013</b>    |       |
|                                          | <b>(in<br/>thousands)</b>         |       |
| <i>Operating Revenues</i>                | \$722                             | \$827 |
| <i>Operating Costs and Expenses</i>      | 710                               | 718   |
| <i>Operating Income (Loss)</i>           | \$12                              | \$109 |
| <i>Consumption (in million gallons):</i> |                                   |       |
| <i>Potable</i>                           | 37                                | 39    |
| <i>Non-potable/irrigation</i>            | 81                                | 109   |

We have contracted a third-party water engineering and management company to manage the operations of our wholly-owned subsidiaries: Kapalua Water Company, Ltd. and Kapalua Waste Treatment Company, Ltd. We have contracted a water maintenance company to manage our non-potable irrigation water systems in West and Upcountry Maui.

The decrease in operating revenues during the three months ended March 31, 2014 was primarily due to a decrease in sales of potable and non-potable water resulting from rainier weather conditions in Maui as compared to the prior year period.

**RESORT AMENITIES**

|                                     | <b>Three<br/>Months<br/>Ended</b> |         |
|-------------------------------------|-----------------------------------|---------|
|                                     | <b>March 31,<br/>2014 2013</b>    |         |
|                                     | <b>(in<br/>thousands)</b>         |         |
| <i>Operating Revenues</i>           | \$327                             | \$376   |
| <i>Operating Costs and Expenses</i> | 318                               | 262     |
| <i>Operating Income (Loss)</i>      | \$9                               | \$114   |
| <br><i>Kapalua Club Members</i>     | <br>495                           | <br>533 |

The decrease in operating revenues during the three months ended March 31, 2014 compared to the prior year period is the result of a decline in the number of Kapalua Club members. The increase in operating costs and expenses during the three months ended March 31, 2014 compared to the prior year period is due to \$29,000 monthly payments for members' access to the Kapalua Spa and Beach Club.

**GENERAL AND ADMINISTRATIVE**

|                                       | <b>Three<br/>Months<br/>Ended</b> |           |
|---------------------------------------|-----------------------------------|-----------|
|                                       | <b>March 31,<br/>2014 2013</b>    |           |
|                                       | <b>(in<br/>thousands)</b>         |           |
| <br><i>General and Administrative</i> | <br>\$411                         | <br>\$711 |

General and administrative expenses are incurred at the corporate level and at the operating segment level. Results of operations presented above for each of the business segments include an allocation of a portion of general and

administrative expenses incurred at the corporate level. Such allocations are made on the basis of our evaluation of the level of services provided to each of the business segments. The decrease in general and administrative expenses during the three months ended March 31, 2014 was primarily due to a change in estimated uncertain tax positions.

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**DISCONTINUED OPERATIONS**

**Three  
Months  
Ended**

**March 31,  
2014 2013**  
**(in  
thousands)**

*Loss From Discontinued Operations* \$(56) \$(209)

Our former retail, golf, spa, beach club and agriculture operations are reported as discontinued operations. Loss from discontinued operations for the three months ended March 31, 2013 was attributable to the cessation of our former spa and beach club operations.

**LIQUIDITY AND CAPITAL RESOURCES**

*Liquidity*

At March 31, 2014, our total debt was \$50.6 million, compared to \$49.0 million at December 31, 2013, and we had approximately \$0.5 million in cash and cash equivalents. Cash used in operating activities was \$1.3 million for the three months ended March 31, 2014. At March 31, 2014, we had a deficiency in stockholders' equity (total liabilities exceeded total assets) of \$27.8 million.

