

MAUI LAND & PINEAPPLE CO INC

Form 10-Q

November 06, 2015

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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 September 30, 2015**

**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**

(State or other jurisdiction)

**99-0107542**

(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

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 October 31, 2015</b> |
|----------------------------|--|
| Common Stock, no par value | 18,904,501 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>September<br/>30,<br/>2015</b>           | <b>December<br/>31,<br/>2014</b> |
|--|---|----------------------------------|
|  | <b>(in thousands except<br/>share data)</b> |                                  |
| <b>ASSETS</b>  |   |                                  |
| <b>CURRENT ASSETS</b>  |   |                                  |
| Cash   | \$1,933                                     | \$ 415                           |
| Accounts receivable, less allowance of \$241 and \$194 for doubtful accounts | 1,359                                       | 1,272                            |
| Prepaid expenses and other current assets                                    | 280   | 170                              |
| Assets held for sale   | 216   | 147                              |
| Total current assets   | 3,788                                       | 2,004                            |
| <b>PROPERTY</b>  | 69,892                                      | 75,401                           |
| Accumulated depreciation   | (36,562)                                    | (39,335 )                        |
| Net property   | 33,330                                      | 36,066                           |
| <b>OTHER ASSETS</b>  |   |                                  |
| Deferred development costs   | 9,332                                       | 9,347                            |
| Other noncurrent assets  | 1,734                                       | 1,854                            |
| Total other assets   | 11,066                                      | 11,201                           |
| <b>TOTAL ASSETS</b>  | <b>\$48,184</b>                             | <b>\$ 49,271</b>                 |
| <b>LIABILITIES &amp; STOCKHOLDERS' DEFICIENCY</b>                            |   |                                  |
| <b>CURRENT LIABILITIES</b>   |   |                                  |
| Current portion of long-term debt  | \$40,965                                    | \$ 2,533                         |
| Accounts payable   | 954   | 968                              |
| Payroll and employee benefits  | 358   | 270                              |

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|   |          |           |
|---|----------|-----------|
| Current portion of accrued retirement benefits  | 343      | 391       |
| Income taxes payable  | 419      | 566       |
| Deferred revenue  | 199      | 222       |
| Accrued interest  | 539      | 352       |
| Other current liabilities   | 813      | 546       |
| Total current liabilities   | 44,590   | 5,848     |
| LONG-TERM LIABILITIES   |          |           |
| Long-term debt  | -        | 47,643    |
| Accrued retirement benefits   | 6,470    | 6,893     |
| Deposits  | 2,381    | 2,683     |
| Deferred revenue  | 854      | 1,011     |
| Other noncurrent liabilities  | 216      | 375       |
| Total long-term liabilities   | 9,921    | 58,605    |
| COMMITMENTS AND CONTINGENCIES (Note 11)   |          |           |
| STOCKHOLDERS' DEFICIENCY  |          |           |
| Common stock--no par value, 43,000,000 shares authorized, 18,860,774 and 18,785,055 shares issued and outstanding | 77,591   | 77,105    |
| Additional paid in capital  | 9,246    | 9,246     |
| Accumulated deficit   | (68,222) | (75,959 ) |
| Accumulated other comprehensive loss  | (24,942) | (25,574 ) |
| Total stockholders' deficiency  | (6,327 ) | (15,182 ) |
| TOTAL LIABILITIES & STOCKHOLDERS' DEFICIENCY  | \$48,184 | \$49,271  |

See Notes to Condensed Consolidated Financial Statements.

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

|   | <b>Three Months<br/>Ended<br/>September 30,<br/>2015      2014<br/>(in thousands<br/>except<br/>per share<br/>amounts)</b> |                 |
|---|--|-----------------|
| <b>OPERATING REVENUES</b>                 |  |                 |
| Real estate                               |  |                 |
| Sales                                     | \$12,000   | \$-             |
| Commissions                               | 54   | 249             |
| Leasing                                   | 1,311  | 1,246           |
| Utilities                                 | 785  | 924             |
| Resort amenities and other                | 330  | 320             |
| Total operating revenues                  | 14,480   | 2,739           |
| <b>OPERATING COSTS AND EXPENSES</b>       |  |                 |
| Real estate                               |  |                 |
| Cost of sales                             | 1,487  | -               |
| Other                                     | 129  | 355             |
| Leasing                                   | 456  | 547             |
| Utilities                                 | 579  | 600             |
| Resort amenities and other                | 207  | 219             |
| General and administrative                | 609  | 556             |
| Share-based compensation                  | 52   | 30              |
| Depreciation                              | 491  | 573             |
| Pension and other postretirement expenses | 76   | 10              |
| Total operating costs and expenses        | 4,086  | 2,890           |
| <b>OPERATING INCOME (LOSS)</b>            | <b>10,394</b>  | <b>(151 )</b>   |
| Interest expense                          | (731 )   | (598 )          |
| <b>NET INCOME (LOSS)</b>                  | <b>\$9,663</b>   | <b>\$(749 )</b> |
| Pension, net of income taxes of \$0       | 210  | 163             |
| <b>COMPREHENSIVE INCOME (LOSS)</b>        | <b>\$9,873</b>   | <b>\$(586 )</b> |
| <b>NET INCOME (LOSS) PER COMMON SHARE</b> |  |                 |



