

MAUI LAND & PINEAPPLE CO INC
Form 10-Q
August 11, 2016
Table Of Contents

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, 2016

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)

Edgar Filing: MAUI LAND & PINEAPPLE CO INC - Form 10-Q

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 31, 2016
Common Stock, no par value	19,025,319 shares

Table Of Contents

MAUI LAND & PINEAPPLE COMPANY, INC.

AND SUBSIDIARIES

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets, June 30, 2016 and December 31, 2015</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), Three Months Ended June 30, 2016 and 2015</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), Six Months Ended June 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Stockholders' Equity (Deficiency), Six Months Ended June 30, 2016 and 2015</u>	6
<u>Condensed Consolidated Statements of Cash Flows, Six Months Ended June 30, 2016 and 2015</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Forward-Looking Statements and Risks</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	18
<u>Item 4. Controls and Procedures</u>	18
<u>PART II. OTHER INFORMATION</u>	19
<u>Item 1A. Risk Factors</u>	19
<u>Item 6. Exhibits</u>	19
<u>Signature</u>	20

EXHIBIT INDEX

21

Exhibit 10.1
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2
Exhibit 101

2

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,	December
	2016	31,
	2015	
	(in thousands except	
	share data)	
ASSETS		
CURRENT ASSETS		
Cash	\$742	\$1,087
Accounts receivable, less allowance of \$319 and \$194 for doubtful accounts	2,130	1,528
Prepaid expenses and other current assets	36	208
Assets held for sale	-	262
Total current assets	2,908	3,085
PROPERTY	69,056	69,126
Accumulated depreciation	(37,596)	(36,608)
Net property	31,460	32,518
OTHER ASSETS		
Deferred development costs	8,833	9,310
Assets held for sale	286	-
Other noncurrent assets	1,591	1,686
Total other assets	10,710	10,996

TOTAL ASSETS	\$45,078	\$ 46,599
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of long-term debt	\$-	\$ 40,565
Accounts payable	930	675
Payroll and employee benefits	350	396
Current portion of accrued retirement benefits	378	378
Income taxes payable	443	473
Accrued interest	88	645
Other current liabilities	1,128	727
Total current liabilities	3,317	43,859
LONG-TERM LIABILITIES		
Long-term debt	26,368	-
Accrued retirement benefits	10,246	10,252
Deposits	2,431	2,400
Deferred revenue	660	811
Other noncurrent liabilities	123	216
Total long-term liabilities	39,828	13,679
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common stock--no par value, 43,000,000 shares authorized, 18,935,576 and 18,867,768 shares issued and outstanding	77,986	77,628
Additional paid in capital	9,246	9,246
Accumulated deficit	(57,139)	(69,146)
Accumulated other comprehensive loss	(28,160)	(28,667)
Total stockholders' equity (deficiency)	1,933	(10,939)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIENCY)	\$45,078	\$ 46,599

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)**

	Three Months Ended June 30, 2016 2015 (in thousands except per share amounts)	
OPERATING REVENUES		
Real estate		
Sales	\$ 15,000	\$ -
Commissions	498	211
Leasing	1,277	1,422
Utilities	878	807
Resort amenities and other	324	325
Total operating revenues	17,977	2,765
OPERATING COSTS AND EXPENSES		
Real estate		
Cost of sales	747	-
Other	609	248
Leasing	545	611
Utilities	589	582
Resort amenities and other	270	265
General and administrative	410	487
Share-based compensation	181	143
Depreciation	493	555
Pension and other postretirement expenses	284	76
Total operating costs and expenses	4,128	2,967
OPERATING INCOME (LOSS)	13,849	(202)
Interest expense	(445)	(616)

Edgar Filing: MAUI LAND & PINEAPPLE CO INC - Form 10-Q

NET INCOME (LOSS)	\$13,404	\$(818)
Pension, net of income taxes of \$0	253	211
COMPREHENSIVE INCOME (LOSS)	\$13,657	\$(607)
NET INCOME (LOSS) PER COMMON SHARE		
--BASIC AND DILUTED	\$0.71	\$(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)**

	Six Months Ended June 30, 2016 2015 (in thousands except per share amounts)	
OPERATING REVENUES		
Real estate		
Sales	\$ 15,000	\$-
Commissions	666	323
Leasing	2,892	2,837
Utilities	1,726	1,623
Resort amenities and other	670	776
Total operating revenues	20,954	5,559
OPERATING COSTS AND EXPENSES		
Real estate		
Cost of sales	747	-
Other	910	417
Leasing	1,258	1,149
Utilities	1,220	1,194
Resort amenities and other	506	479
General and administrative	1,165	1,069
Share-based compensation	560	692
Depreciation	988	1,113
Pension and other postretirement expenses	567	152
Total operating costs and expenses	7,921	6,265
OPERATING INCOME (LOSS)	13,033	(706)
Interest expense	(1,026)	(1,213)
NET INCOME (LOSS)	\$ 12,007	\$(1,919)
Pension, net of income taxes of \$0	507	422

