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 June 30, 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 of incorporation or organization)	(IRS Employer 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.

Class	**Outstanding at July 29, 2014**
Common Stock, no par value	18,772,366 shares

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC.

AND SUBSIDIARIES

TABLE OF CONTENTS

Table Of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2014	December 31, 2013
	(in thousands except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$203	$ 359
Accounts receivable, less allowance of $163 for doubtful accounts	1,289	1,203
Prepaid expenses and other assets	516	596
Assets held for sale	-	744
Total Current Assets	2,008	2,902
PROPERTY	77,266	77,266
Accumulated depreciation	(38,257)	(37,084)
Net Property	39,009	40,182
OTHER ASSETS		
Deferred development costs	7,860	7,727
Other noncurrent assets	3,023	2,942
Total Other Assets	10,883	10,669
TOTAL	$51,900	$ 53,753
LIABILITIES & STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Current portion of long-term debt	$2,533	$ 49,000
Trade accounts payable	904	995

Payroll and employee benefits	286	362
Current portion of accrued retirement benefits	404	443
Income taxes payable	857	1,421
Current portion of accrued contract terminations	159	159
Other accrued liabilities, including deferred revenue	2,319	2,216
Total Current Liabilities	7,462	54,596
LONG-TERM LIABILITIES		
Long-term debt	46,243	-
Accrued retirement benefits	20,206	20,867
Accrued contract terminations	316	475
Other noncurrent liabilities	4,808	5,046
Total Long-Term Liabilities	71,573	26,388
COMMITMENTS AND CONTINGENCIES (Note 14)		
STOCKHOLDERS' DEFICIENCY		
Common stock--no par value, 43,000,000 shares authorized, 18,777,607 and 18,737,384 shares issued and outstanding	77,045	76,810
Additional paid in capital	9,246	9,245
Accumulated deficit	(94,026)	(93,594)
Accumulated other comprehensive loss	(19,400)	(19,692)
Stockholders' Deficiency	(27,135)	(27,231)
TOTAL	$ 51,900	$ 53,753

See accompanying Notes to Condensed Consolidated Financial Statements.

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30,	
	2014	2013
	(in thousands except share amounts)	
OPERATING REVENUES		
Real estate		
Sales	$2,300	$-
Commissions	153	95
Leasing	1,409	1,197
Utilities	829	956
Resort amenities and other	318	308
Total Operating Revenues	5,009	2,556
OPERATING COSTS AND EXPENSES		
Real estate		
Cost of sales	835	-
Other	333	442
Leasing	586	609
Utilities	572	539
Resort amenities and other	190	116
General and administrative	671	708
Depreciation	587	688
Pension and other postretirement expense (Note 11)	141	222
Total Operating Costs and Expenses	3,915	3,324
Operating Income (Loss)	1,094	(768)
Interest expense, net	(592)	(506)
Income (Loss) from Continuing Operations, net of income taxes of $0	502	(1,274)
Income (Loss) from Discontinued Operations (Note 7), net of income taxes of $0 and $116	(25)	2,105
NET INCOME	477	831
Pension, net of income taxes of $0	146	228
COMPREHENSIVE INCOME	$623	$1,059

NET INCOME PER COMMON SHARE--BASIC AND DILUTED		
Continuing Operations	$0.03	$(0.07)
Discontinued Operations	-	0.11
Net Income	$0.03	$0.04

See accompanying Notes to Condensed Consolidated Financial Statements.

4

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

	Six Months Ended June 30,	
	2014	**2013**
	(in thousands except share amounts)	
OPERATING REVENUES		
Real estate		
Sales	$2,300	$-
Commissions	236	$191
Leasing	2,721	2,523
Utilities	1,551	1,783
Resort amenities and other	670	688
Total Operating Revenues	7,478	5,185
OPERATING COSTS AND EXPENSES		
Real estate		
Cost of sales	835	-
Other	638	839
Leasing	1,136	1,389
Utilities	1,145	1,094
Resort amenities and other	471	306
General and administrative	1,082	1,419
Depreciation	1,171	1,374
Pension and other postretirement expense (Note 11)	282	444
Total Operating Costs and Expenses	6,760	6,865
Operating Income (Loss)	718	(1,680)
Interest expense, net	(1,069)	(1,200)
Loss from Continuing Operations, net of income taxes of $0	(351)	(2,880)
Income (Loss) from Discontinued Operations (Note 7), net of income taxes of $0 and $116	(81)	1,896
NET LOSS	(432)	(984)
Pension, net of income taxes of $0	292	390

COMPREHENSIVE LOSS	$(140)	$(594)
NET LOSS PER COMMON SHARE--BASIC AND DILUTED		
Continuing Operations	$(0.02)	$(0.15)
Discontinued Operations	-	0.10
Net Loss	$(0.02)	$(0.05)

See accompanying Notes to Condensed Consolidated Financial Statements.