|                     |        |           |
|---------------------|--------|-----------|
| --BASIC AND DILUTED | \$0.51 | \$(0.04 ) |
|---------------------|--------|-----------|

See Notes to Condensed Consolidated Financial Statements.

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

|   | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015      2014<br/>(in thousands<br/>except<br/>per share<br/>amounts)</b> |                    |
|---|---|--------------------|
| <b>OPERATING REVENUES</b>                 |   |                    |
| Real estate                               |   |                    |
| Sales                                     | \$ 12,000   | \$ 2,300           |
| Commissions                               | 377   | 485                |
| Leasing                                   | 4,148   | 3,967              |
| Utilities                                 | 2,409   | 2,475              |
| Resort amenities and other                | 1,105   | 990                |
| Total operating revenues                  | 20,039  | 10,217             |
| <b>OPERATING COSTS AND EXPENSES</b>       |   |                    |
| Real estate                               |   |                    |
| Cost of sales                             | 1,487   | 835                |
| Other                                     | 546   | 993                |
| Leasing                                   | 1,610   | 1,683              |
| Utilities                                 | 1,774   | 1,745              |
| Resort amenities and other                | 686   | 690                |
| General and administrative                | 1,677   | 1,383              |
| Share-based compensation                  | 745   | 366                |
| Depreciation                              | 1,604   | 1,744              |
| Pension and other postretirement expenses | 229   | 292                |
| Total operating costs and expenses        | 10,358  | 9,731              |
| <b>OPERATING INCOME</b>                   | <b>9,681</b>  | <b>486</b>         |
| Interest expense                          | (1,944 )  | (1,667 )           |
| <b>NET INCOME (LOSS)</b>                  | <b>\$ 7,737</b>   | <b>\$ (1,181 )</b> |
| Pension, net of income taxes of \$0       | 632   | 455                |
| <b>COMPREHENSIVE INCOME (LOSS)</b>        | <b>\$ 8,369</b>   | <b>\$ (726 )</b>   |
| <b>NET INCOME (LOSS) PER COMMON SHARE</b> |   |                    |
| <b>--BASIC AND DILUTED</b>                | <b>\$ 0.41</b>  | <b>\$ (0.07 )</b>  |

See Notes to Condensed Consolidated Financial Statements.

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|   | <b>Common<br/>Shares</b> | <b>Stock<br/>Amount</b> | <b>Additional<br/>Paid in<br/>Capital</b> | <b>Accumulated<br/>Deficit</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Total</b> |
|---|--------------------------|-------------------------|---|--------------------------------|---|--------------|
| Balance, January 1, 2015                | 18,785                   | \$77,105                | \$ 9,246                                  | \$ (75,959 )                   | \$ (25,574 )  | \$(15,182)   |
| Share-based compensation                | 104                      | 645                     | 90  |                                |   | 735          |
| Vested restricted stock issued          | 21                       | 143                     | (90 )                                     |                                |   | 53           |
| Shares cancelled to pay tax liability   | (49 )                    | (302 )                  |   |                                |   | (302 )       |
| Other comprehensive income -<br>pension |                          |                         |   |                                | 632   | 632          |
| Net income                              |                          |                         |   | 7,737                          |   | 7,737        |
| Balance, September 30, 2015             | 18,861                   | \$77,591                | \$ 9,246                                  | \$ (68,222 )                   | \$ (24,942 )  | \$(6,327 )   |
| Balance, January 1, 2014                | 18,737                   | \$76,810                | \$ 9,245                                  | \$ (93,594 )                   | \$ (19,692 )  | \$(27,231)   |
| Share-based compensation                | 36                       | 218                     | 241                                       |                                |   | 459          |
| Vested restricted stock issued          | 39                       | 240                     | (240 )                                    |                                |   | -            |
| Shares cancelled to pay tax liability   | (31 )                    | (193 )                  |   |                                |   | (193 )       |
| Other comprehensive income -<br>pension |                          |                         |   |                                | 455   | 455          |
| Net loss                                |                          |                         |   | (1,181 )                       |   | (1,181 )     |
| Balance, September 30, 2014             | 18,781                   | \$77,075                | \$ 9,246                                  | \$ (94,775 )                   | \$ (19,237 )  | \$(27,691)   |

See Notes to Condensed Consolidated Financial Statements.