COMPREHENSIVE INCOME (LOSS)	\$12,514	\$(1,497)
NET INCOME (LOSS) PER COMMON SHARE		
--BASIC	\$0.64	\$(0.10)
--DILUTED	\$0.63	\$(0.10)

See Notes to Condensed Consolidated Financial Statements.

Table Of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)****(UNAUDITED)****For the Six Months Ended June 30, 2016 and 2015****(in thousands)**

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2016	18,868	\$77,628	\$ 9,246	\$ (69,146)	\$ (28,667)	\$(10,939)
Share-based compensation	99	503	119			622
Vested restricted stock issued	19	119	(119)			-
Shares cancelled to pay tax liability	(50)	(264)				(264)
Other comprehensive income - pension					507	507
Net income				12,007		12,007
Balance, June 30, 2016	18,936	\$77,986	\$ 9,246	\$ (57,139)	\$ (28,160)	\$1,933
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	12	90	(90)			-
Shares cancelled to pay tax liability	(47)	(293)				(293)
Other comprehensive income - pension					422	422
Net loss				(1,919)		(1,919)
Balance, June 30, 2015	18,854	\$77,547	\$ 9,246	\$ (77,878)	\$ (25,152)	\$(16,237)

See Notes to Condensed Consolidated Financial Statements.

6

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

	Six Months Ended June 30, 2016 2015 (in thousands)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$14,140	\$(478)
INVESTING ACTIVITIES		
Payments for other assets	(24)	(9)
NET CASH USED IN INVESTING ACTIVITIES	(24)	(9)
FINANCING ACTIVITIES		
Proceeds from long-term debt	500	600
Payments of long-term debt	(14,697)	-
Debt and common stock issuance cost and other	(264)	(291)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(14,461)	309
NET DECREASE IN CASH	(345)	(178)
CASH AT BEGINNING OF PERIOD	1,087	415
CASH AT END OF PERIOD	742	237
Cash paid during the period:		
Interest	\$1,474	\$1,222
Income taxes	\$30	\$200

SUPPLEMENTAL NON-CASH ACTIVITIES:

Common stock issued to certain members of the Company's management totaled \$503,000 and \$645,000 through June 30, 2016 and 2015, respectively.

See 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, 2015, 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 June 30, 2016 and 2015. 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, 2015.

LIQUIDITY

On August 5, 2016, the Company refinanced its \$26.4 million of outstanding bank loans under a \$27.0 million revolving credit facility with First Hawaiian Bank (the “Credit Facility”). The Credit Facility matures on December 31, 2019 and provides for two optional one-year extension periods. The Company has pledged a significant portion of its real estate holdings as security for borrowings under the Credit Facility, limiting its ability to borrow additional funds.

The Credit Facility includes covenants requiring among other things, an initial minimum liquidity (as defined) of \$0.5 million, a maximum of \$45 million in total liabilities, and a limitation on new indebtedness. If the Company is unable to meet its covenants, borrowings under the Credit Facility may become immediately due, and it would not have sufficient liquidity to repay such outstanding borrowings.

Net proceeds from the sale of any real estate assets pledged as security under the Credit Facility are required to be repaid toward outstanding borrowings and will permanently reduce the revolving commitment amount, limiting the available drawing capacity for future working capital purposes.

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, 2015 condensed consolidated balance sheet and condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2015 were reclassified to conform to the current period's presentation. Such amounts had no impact on total assets and liabilities or net loss and comprehensive loss previously reported.

Table Of Contents**3. BASIC AND DILUTED SHARES**

Basic and diluted weighted-average shares outstanding for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30 2016	2015
Basic and diluted	18,928,999	18,846,847	18,903,643	18,820,950
Potentially dilutive	26,873	27,500	26,873	27,500

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.

4. PROPERTY

Property at June 30, 2016 and December 31, 2015 consisted of the following:

	June 30,	December 31,
	2016	2015
	(in thousands)	
Land	\$5,063	\$ 5,133
Land improvements	19,687	19,687
Buildings	32,589	32,589
Machinery and equipment	11,717	11,717
Total property	69,056	69,126
Less accumulated depreciation	37,596	36,608
Net property	\$31,460	\$ 32,518

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.

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.