*Revolving Line of Credit with Wells Fargo*

We have a \$32.7 million revolving line of credit with Wells Fargo that was scheduled to mature on May 1, 2014. In April 2014, we extended the maturity date to August 1, 2016. Interest rates on borrowings are at LIBOR plus 3.65% and the line of credit is collateralized by approximately 880 acres of the Company's real estate holdings at the Kapalua Resort. The line of credit agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$3 million, maximum total liabilities of \$175 million, and a limitation on new indebtedness. The credit agreement includes predetermined release prices for the real property securing the credit facility. There are no commitment fees on the unused portion of the revolving facility. Absent the sale of some of our real estate holdings or refinancing, we do not expect to be able to pay the outstanding balance of the revolving line of credit on the maturity date.

As of March 31, 2014, we had \$30.6 million of borrowings outstanding under our revolving line of credit.

*Term Loan with American AgCredit*

We have a \$20 million term loan with American AgCredit that was scheduled to mature on May 1, 2014. In April 2014, we amended our term loan agreement to extend the maturity date to August 1, 2016. The interest rate on this credit facility is based on the greater of 1.00% or the 30-day LIBOR rate, plus an applicable spread of 4.00% and provides for a reduction in the applicable spread to 3.75%, if the principal balance of the loan is reduced to \$15 million. The loan agreement requires a mandatory principal repayment of \$3 million by May 1, 2015 and an additional \$2 million by May 1, 2016. The loan agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$3 million, maximum total liabilities of \$175 million and a limitation on new indebtedness. It also requires mandatory principal repayments of 100% of the net proceeds of the sale of any real property pledged as collateral for the loan and mandatory principal repayments based on predetermined percentages of 60% to 75% of the net proceeds from the sale of non-collateralized real property. The loan is collateralized by approximately 3,100 acres of the Company's real estate holdings in West Maui and Upcountry Maui. Absent the sale of some of our real estate holdings or refinancing, we do not expect to be able to pay the outstanding balance under the term loan on the maturity date.

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As of March 31, 2014, we believe we are in compliance with the covenants under the Wells Fargo and American AgCredit credit facilities.

*Cash Flows*

During the first three months of 2014, consolidated net cash used in operating activities for 2014 was \$1.3 million compared to \$1.8 million for the first three months of 2013. The decrease in net cash used in operating activities was primarily due to the reduction in costs associated with defending various claims and legal actions pending against the Company. For the first three months of 2013, debt modification fees of \$200,000 were included in financing activities.

*Future Cash Inflows and Outflows*

Our plans for 2014 include the possible sale of certain operating and non-operating real estate assets that could result in net cash proceeds which would be partially used to repay outstanding indebtedness and for general working capital. There can be no assurance that we will be able to sell any of our real estate assets on acceptable terms, if at all.

Our cash outlook for the next twelve months and our ability to continue to meet our loan covenants and to continue as a going concern is highly dependent on successfully implementing our business initiatives and selling real estate assets at acceptable prices. If we are unable to meet our loan covenants resulting in our loan borrowings becoming immediately due, we would not have sufficient liquidity to repay such outstanding borrowings.

We are subject to several commitments and contingencies that could negatively impact our future cash flows, including required funding of our defined benefit pension plans and ongoing legal disputes related to the Kapalua Bay project. The aforementioned circumstances raise substantial doubt about our ability to continue as a going concern. There can be no assurance that we will be able to successfully achieve the initiatives discussed below in order to continue as a going concern.

In response to these circumstances, we continue to undertake significant efforts to generate cash flow by employing our real estate assets in leasing and other arrangements, by the sale of several real estate assets and by continued cost

reduction efforts.

Contributions to our defined benefit pension plans are expected to be approximately \$2.8 million in 2014.

In June 2013, the State of Hawaii enacted a bill directing the DLNR, in consultation with the Hawaiian Islands Land Trust, to engage in the purchase of an approximately 270-acre parcel of former agricultural land in West Maui, known as Lipoa Point, from the Company. The bill further requires the DLNR to ensure to the maximum extent practicable that we use the proceeds of the sale to fund our defined benefit pension plans. The passage of the bill does not obligate the DLNR to purchase the property or obligate us to sell the property. Any such sale would be subject to negotiation between the parties, including the purchase price. There is no certainty that any such sale will take place, and even if it does, the amount by which our unfunded pension fund liabilities would be reduced is uncertain.