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|   | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015      2014</b> |          |
|---|---|----------|
|   | <b>(in thousands)</b>   |          |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$11,018  | \$(210 ) |
| INVESTING ACTIVITIES                                |   |          |
| Payments for other assets                           | 2   | (67 )    |
| NET CASH USED IN INVESTING ACTIVITIES               | 2   | (67 )    |
| FINANCING ACTIVITIES                                |   |          |
| Proceeds from long-term debt                        | 600   | 3,000    |
| Payments of long-term debt                          | (9,811 )  | (2,324)  |
| Debt and common stock issuance cost and other       | (291 )  | (562 )   |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | (9,502 )  | 114      |
| NET INCREASE (DECREASE) IN CASH                     | 1,518   | (163 )   |
| CASH AT BEGINNING OF PERIOD                         | 415   | 359      |
| CASH AT END OF PERIOD                               | 1,933   | 196      |
| Cash paid during the period:                        |   |          |
| Interest  | \$1,944   | \$1,734  |
| Income taxes  | \$59  | \$450    |

**SUPPLEMENTAL NON-CASH ACTIVITIES:**

Common stock issued to certain members of the Company's management totaled \$645,000 and \$218,000 through September 30, 2015 and 2014, 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, 2014, and pursuant to the instructions to Form 10-Q and Article 8 promulgated by Regulation S-X of the Securities and Exchange Commission (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 September 30, 2015 and 2014. 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, 2014.

**LIQUIDITY**

The Company had outstanding borrowings under three credit facilities totaling \$41 million as of September 30, 2015. The Company has pledged a significant portion of its real estate holdings as security for borrowings under its credit facilities, limiting its ability to borrow additional funds. The Company’s credit facilities mature on August 1, 2016.

Absent the sale of some of its real estate holdings, refinancing, or extending the maturity date of its credit facilities, the Company does not expect to be able to repay its outstanding borrowings on the maturity date.

The credit facilities have 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’s ability to continue to borrow under its credit facilities to fund its ongoing operations and meet its commitments depends upon its ability to comply with its covenants. If the Company fails to satisfy any of its loan covenants, each lender may elect to accelerate its payment obligations under such lender’s credit agreement.

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 its credit facilities may become immediately due, and it would not have sufficient liquidity to repay such outstanding borrowings.

The Company's credit facilities require that a portion of the proceeds received from the sale of any real estate assets be repaid toward its loans. The amount of proceeds paid to its lenders will reduce the net sale proceeds available for working capital purposes.

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 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 AND RECLASSIFICATIONS**

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 these estimates. Amounts reflected in interim reports are not necessarily indicative of results for a full year. Certain amounts in the December 31, 2014 condensed consolidated balance sheet and condensed consolidated statement of operations and comprehensive (loss) income for the three and nine months ended September 30, 2015 were reclassified to conform to the presentation for the three and nine months ended September 30, 2015. Such amounts had no impact on total assets and liabilities or net loss and comprehensive loss previously reported.



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Basic and diluted weighted-average shares outstanding for the three and nine months ended September 30, 2015 and 2014 were as follows:

|                      | <b>Three Months Ended<br/>September 30 ,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|----------------------|--|-------------|--|-------------|
|                      | <b>2015</b>                                  | <b>2014</b> | <b>2015</b>                                | <b>2014</b> |
| Basic and diluted    | 18,852,479                                   | 18,778,187  | 18,831,499                                 | 18,764,271  |
| Potentially dilutive | 27,500                                       | 67,448      | 27,500                                     | 67,448      |

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding. Diluted net income (loss) per share is computed similar to basic net income (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 insignificant.

**4. PROPERTY**

Property at September 30, 2015 and December 31, 2014 consisted of the following:

|      | <b>September<br/>30,</b> | <b>December<br/>31,</b> |
|------|--------------------------|-------------------------|
|      | <b>2015</b>              | <b>2014</b>             |
|      | <b>(in thousands)</b>    |                         |
| Land | \$5,133                  | \$5,158                 |

|                               |          |           |
|-------------------------------|----------|-----------|
| Land improvements             | 20,340   | 24,951    |
| Buildings                     | 32,692   | 33,479    |
| Machinery and equipment       | 11,727   | 11,813    |
| Total property                | 69,892   | 75,401    |
| Less accumulated depreciation | (36,562) | (39,335 ) |
| Net property                  | \$33,330 | \$36,066  |

*Land*

Most of the Company's 23,000 acres of land were acquired between 1911 and 1932 and is carried in its balance sheets at cost. Approximately 21,000 acres of land are located in West Maui and comprise a largely contiguous parcel that extends from the shoreline to an elevation of approximately 5,700 feet. This parcel includes approximately 900 acres within the Kapalua Resort's 3,000 acres. The Company's remaining 2,000 acres of land are located in Upcountry Maui in an area commonly known as Haliimaile and are mainly comprised of leased agricultural fields, including processing and maintenance facilities.