5

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

(UNAUDITED)

For the Six Months Ended June 30, 2014 and 2013

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2014	18,737	$76,810	$ 9,245	$ (93,594)	$ (19,692)	$(27,231)
Share-based compensation expense			211			211
Issuance of shares for incentive plan	36	218				218
Vested restricted stock issued	35	210	(210)			-
Shares cancelled to pay tax liability	(30)	(193)				(193)
Other Comprehensive Income - Pension					292	292
Net loss				(432)		(432)
Balance, June 30, 2014	18,778	$77,045	$ 9,246	$ (94,026)	$ (19,400)	$(27,135)
Balance, January 1, 2013	18,664	$76,410	$ 9,236	$ (92,430)	$ (27,579)	$(34,363)
Share-based compensation expense			215			215
Issuance of shares for incentive plan	33	133				133
Vested restricted stock issued	38	210	(210)			-
Shares cancelled to pay tax liability	(23)	(94)				(94)
Other Comprehensive Income - Pension					390	390
Net loss				(984)		(984)
Balance, June 30, 2013	18,712	$76,659	$ 9,241	$ (93,414)	$ (27,189)	$(34,703)

See accompanying Notes to Condensed Consolidated Financial Statements.

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$689	$(3,057)
INVESTING ACTIVITIES		
Purchases of property	-	(5)
Proceeds from disposals of property	-	3,760
Payments for other assets	(67)	(54)
NET CASH PROVDED BY (USED IN) INVESTING ACTIVITIES	(67)	3,701
FINANCING ACTIVITIES		
Proceeds from long-term debt	2,100	2,900
Payments of long-term debt	(2,324)	(3,561)
Debt issuance costs and other	(554)	(343)
NET CASH USED IN FINANCING ACTIVITIES	(778)	(1,004)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(156)	(360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	359	829
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$203	$469

Cash paid during the period:		
Interest (net of amounts capitalized)	$1,147	$1,162
Income taxes	$300	$-

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 June 30, 2014 and 2013, respectively.

$218,000 and $133,100 of common stock was issued to certain members of the Company's management at June 30, 2014 and 2013, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements.

7

Table Of Contents

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 June 30, 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 had a net loss of $0.4 million and generated $0.7 million of cash from its operating activities during the six months ended June 30, 2014. The Company had an excess of current liabilities over current assets of $5.5 million and a stockholders' deficiency of $27.1 million at June 30, 2014.

The Company has outstanding borrowings under two 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 mature on 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.

3. Average Common Shares Outstanding Used to Compute Earnings (Loss) Per Share

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2014	**2013**	**2014**	**2013**
Basic and diluted	18,766,909	18,698,856	18,757,273	18,685,971
Potentially dilutive	71,172	128,591	71,172	128,591

Basic earnings (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.

Table Of Contents

4. Property

	June 30, 2014	December 31, 2013
	(in thousands)	
Land	$5,355	$ 5,355
Land improvements	24,951	24,951
Buildings	33,534	33,534
Machinery and equipment	11,820	11,820
Construction in progress	1,606	1,606
Total Property	77,266	77,266
Less accumulated depreciation	38,257	37,084
Net Property	$39,009	$ 40,182

Land

Most of 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. This parcel includes approximately 900 acres within the Kapalua Resort’s 3,000 acres. The Company’s remaining land properties are former agricultural fields and processing and maintenance facilities located in Upcountry Maui in an area commonly referred to as Haliimaile.

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 system in West Maui. The majority of the Company’s land improvements were constructed and placed in service in the mid-to-late 1970s. Depreciation expense would be considerably higher if these assets were stated at current replacement cost.

Buildings

Buildings are comprised of restaurant, retail and light industrial spaces located at the Kapalua Resort and used in the Company's leasing operations. The majority of the buildings were constructed and placed in service in the mid-to-late 1970s. 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.

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.