Table Of Contents*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 June 30, 2016 and December 31, 2015 consisted of the following:

	June 30, 2016 (in thousands)	December 31, 2015
Upcountry Maui, 630-acre parcel of agricultural land	\$ 147	\$ 147
Upcountry Maui, 80-acre parcel of agricultural land and wastewater treatment facility	45	45
West Maui, 5-acre fully entitled, 42-unit workforce housing project	94	70
Assets held for sale	\$ 286	\$ 262

In June 2016, the Company sold a fully-entitled 304-acre working-class community project located in West Maui, commonly referred to as Pulelehua, for \$15 million. The sale resulted in a gain of approximately \$14.3 million. The Company utilized the proceeds from the sale to payoff its American AgCredit term loan.

6. LONG-TERM DEBT

Long-term debt at June 30, 2016 and December 31, 2015 consisted of the following:

	June 30, 2016	December 31, 2015
	(in thousands)	
Wells Fargo revolving line of credit, 4.00%	\$25,868	\$ 25,868
First Hawaiian Bank, revolving line of credit, 4.38%	500	-
American AgCredit term loan, 7.00%	-	14,697
Total	26,368	40,565
Less current portion	-	40,565
Long-term debt	\$26,368	\$ -

On August 5, 2016, the Company refinanced its \$26.4 million of outstanding bank loans under a \$27.0 million revolving credit facility with First Hawaiian Bank. The Credit Facility matures on December 31, 2019 and provides for two optional one-year extension periods. Interest on borrowings is at LIBOR plus 3.75%, until such time as the Company obtains regulatory approval for the pledging of the stock of one of its utility subsidiaries, upon which interest decreases to LIBOR plus 3.50%.

The Credit Facility is secured by a significant portion of the Company's real estate holdings, including approximately 850 acres within the Kapalua Resort and approximately 1,065 acres in Haliimaile. Net proceeds from the sale of any real estate assets pledged as security under the Credit Facility are required to be repaid toward outstanding borrowings and will permanently reduce the revolving commitment amount.

The terms of the Credit Facility include various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include an initial minimum liquidity (as defined) of \$0.5 million beginning December 31, 2016, a maximum of \$45 million in total liabilities, and a limitation on new indebtedness. There are no commitment fees on the unused portion of the Credit Facility.

The Company believes it is in compliance with the covenants under the Credit Facility.

Table Of Contents**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 \$77,000 and \$62,000 for the six months ended June 30, 2016 and 2015, 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 \$560,000 and \$692,000 for the six months ended June 30, 2016 and 2015, respectively, for shares issued and the vesting of restricted shares granted to the Company's officers and certain members of management.

8. ACCRUED RETIREMENT BENEFITS

Accrued retirement benefits at June 30, 2016 and December 31, 2015 consisted of the following:

	June 30, 2016	December 31, 2015
	(in thousands)	
Defined Benefit Pension Plans	\$6,271	\$ 6,264
Supplemental Executive Retirement Plan	4,173	4,154

Edgar Filing: MAUI LAND & PINEAPPLE CO INC - Form 10-Q

Deferred Compensation Plan	180	212
Total	10,624	10,630
Less current portion	(378)	(378)
Non-current portion of accrued retirement benefits	\$10,246	\$ 10,252

The net periodic benefit costs for pension and postretirement benefits for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Interest cost	\$708	\$691	\$1,415	\$1,382
Expected return on plan assets	(677)	(826)	(1,355)	(1,652)
Recognized actuarial loss	253	211	507	422
Pension and other postretirement expenses	\$284	\$76	\$567	\$152

9. INCOME TAXES

The Company's effective tax rate for 2016 and 2015 reflects the recognition of expected federal alternative minimum tax liabilities and interim period tax benefits and changes to its tax valuation allowance.

Table Of Contents

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 income (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 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 – includes the operations of the Company's two Hawaii Public Utilities Commission-regulated subsidiaries 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 systems in West and Upcountry Maui.

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 postretirement expenses.

Edgar Filing: MAUI LAND & PINEAPPLE CO INC - Form 10-Q

Reportable operating segment revenues and income (loss) for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Operating Segment Revenues				
Real estate	\$15,498	\$211	\$15,666	\$323
Leasing	1,277	1,422	2,892	2,837
Utilities	878	807	1,726	1,623
Resort amenities and other	324	325	670	776
Total Operating Segment Revenues	\$17,977	\$2,765	\$20,954	\$5,559
Operating Segment Income (Loss)				
Real estate	\$14,142	\$(37)	\$14,009	\$(94)
Leasing	732	811	1,634	1,688
Utilities	289	225	506	429
Resort amenities and other	54	60	164	297
Total Operating Segment Income	\$15,217	\$1,059	\$16,313	\$2,320

Table Of Contents

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, 2015. 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 June 30, 2016 and December 31, 2015 was \$26.4 million and \$40.6 million, respectively, which approximated fair value. The fair value of debt has been classified in the level 2 category.

13. NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases. This ASU affects the recognition of lease assets and lease liabilities by lessees for leases classified as operating leases under GAAP. This ASU will be effective for fiscal years beginning after December 15, 2018 for public entities, not-for-profit entities that

have issued securities that are traded, listed or quoted on an exchange, and for employee benefit plans that file financial statements with the SEC. The adoption of this guidance will not have a material impact on the Company's financial statements.

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-08, Revenue from Contracts with Customers. This ASU clarifies the implementation guidance on principal versus agent considerations. This ASU will be effective for annual reporting periods beginning after December 15, 2017 for public business entities, certain not-for-profit entities, and certain employee benefit plans. The Company is in the process of assessing the impact of ASU No. 2016-08 on its financial statements.

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-09, Compensation-Stock Compensation. This ASU simplifies the accounting for share-based payment transactions, including income taxes, classification of awards, and classification on the statement of cash flows. This ASU will be effective for annual periods beginning after December 15, 2016 for public business entities and after December 15, 2017 for all other entities. The Company is in the process of assessing the impact of ASU No. 2016-09 on its financial statements.

In April 2016, the Financial Accounting Standards Board issued ASU No. 2016-10, Revenue from Contracts with Customers. This ASU clarifies the guidance on identifying performance obligations and licensing. This ASU will be effective for annual reporting periods beginning after December 15, 2017 for public business entities, certain not-for-profit entities, and certain employee benefit plans. The Company is in the process of assessing the impact of ASU No. 2016-10 on its financial statements.

In May 2016, the Financial Accounting Standards Board issued ASU No. 2016-12, Revenue from Contracts with Customers. This ASU aims to reduce the potential for diversity in practice at initial application and to reduce the cost and complexity of applying the guidance both at transition and on an ongoing basis. This ASU will be effective for annual reporting periods beginning after December 15, 2017 for public business entities, certain not-for-profit entities, and certain employee benefit plans. The Company is in the process of assessing the impact of ASU No. 2016-12 on its financial statements.

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, Financial Instruments-Credit Losses. This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. This ASU will be effective for fiscal years beginning after December 15, 2019 for public business entities that are SEC filers. For all other public business entities, the update is effective for fiscal years beginning after December 15, 2020. The Company is in the process of assessing the impact of ASU No. 2016-13 on its financial statements.

Table Of Contents

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, 2015 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, agricultural, 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 several major non-potable irrigation water systems in West and Upcountry Maui.

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 six months of 2016.

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 Six Months Ended June 30, 2016 compared to Three and Six Months Ended June 30, 2015

Table Of Contents

CONSOLIDATED

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	2015	2016	2015	2016
	(in thousands)		(in thousands)	
<i>Operating revenues</i>	\$17,977	\$2,765	\$20,954	\$5,559
<i>Operating costs and expenses</i>	(2,760)	(1,706)	(4,641)	(3,239)
<i>General and administrative</i>	(410)	(487)	(1,165)	(1,069)
<i>Share-based compensation</i>	(181)	(143)	(560)	(692)
<i>Depreciation</i>	(493)	(555)	(988)	(1,113)
<i>Pension and other postretirement expenses</i>	(284)	(76)	(567)	(152)
<i>Operating income (loss)</i>	13,849	(202)	13,033	(706)
<i>Interest expense</i>	(445)	(616)	(1,026)	(1,213)
<i>Net income (loss)</i>	\$13,404	\$(818)	\$12,007	\$(1,919)
<i>Net income (loss) per common share</i>	\$0.71	\$(0.04)	\$0.64	\$(0.10)

The increase in net income during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 was primarily attributable to the sale in June 2016 of a fully-entitled 304-acre working-class community project located in West Maui, commonly referred to as Pulelehua, for \$15 million. The sale resulted in a gain of approximately \$14.3 million with proceeds from the sale being used to payoff our American AgCredit term loan. The increase in share-based compensation for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was due to higher share-based compensation accruals for our officers and certain members of management, which is based on a 3-year average payout.

REAL ESTATE

	Three Months Ended March 31, 2016		Six Months Ended June 30, 2016	
	2015	2016	2015	2016
	(in thousands)		(in thousands)	
<i>Operating revenues</i>	\$15,498	\$211	\$15,666	\$323
<i>Operating costs and expenses</i>	(1,356)	(248)	(1,657)	(417)
<i>Operating income (loss)</i>	\$14,142	\$(37)	\$14,009	\$(94)

Included in our real estate operating revenues were sales commissions primarily 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 six months ended June 30, 2016 or 2015.