*Land Improvements*

Land improvements are comprised primarily of roads, utilities, and landscaping infrastructure improvements at the Kapalua Resort. Also included is the Company's potable and non-potable water systems in West Maui. The majority of the Company's land improvements were constructed and placed in service in the mid-to-late 1970's. Depreciation expense would be considerably higher if these assets were stated at current replacement cost.

Table Of Contents*Buildings*

Buildings are comprised of restaurant, retail and light industrial spaces located at the Kapalua Resort and Haliimaile which are used in the Company's leasing operations. The majority of the buildings were constructed and placed in service in the mid-to-late 1970's. Depreciation expense would be considerably higher if these assets were stated at current replacement cost.

*Machinery and Equipment*

Machinery and equipment are mainly comprised of zipline course equipment installed in 2008 at the Kapalua Resort and used in the Company's leasing operations. Also included are machinery and equipment used in the Company's utilities operations.

**5. ASSETS HELD FOR SALE AND REAL ESTATE SALES**

Assets held for sale at September 30, 2015 and December 31, 2014 consisted of the following:

|   | <b>September 30,<br/>2015<br/>(in thousands)</b> | <b>December 31,<br/>2014</b> |
|---|--|------------------------------|
| Upcountry Maui,<br>630-acre parcel of<br>agricultural land  | \$ 147   | \$ 147                       |
| Upcountry Maui,<br>80-acre parcel of<br>agricultural land<br>and wastewater<br>treatment facility | 45   |                              |
| West Maui, 5-acre<br>fully entitled,<br>42-unit workforce<br>housing project                      | 24   |                              |
| Assets held for sale  | \$ 216   | \$ 147                       |

In September 2015, the Company sold the 25-acre Kapalua Golf Academy parcel and related facilities for \$12 million. The property was sold without any development entitlements. The sale resulted in a gain of approximately \$10.5 million. The Company utilized the net proceeds from the sale as follows:

- \$2.7 million to release the Kapalua Golf Academy and the adjacent 3-acre Kapalua Village Center property from the collateral held under its Wells Fargo credit facility,
- \$2.3 million prepayment toward the release of the 2-acre Merriman's Restaurant property in the Kapalua Resort from the collateral held under its Wells Fargo credit facility,
- \$4.8 million pay down of its American AgCredit term loan, and
- \$1.8 million for operating working capital.

## 6. LONG-TERM DEBT

Long-term debt at September 30, 2015 and December 31, 2014 consisted of the following:

|   | September<br>30,<br>2015 | December<br>31,<br>2014 |
|---|--------------------------|-------------------------|
|   | (in thousands)           |                         |
| Wells Fargo revolving line of credit, 3.83% and 3.82%, respectively | \$25,868                 | \$ 30,643               |
| American AgCredit term loan, 7.00% and 5.00%, respectively          | 14,697                   | 19,533                  |
| First Hawaiian Bank revolving line of credit, 4.38%                 | 400                      | -                       |
| Total   | 40,965                   | 50,176                  |
| Less current portion  | 40,965                   | 2,533                   |
| Long-term debt  | \$-                      | \$ 47,643               |

### WELLS FARGO

The Company has a \$25.9 million revolving line of credit with Wells Fargo that matures on August 1, 2016. Interest on borrowings is 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 repay the outstanding balance of the revolving line of credit on the maturity date.



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AMERICAN AGCREDIT

The Company has a term loan with an outstanding principal balance of \$14.7 million with American AgCredit that matures on August 1, 2016. On April 24, 2015, the term loan agreement was amended to eliminate previously required principal reduction payments, modify interest rates and payments, and provide additional collaterals for the loan.

Interest on the loan balance is at the greater of 7.00% or LIBOR plus 6.75%. Interest on the loan balance decreases by 1.25% if the loan balance is reduced below \$10 million and an additional 1.25% if the loan balance is reduced below \$5 million. Interest is paid monthly at the greater of 4.00% or LIBOR plus 3.75%, with the remaining amount deferred until the maturity date. The amount of interest paid increases by 0.75% if the loan balance has not been reduced below \$12.5 million by April 1, 2016. The loan is collateralized by approximately 3,700 acres of the Company's real estate holdings in West Maui and Upcountry Maui and a pledge of the Company's 100% equity interests in the Kapalua Water Company, Ltd. and the Kapalua Waste Treatment Company, Ltd.