Table Of Contents

5. Assets Held for Sale and Real Estate Sales

At December 31, 2013, assets held for sale consisted of a 4-acre parcel and building that serves as the maintenance facility for the Kapalua Plantation Golf Course. In May 2014, the Company sold the property for $2.3 million and recognized a gain of $1.5 million. The Company utilized $1.9 million of the proceeds to release the Honolua Store from the collateral held under the Wells Fargo credit facility and $0.4 million of the proceeds to repay its term loan with American AgCredit.

In June 2013, the Company sold a 7-acre parcel that was the last of its former agricultural processing facilities in central Maui for $4.0 million. The sale resulted in a gain of $1.9 million and has been reflected in discontinued operations.

6. Long-Term Debt

Long-term debt at June 30, 2014 and December 31, 2013 consisted of the following:

	June 30, 2014	December 31, 2013
	(in thousands)	
Wells Fargo revolving loans, 3.80%	$29,243	$ 29,000
American AgCredit term loan, 5.00%	19,533	20,000
Total	48,776	49,000
Less current portion	2,533	49,000
Long-term debt	$46,243	$ —

WELLS FARGO

The Company has a $32.7 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. In connection with entering into the First Hawaiian Bank agreement, the Company made a $1.9 million paydown to release the Honolua Store from the collateral held under this facility. 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 matures on August 1, 2016. Interest 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 that the principal balance be paid down to $17 million by May 1, 2015 and to $15 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.

FIRST HAWAIIAN BANK

In June 2014, the Company entered into a credit agreement with First Hawaiian Bank providing the Company with a $3.5 million revolving line of credit for general working capital and corporate purposes. The agreement expires on June 5, 2015. Borrowings under the revolving line of credit bear interest at the Bank’s Prime Rate and the credit facility is collateralized by an approximately 1.1 acre property and building in the Kapalua Resort commonly known as the Honolua Store. As of June 30, 2014, there were no borrowings outstanding under this revolving line of credit.

As of June 30, 2014, the Company believes it is in compliance with the covenants under its Wells Fargo, American AgCredit and First Hawaiian Bank credit facilities.

Table Of Contents

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.

Revenues and income (loss) from discontinued operations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Revenues				
Spa & Beach Club	$-	$550	$-	$1,275
Total	$-	$550	$-	$1,275
Income (loss) from Discontinued Operations				
Spa & Beach Club	$-	$(185)	$-	$(386)
Retail	(4)	(3)	(28)	(4)
Agriculture	(21)	2,177	(53)	2,170
Income Taxes	-	116	-	116
Total	$(25)	$2,105	$(81)	$1,896

Income from discontinued operations for the three and six months ended June 30, 2013 included a $1.9 million gain from the sale of a 7-acre parcel in Kahului which was part of the Company’s former agricultural processing facilities. The sale proceeds were reflected under investing activities in the Company's condensed consolidated statements of cash flows.

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.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU supersedes the previous revenue recognition guidance in Accounting Standards Codification ("ASC") Topic 606, *Revenue Recognition*, and requires that an entity use the defined five step process to recognize revenue. The ASU also requires additional disclosures and is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. Early implementation is not permitted. Upon adoption, the Company will have the option of retrospectively applying the guidance to each reporting period presented with certain practical expedients or retrospectively reporting the cumulative effect of the initially applying the ASU at the date of initial application with additional disclosure requirements. The Company has not yet determined the effect this ASU will have on its condensed consolidated financial statements.

Table Of Contents

In June 2014, the FASB issued ASU No. 2014-12, *Compensation-Stock Compensation – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*. This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition under the existing guidance of ASC Topic 718, as it relates to vesting of such awards. The performance target should not be reflected in estimating the grant-date fair value of the award, and compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments can be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements with a cumulative effect adjustment to the opening retained earnings balance. The ASU will be effective for annual and interim reporting periods beginning after December 15, 2015 with early adoption permitted. The Company has not yet determined the effect this ASU will have on its 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 June 30, 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 $112,000 and $106,000 for the three months ended June 30, 2014 and 2013, respectively, and $211,000 and $215,000 for the six months ended June 30, 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 3.0%, as of June 30, 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 Company's Executive and Key Management Compensation Plan. In accordance with the plan, the incentive award was paid by issuance of 35,917 and 33,187 shares of common stock in February 2014 and 2013, respectively.

Stock Options

A summary of stock option award activity as of and for the six months ended June 30, 2014 is as follows:

		Weighted
Weighted	**Weighted**	**Average**