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

Table Of Contents

LEASING

	Three Months Ended June 31, 2016		Six Months Ended June 30, 2016	
	2015	2015	2015	2015
	(in thousands)		(in thousands)	
<i>Operating revenues</i>	\$1,277	\$1,422	\$2,892	\$2,837
<i>Operating costs and expenses</i>	(545)	(611)	(1,258)	(1,149)
<i>Operating income</i>	\$732	\$811	\$1,634	\$1,688

Average Occupancy Rates:

<i>Kapalua Resort</i>	86	%	85	%	86	%	85	%
<i>Hali'imaile Town</i>	90	%	90	%	90	%	90	%
<i>Other West Maui</i>	37	%	37	%	37	%	37	%

The decrease in operating income during the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was attributable to lower rental activity in certain of our non-commercial properties.

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 Ended June 30, 2016		Six Months Ended June 30, 2015	
	2015	2015	2015	2015
	(in thousands)		(in thousands)	
<i>Operating revenues</i>	\$878	\$807	\$1,726	\$1,623
<i>Operating costs and expenses</i>	(589)	(582)	(1,220)	(1,194)
<i>Operating income</i>	\$289	\$225	\$506	\$429

Consumption (in million gallons):

<i>Potable</i>	33	35	74	74
<i>Non-potable/irrigation</i>	146	153	314	284

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 increase in operating revenues during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015, was primarily due to higher rates charged in 2016 compared to the prior year. We also experienced an increase in sales of non-potable water for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 resulting from drier weather conditions in West Maui in the current period.

RESORT AMENITIES AND OTHER

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2015	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
<i>Operating revenues</i>	\$324	\$325	\$670	\$776
<i>Operating costs and expenses</i>	(270)	(265)	(506)	(479)
<i>Operating income</i>	\$54	\$60	\$164	\$297
<i>Kapalua Club Members</i>	508	491	508	491

Table Of Contents

The decrease in the operating revenues for the six months ended June 30, 2016 compared to the six months ended June 30, 2015, was due to a non-recurring \$70,000 payment to secure a property easement and \$40,000 of cash received for the surrender value of an insurance policy in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

On August 5, 2016, we refinanced our \$26.4 million of outstanding bank loans under a \$27.0 million revolving credit facility with First Hawaiian Bank. The Credit Facility matures on December 31, 2019 and provides for two optional one-year extension periods. We have pledged a significant portion of our real estate holdings as security for borrowings under the Credit Facility, limiting our ability to borrow additional funds.

The Credit Facility includes covenants requiring among other things, an initial minimum liquidity (as defined) of \$0.5 million, a maximum of \$45 million in total liabilities, and a limitation on new indebtedness. If we are unable to meet our covenants, borrowings under the Credit Facility may become immediately due, and we would not have sufficient liquidity to repay such outstanding borrowings.

Net proceeds from the sale of any real estate assets pledged as security under the Credit Facility are required to be repaid toward outstanding borrowings and will permanently reduce the revolving commitment amount, limiting the available drawing capacity for future working capital purposes.

We believe we are in compliance with the covenants under our Credit Facility.

Cash Flows

During the first six months of 2016, net cash provided by our operating activities was \$14.1 million as compared to \$0.5 million of net cash used in our operating activities for the first six months of 2015.

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.

We presently do not expect to be required to make minimum contributions to our pension plans in 2016. 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.

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, interest rates 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;

Table Of Contents

- 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;
- 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, 2015 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.

Table Of Contents

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.

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 June 30, 2016 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, 2015 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

Edgar Filing: MAUI LAND & PINEAPPLE CO INC - Form 10-Q

- 10.1 Credit Agreement by and between First Hawaiian Bank and Maui Land & Pineapple Company, Inc. entered into as of August 5, 2016
- 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.SCHXBRL Taxonomy Extension Schema Document
- 101.CALXBRL Taxonomy Extension Calculation Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LABXBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Link Document

Table Of Contents

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.

August 11, 2016 /s/ TIM T. ESAKI
Date Tim T. Esaki
Chief Financial Officer
(Principal Financial Officer)

Table Of Contents

EXHIBIT INDEX

Exhibit Number	Description
10.1	Credit Agreement by and between First Hawaiian Bank and Maui Land & Pineapple Company, Inc. entered into as of August 5, 2016 (1)
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)

(1) Filed herewith.

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