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 certain real property pledged as collateral for the loan and mandatory principal repayments of 75% of the net proceeds from the sale of non-collateralized real property. The Company has agreed to provide by May 1, 2016: (a) a refinancing loan commitment, (b) escrowed real estate sales contracts, (c) a filed registration statement for an equity offering, or a combination thereof, in an amount sufficient to repay the outstanding balance of the term loan on the maturity date.

FIRST HAWAIIAN BANK

The Company has a \$3.5 million revolving line of credit with First Hawaiian Bank that matures on August 1, 2016. Interest on borrowings is at the bank's Prime Rate and the line of credit is collateralized by the 1-acre Honolua Store property in 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. There are no commitment fees on the unused portion of the revolving facility.

As of September 30, 2015, the Company believes it is in compliance with the covenants under its Wells Fargo, American AgCredit and First Hawaiian Bank credit facilities.

## 7. SHARE-BASED COMPENSATION

The Company's non-employee directors, officers and certain members of management receive a portion of their compensation in shares of the Company's common stock granted under the Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (2006 Plan). Share-based compensation is valued based on the average of the high and low share price on the date of grant. Shares are issued upon execution of agreements reflecting the grantee's acceptance of the respective shares subject to the terms and conditions of the 2006 Plan. Restricted shares issued under the 2006 Plan vest quarterly and have voting and regular dividend rights but cannot be disposed of until such time as they are vested. All unvested restricted shares are forfeited upon the grantee's termination of directorship or employment from the Company.

Each of the Company's non-employee directors receive restricted shares of common stock upon their annual appointment to the Company's board of directors. Share-based compensation totaled \$94,000 and \$72,000 for the nine months ended September 30, 2015 and 2014, respectively, for vesting of restricted shares granted to the Company's non-employee directors.

The Company's officers and certain members of management receive share-based compensation based on their achievement of certain predefined performance goals and objectives under an incentive compensation plan. Such share-based compensation is comprised of an annual incentive paid in shares of common stock and a long-term incentive paid in restricted shares vesting quarterly over a period of three years. Share-based compensation totaled \$745,000 and \$366,000 for the nine months ended September 30, 2015 and 2014, respectively, for shares issued and the vesting of restricted shares granted to the Company's officers and certain members of management.

Table Of Contents**8. ACCRUED RETIREMENT BENEFITS**

Accrued retirement benefits at September 30, 2015 and December 31, 2014 consisted of the following:

|  | <b>September<br/>30,<br/>2015</b> | <b>December<br/>31,<br/>2014</b> |
|--|-----------------------------------|----------------------------------|
|  | <b>(in thousands)</b>             |                                  |
| Defined Benefit Pension Plans                      | \$1,997                           | \$ 2,540                         |
| Supplemental Executive Retirement Plan             | 4,587                             | 4,468                            |
| Deferred Compensation Plan                         | 229                               | 276                              |
| Total  | 6,813                             | 7,284                            |
| Less current portion                               | (343 )                            | (391 )                           |
| Non-current portion of accrued retirement benefits | \$6,470                           | \$ 6,893                         |

The net periodic benefit costs for pension and postretirement benefits for the three and nine months ended September 30, 2015 and 2014 were as follows:

|   | <b>Three<br/>Months<br/>Ended<br/>September<br/>30,<br/>2015    2014</b> |       | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015    2014</b> |         |
|---|--|-------|---|---------|
|   | <b>(in<br/>thousands)</b>  |       | <b>(in thousands)</b>   |         |
| Interest cost                             | \$691  | \$780 | \$2,073   | \$2,324 |
| Expected return on plan assets            | (826)  | (933) | (2,478)   | (2,487) |
| Recognized actuarial loss                 | 211  | 163   | 634   | 455     |
| Pension and other postretirement expenses | \$76   | \$10  | \$229   | \$292   |

**9. INCOME TAXES**



The Company's effective tax rate for 2015 and 2014 reflects the recognition of expected federal alternative minimum tax liabilities and interim period tax benefits and changes to its 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.

## **10. REPORTABLE OPERATING SEGMENTS**

The Company's reportable operating segments are comprised of the discrete business units whose operating results are regularly reviewed by the Company's Chief Executive Officer – its chief decision maker – in assessing performance and determining the allocation of resources. The Company's reportable operating segments are as follows:

Real Estate – includes land planning and entitlement, development and sales activities. This segment also includes the operations of Kapalua Realty Company Ltd., a general brokerage and resales real estate company located within the Kapalua Resort.

Leasing – includes residential, resort, commercial, industrial and agricultural land and property leases, licensing of the Company's registered trademarks and trade names, and stewardship and conservation efforts.

Utilities – comprised of the Company's two publicly-regulated utility companies which provide potable and non-potable water and wastewater transmission services to the Kapalua Resort. In addition, this segment also includes management of ditch, reservoir and well systems which provide non-potable irrigation water to West and Upcountry Maui areas.