Our current development activities are limited to planning, permitting and other efforts to secure and maintain project entitlements.

## **FORWARD-LOOKING STATEMENTS AND RISKS**

This and other reports filed by us with the Securities and Exchange Commission, or SEC, contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They contain words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue” or “pursue,” or the negative or other variations thereof or comparable terminology. Actual results could differ materially from those projected in forward-looking statements as a result of the following factors, among others:

- unstable macroeconomic market conditions, including, but not limited to, energy costs, credit markets and changes in income and asset values;

- risks associated with real estate investments generally, and more specifically, demand for real estate and tourism in Hawaii;

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risks due to joint venture relationships;

our ability to complete land development projects within forecasted time and budget expectations, if at all;

our ability to obtain required land use entitlements at reasonable costs, if at all;

our ability to compete with other developers of luxury real estate in Maui;

potential liabilities and obligations under various federal, state and local environmental regulations with respect to the presence of hazardous or toxic substances;

changes in weather conditions or the occurrence of natural disasters;

our ability to maintain the listing of our common stock on the New York Stock Exchange;

our ability to comply with funding requirements for our defined benefit pension plans;

our ability to comply with the terms of our indebtedness, including the financial covenants set forth therein, and to extend maturity dates, or refinance such indebtedness, prior to its maturity dates;

- our expectation, absent the sale of some of our real estate holdings or refinancing, that we do not expect to be able to pay any significant amount of our debt;

our ability to raise capital through the sale of certain real estate assets; and

availability of capital on terms favorable to us, or at all.

Such risks and uncertainties also include those risks and uncertainties discussed in the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2013 and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” in this Quarterly Report on Form 10-Q, as

well as other factors described from time to time in our reports filed with the SEC. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable as of the date of this report, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this report. Thus, you should not place undue reliance on any forward-looking statements. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Further, any forward-looking statements speak only as of the date made and, except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are not required to provide disclosure in response to Part 1: Item 3 of Form 10-Q because we are considered to be a “smaller reporting company.”

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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As required by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the fiscal quarter covered by this report. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

## **PART II OTHER INFORMATION**

### **Item 1A. Risk Factors**

Potential risks and uncertainties include, among other things, those factors discussed in the sections entitled “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2013 and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q. Readers should carefully review those risks and the risks and uncertainties disclosed in other documents we file from time to time with the SEC. We undertake no obligation to publicly release the results of any revisions to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

### **Item 6. Exhibits**

- |      |                                                                                                                                                    |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934.                            |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934.                            |
| 32.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. |

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32.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation document

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension labels Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Link Document

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAUI LAND & PINEAPPLE COMPANY, INC.

May 2, 2014 /s/ TIM T. ESAKI

Date Tim T. Esaki  
*Chief Financial Officer*  
(Principal Financial Officer)

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**EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                                                                                                                     |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1                      | Certification of Chief Executive Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934. (1)                            |
| 31.2                      | Certification of Chief Financial Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934. (1)                            |
| 32.1                      | Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. (2) |
| 32.2                      | Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. (2) |
| 101.INS                   | XBRL Instance Document (2)                                                                                                                             |
| 101.SCH                   | XBRL Taxonomy Extension Schema Document (2)                                                                                                            |
| 101.CAL                   | XBRL Taxonomy Extension Calculation Document (2)                                                                                                       |
| 101.DEF                   | XBRL Taxonomy Extension Definition Linkbase (2)                                                                                                        |
| 101.LAB                   | XBRL Taxonomy Extension labels Linkbase Document (2)                                                                                                   |
| 101.PRE                   | XBRL Taxonomy Extension Presentation Link Document (2)                                                                                                 |

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(1) (1) Filed herewith.

(2) Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.