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Resort Amenities – include the operations of the Kapalua Club, a private, non-equity club providing its members special programs, access and other privileges at certain of the amenities at the Kapalua Resort including a 30,000 square foot full-service spa and a private pool-side dining beach club.

The Company's reportable operating segment results are measured based on operating income (loss), exclusive of interest, depreciation, general and administrative, share-based compensation, pension, and other post retirement expenses.

Reportable operating segment revenues and income (loss) for the three and nine months ended September 30, 2015 and 2014 were as follows:

|                                  | <b>Three Months<br/>Ended<br/>September 30,<br/>2015    2014<br/>(in thousands)</b> |          | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015    2014<br/>(in thousands)</b> |          |
|----------------------------------|---|----------|--|----------|
| Operating Segment Revenues       |   |          |  |          |
| Real estate                      | \$12,054  | \$249    | \$12,377   | \$2,785  |
| Leasing                          | 1,311   | 1,246    | 4,148  | 3,967    |
| Utilities                        | 785   | 924      | 2,409  | 2,475    |
| Resort amenities and other       | 330   | 320      | 1,105  | 990      |
| Total Operating Segment Revenues | \$14,480  | \$2,739  | \$20,039   | \$10,217 |
| Operating Segment Income (Loss)  |   |          |  |          |
| Real estate                      | \$10,438  | \$(106 ) | \$10,344   | \$957    |
| Leasing                          | 855   | 699      | 2,538  | 2,284    |
| Utilities                        | 206   | 324      | 635  | 730      |
| Resort amenities and other       | 123   | 101      | 419  | 300      |
| Total Operating Segment Income   | \$11,622  | \$1,018  | \$13,936   | \$4,271  |

**11. COMMITMENTS AND CONTINGENCIES**

There have been no changes in the status of commitments and contingencies as reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. 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 results of operations.

## 12. 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.

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 September 30, 2015 and December 31, 2014 was \$41 million and \$50.2 million, respectively, which approximated fair value. The fair value of debt has been classified as level 2 measurements, respectively.

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### **13. NEW ACCOUNTING PRONOUNCEMENTS**

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, Interest-Imputation of Interest. This ASU requires an entity to simplify the presentation of debt issuance costs related to a recognized debt liability by presenting it in the balance sheet as a direct deduction from the carrying amount of that debt liability. This ASU will be effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In June 2015, the Financial Accounting Standards Board issued ASU No. 2015-10, Technical Corrections and Improvements. This ASU provides clarification and simplification of the codification and does not have a significant effect on current accounting practice. This ASU will be effective for all entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-14, Revenue from Contracts with Customers. This ASU defers the effective date of the guidance in ASU 2014-09 by one year. As such, public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance to annual reporting periods beginning after December 15, 2017. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In August 2015, the Financial Accounting Standards Board issued ASU No. 2015-15, Interest- Imputation of Interest. This ASU follows ASU No. 2015-03, which was released in April 2015. This ASU served to amend ASU 2015-03 by adding guidance on the presentation and subsequent measurement of debt issuance costs associated with Line-of-Credit arrangements. The adoption of this guidance did not have a material impact on the Company's financial statements.

### **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, 2014 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

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 23,000 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 residential, resort, commercial, industrial and agricultural land and property 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 wastewater 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*—We manage the operations of the Kapalua Club, a private, non-equity club providing its members special programs, access and other privileges at certain amenities at the Kapalua Resort.

## 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 nine months of 2015.



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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.

## RESULTS OF OPERATIONS

*Three and Nine Months Ended September 30, 2015 compared to Three and Nine Months Ended September 30, 2014*

## CONSOLIDATED

|  | Three Months<br>Ended September<br>30,<br>2015      2014<br>(000's except per<br>share amounts) |           | Nine Months<br>Ended September<br>30,<br>2015      2014<br>(000's except per<br>share amounts) |            |
|--|---|-----------|--|------------|
| <i>Operating revenues</i>                        | \$14,480  | \$2,739   | \$20,039   | \$10,217   |
| <i>Operating costs and expenses</i>              | (2,858 )  | (1,721 )  | (6,103 )   | (5,946 )   |
| <i>General and administrative</i>                | (609 )  | (556 )    | (1,677 )   | (1,383 )   |
| <i>Share-based compensation</i>                  | (52 )   | (30 )     | (745 )   | (366 )     |
| <i>Depreciation</i>                              | (491 )  | (573 )    | (1,604 )   | (1,744 )   |
| <i>Pension and other postretirement expenses</i> | (76 )   | (10 )     | (229 )   | (292 )     |
| <i>Operating income (loss)</i>                   | 10,394  | (151 )    | 9,681  | 486        |
| <i>Interest expense</i>                          | (731 )  | (598 )    | (1,944 )   | (1,667 )   |
| <i>Net income (loss)</i>                         | \$9,663   | \$(749 )  | \$7,737  | \$(1,181 ) |
| <i>Net income (loss) per common share</i>        | \$0.51  | \$(0.04 ) | \$0.41   | \$(0.07 )  |

The increase in net income for the three and nine months ended September 30, 2015 was primarily due to the \$12.0 million sale of the Kapalua Golf Academy in September 2015. In May 2014, we sold the 4-acre Kapalua Plantation Golf Course Maintenance Facility for \$2.3 million. The increase in general and administrative expenses for the nine months ended September 30, 2015 was due to a change in estimated uncertain tax positions in the prior period. The increase in share-based compensation for the periods compared was due to stock awards for annual incentive bonuses paid to the Company's officers and certain members of management in March 2015.

## REAL ESTATE

|                                     | Three Months<br>Ended<br>September 30,<br>2015      2014<br>(in thousands) |         | Nine Months<br>Ended September<br>30,<br>2015      2014<br>(in thousands) |         |
|-------------------------------------|--|---------|---|---------|
| <i>Operating revenues</i>           | \$12,054   | \$249   | \$12,377  | \$2,785 |
| <i>Operating costs and expenses</i> | (1,616)  | (355)   | (2,033)   | (1,828) |
| <i>Operating income (loss)</i>      | \$10,438   | \$(106) | \$10,344  | \$957   |

The increase in operating revenues and operating income for the three and nine months ended September 30, 2015 compared to prior periods was primarily due to the \$12 million sale of the Kapalua Golf Academy in September 2015.

Included in operating revenues for this segment were real estate sales commissions from resales of properties owned by private residents in the Kapalua Resort and surrounding areas by our wholly-owned subsidiary, Kapalua Realty Company, Ltd.

We did not have any significant real estate development expenditures during the nine months ended September 30, 2015 or 2014.

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 business segment.



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## LEASING

|                                     | Three Months<br>Ended September<br>30,<br>2015 |  | 2014    |  | Nine Months<br>Ended September<br>30,<br>2015 |  | 2014    |  |
|-------------------------------------|--|--|---------|--|---|--|---------|--|
|                                     | (in thousands)                                 |  |         |  | (in thousands)                                |  |         |  |
| <i>Operating revenues</i>           | \$1,311  |  | \$1,246 |  | \$4,148                                       |  | \$3,967 |  |
| <i>Operating costs and expenses</i> | (456 )   |  | (547 )  |  | (1,610)                                       |  | (1,683) |  |
| <i>Operating income</i>             | \$855  |  | \$699   |  | \$2,538                                       |  | \$2,284 |  |

*Average Occupancy Rates:*

|                         |    |   |    |   |    |   |    |   |
|-------------------------|----|---|----|---|----|---|----|---|
| <i>Kapalua Resort</i>   | 94 | % | 84 | % | 94 | % | 84 | % |
| <i>Hali'imaile Town</i> | 89 | % | 88 | % | 89 | % | 88 | % |
| <i>Other West Maui</i>  | 37 | % | 40 | % | 37 | % | 40 | % |

We have contracted a third-party property management company to manage our commercial leasing portfolio. The increase in operating revenues and operating income during the three and nine months ended September 30, 2015 compared to prior periods was primarily due to higher occupancy levels for our Kapalua Resort and Hali'imaile Town commercial spaces.

Other West Maui leased properties are mainly large-acre former pineapple field parcels and maintenance facilities.

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

## UTILITIES

| Three Months<br>Ended<br>September 30,<br>2015 |  | Nine Months<br>Ended September<br>30,<br>2015 |  | 2014 |  |
|--|--|---|--|------|--|
|--|--|---|--|------|--|

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(in thousands) (in thousands)

|                                     |       |       |         |         |
|-------------------------------------|-------|-------|---------|---------|
| <i>Operating revenues</i>           | \$785 | \$924 | \$2,409 | \$2,475 |
| <i>Operating costs and expenses</i> | (579) | (600) | (1,774) | (1,745) |
| <i>Operating income</i>             | \$206 | \$324 | \$635   | \$730   |

*Consumption (in million gallons):*

|                               |     |     |     |     |
|-------------------------------|-----|-----|-----|-----|
| <i>Potable</i>                | 38  | 40  | 112 | 115 |
| <i>Non-potable/irrigation</i> | 160 | 210 | 434 | 453 |

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 and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 was primarily due to a decrease in sales of non-potable water resulting from wetter weather conditions in West Maui in the current period. The increase in operating costs and expenses for the periods compared was due to higher County of Maui utilities costs and repair and maintenance of our non-potable/irrigation water system reservoirs in West Maui.

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## RESORT AMENITIES

|                                     | Three Months<br>Ended<br>September 30,<br>2015 2014<br>(in thousands) |       | Nine Months<br>Ended<br>September 30,<br>2015 2014<br>(in thousands) |       |
|-------------------------------------|---|-------|--|-------|
| <i>Operating revenues</i>           | \$330   | \$320 | \$1,105  | \$990 |
| <i>Operating costs and expenses</i> | (207)   | (219) | (686 )   | (690) |
| <i>Operating income</i>             | \$123   | \$101 | \$419  | \$300 |
| <i>Kapalua Club Members</i>         | 491   | 490   | 491  | 490   |

The increase in operating revenues during the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 was primarily due to an increase in annual Kapalua Club membership dues.

## LIQUIDITY AND CAPITAL RESOURCES

*Liquidity*

We had outstanding borrowings under three credit facilities totaling \$41 million and cash on hand of \$1.9 million as of September 30, 2015. We had \$3.1 million of available credit under our First Hawaiian Bank credit facility as of September 30, 2015.

*Revolving Line of Credit with Wells Fargo*

We have a \$25.9 million revolving line of credit with Wells Fargo that matures on August 1, 2016. Interest on borrowings is 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 repay the outstanding balance of the revolving line of credit on the maturity date.

*Term Loan with American AgCredit*

We have a term loan with an outstanding principal balance of \$14.7 million with American AgCredit that matures on August 1, 2016. On April 24, 2015, the term loan agreement was amended to eliminate previously required principal reduction payments, modify interest rates and payments, and provide additional collaterals for the loan.

Interest on the loan balance is at the greater of 7.00% or LIBOR plus 6.75%. Interest on the loan balance decreases by 1.25% if the loan balance is reduced below \$10 million and an additional 1.25% if the loan balance is reduced below \$5 million. Interest is paid monthly at the greater of 4.00% or LIBOR plus 3.75%, with the remaining amount deferred until the maturity date. The amount of interest paid increases by 0.75% if the loan balance has not been reduced below \$12.5 million by April 1, 2016. The loan is collateralized by approximately 3,700 acres of the Company's real estate holdings in West Maui and Upcountry Maui and a pledge of the Company's 100% equity interests in the Kapalua Water Company, Ltd. and the Kapalua Waste Treatment Company, Ltd.

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 certain real property pledged as collateral for the loan and mandatory principal repayments of 75% of the net proceeds from the sale of non-collateralized real property. The Company has agreed to provide by May 1, 2016: (a) a refinancing loan commitment, (b) escrowed real estate sales contracts, (c) a filed registration statement for an equity offering, or a combination thereof, in an amount sufficient to repay the outstanding balance of the term loan on the maturity date.

*Revolving Line of Credit with First Hawaiian Bank*

We have a \$3.5 million revolving line of credit with First Hawaiian Bank that matures on August 1, 2016. Interest on borrowings is at the Bank's Prime Rate and the line of credit is collateralized by the 1-acre Honolua Store property in 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. There are no commitment fees on the unused portion of the revolving facility.



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As of September 30, 2015, we believe we are in compliance with the covenants under our Wells Fargo, American AgCredit and First Hawaiian Bank credit facilities.

*Cash Flows*

During the first nine months of 2015, net cash provided by our operating activities was \$11 million as compared to \$0.2 million of net cash used by our operating activities for the first nine months of 2014. The increase in net cash provided by operating activities was primarily due to the aforementioned September 2015 sale of the Kapalua Golf Academy.

*Future Cash Inflows and Outflows*

Our plans include continued 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. Proceeds from the sale of any of our real estate assets will be used principally to repay our outstanding indebtedness.

With the funding of our pension plans from the sale of Lipoa Point in October 2014, we do not expect to be required to make minimum contributions to our pension plans in 2015. Our current development activities are limited to planning, permitting and other efforts to secure and maintain project entitlements and we do not have any significant development or capital expenditures planned at this time.

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. There can be no assurance that we will be able to sell any of our real estate assets on acceptable terms, if at all. If we are unable to meet our loan covenants, borrowings under our credit facilities may become immediately due, and we would not have sufficient liquidity to repay such outstanding borrowings. In addition, absent the sale of some of our real estate holdings, refinancing, or extending the maturity date of our credit facilities, we do not expect to be able to repay our outstanding borrowings on the maturity date.

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;

- 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 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;

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- 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 of 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 date;
  - our expectation, absent the sale of some of our real estate holdings or refinancing, that we do not expect to be able to repay 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, 2014 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.

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.

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*Changes in Internal Controls Over Financial Reporting*

No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f)) occurred during the fiscal quarter ended September 30, 2015 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**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, 2014 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. |
| 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.

November 6, 2015 /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) Filed herewith.

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