MAUI LAND & PINEAPPLE CO INC
Form 10-Q
November 03, 2017

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, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 15, 2017**
Common Stock, no par value	19,109,499 shares

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MAUI LAND & PINEAPPLE COMPANY, INC.

AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2017	December 31, 2016
	(in thousands except share data)	
ASSETS		
CURRENT ASSETS		
Cash	$609	$ 602
Accounts receivable, less allowance of $57 for doubtful accounts	1,421	1,503
Prepaid expenses and other current assets	264	190
Assets held for sale	212	459
Total current assets	2,506	2,754
PROPERTY	65,640	58,959
Accumulated depreciation	(34,511)	(33,215)
Net property	31,129	25,744
OTHER ASSETS		
Deferred development costs	10,314	8,843
Other noncurrent assets	1,413	1,542
Total other assets	11,727	10,385
TOTAL ASSETS	$45,362	$ 38,883
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$606	$ 569
Payroll and employee benefits	588	607
Current portion of accrued retirement benefits	164	175
Income taxes payable	-	443

Deferred revenue	198	24
Other current liabilities	171	580
Total current liabilities	1,727	2,398
LONG-TERM LIABILITIES		
Long-term debt	1,235	6,857
Accrued retirement benefits	8,980	9,059
Deposits	2,464	2,378
Deferred revenue	280	409
Other noncurrent liabilities	50	40
Total long-term liabilities	13,009	18,743
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY		
Common stock--no par value, 43,000,000 shares authorized, 19,031,289 and 18,958,018 shares issued and outstanding	78,566	78,123
Additional paid in capital	9,246	9,246
Accumulated deficit	(35,503)	(47,332)
Accumulated other comprehensive loss	(21,683)	(22,295)
Total stockholders' equity	30,626	17,742
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$45,362	$ 38,883

See Notes to Condensed Consolidated Financial Statements.

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MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

	Three Months Ended September 30, 2017	2016
	(in thousands except per share amounts)	
OPERATING REVENUES		
Real estate	$290	$3,210
Leasing	1,353	1,680
Utilities	898	813
Resort amenities and other	299	359
Total operating revenues	2,840	6,062
OPERATING COSTS AND EXPENSES		
Real estate	328	442
Leasing	661	1,120
Utilities	488	689
Resort amenities and other	242	167
General and administrative	648	648
Share-based compensation	253	67
Depreciation	463	498
Pension and other postretirement expenses	202	(257)
Total operating costs and expenses	3,285	3,374
OPERATING INCOME (LOSS)	(445)	2,688
Interest expense	(39)	(213)
NET INCOME (LOSS)	$(484)	$2,475
Pension, net of income taxes of $0	204	974
COMPREHENSIVE INCOME (LOSS)	$(280)	$3,449
NET INCOME (LOSS) PER COMMON SHARE--BASIC AND DILUTED	$(0.03)	$0.13

See Notes to Condensed Consolidated Financial Statements.

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MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

	Nine Months Ended September 30,	
	2017	2016
	(in thousands except per share amounts)	
OPERATING REVENUES		
Real estate	$14,281	$18,876
Leasing	4,309	4,572
Utilities	2,403	2,539
Resort amenities and other	866	1,030
Total operating revenues	21,859	27,017
OPERATING COSTS AND EXPENSES		
Real estate	1,216	2,098
Leasing	1,717	2,377
Utilities	1,467	1,909
Resort amenities and other	788	673
General and administrative	1,723	1,698
Share-based compensation	1,065	741
Depreciation	1,296	1,486
Pension and other postretirement expenses	606	311
Total operating costs and expenses	9,878	11,293
OPERATING INCOME	11,981	15,724
Interest expense	(152)	(1,327)
NET INCOME	$11,829	$14,397
Pension, net of income taxes of $0	612	1,481
COMPREHENSIVE INCOME	$12,441	$15,878
NET INCOME PER COMMON SHARE--BASIC AND DILUTED	$0.62	$0.76

See Notes to Condensed Consolidated Financial Statements.

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MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS'EQUITY

(UNAUDITED)

For the Nine months Ended September 30, 2017 and 2016

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2017	18,958	$78,123	$ 9,246	$ (47,332)	$ (22,295)	$17,742
Share-based compensation	94	767	327			1,094
Vested restricted stock issued	44	327	(327)			-
Shares cancelled to pay tax liability	(65)	(651)				(651)
Other comprehensive income - pension					612	612
Net income				11,829		11,829
Balance, September 30, 2017	19,031	$78,566	$ 9,246	$ (35,503)	$ (21,683)	$30,626
Balance, January 1, 2016	18,868	$77,628	$ 9,246	$ (69,146)	$ (28,667)	$(10,939)
Share-based compensation	99	504	186			690
Vested restricted stock issued	29	186	(186)			-
Shares cancelled to pay tax liability	(55)	(293)				(293)
Other comprehensive income - pension					1,481	1,481
Net income				14,397		14,397
Balance, September 30, 2016	18,941	$78,025	$ 9,246	$ (54,749)	$ (27,186)	$5,336

See Notes to Condensed Consolidated Financial Statements.

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MAUI LAND & PINEAPPLE COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,	
	2017	**2016**
	(in thousands)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	$7,746	$15,974
INVESTING ACTIVITIES		
Payments for deferred development costs	(1,440)	(256)
NET CASH USED IN INVESTING ACTIVITIES	(1,440)	(256)
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	27,500
Payments of long-term debt	(5,622)	(43,565)
Debt and common stock issuance cost and other	(677)	(292)
NET CASH USED IN FINANCING ACTIVITIES	(6,299)	(16,357)
NET INCREASE (DECREASE) IN CASH	7	(639)
CASH AT BEGINNING OF PERIOD	602	1,087
CASH AT END OF PERIOD	$609	$448
Cash paid during the period:		
Interest	$67	$1,327
Income taxes	$412	$30

SUPPLEMENTAL NON-CASH ACTIVITIES:

Common stock issued to certain members of the Company’s management totaled $767,000 and $504,000 for the nine months ended September 30, 2017 and 2016, respectively.

Accounts payable at September 30, 2017 includes $110,000 for the estimated cost of subdividing the Kapalua Golf Academy practice course.

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, 2016, 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, 2017 and 2016. 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, 2016.

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, 2016 condensed consolidated balance sheet were reclassified to conform to the current period's presentation. Such amounts had no impact on total assets and liabilities or net income and comprehensive income previously reported.

3. BASIC AND DILUTED SHARES

Basic and diluted weighted-average shares outstanding for the periods ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Basic and diluted	19,022,403	18,914,307	18,983,049	18,935,635
Potentially dilutive	27,500	25,281	27,500	25,281

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

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4. PROPERTY

Property at September 30, 2017 and December 31, 2016 consisted of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Land	$5,059	$ 5,059
Land improvements	24,732	18,051
Buildings	24,884	24,884
Machinery and equipment	10,965	10,965
Total property	65,640	58,959
Less accumulated depreciation	34,511	33,215
Net property	$31,129	$ 25,744

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, a master-planned, destination resort and residential community located in West Maui encompassing approximately 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 related 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 or conveyed in 2017. 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.

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 OPERATING REVENUES

Assets held for sale at September 30, 2017 and December 31, 2016 consisted of the following:

	September 30, 2017		**December 31, 2016**	
	(in thousands)			
Upcountry Maui, 630-acre parcel of agricultural land	$	156	$	156
Upcountry Maui, 80-acre parcel of agricultural land and wastewater treatment facility		56		56
Kapalua Resort, 15-acre Kapalua Golf Academy practice course		-		247
Assets held for sale	$	212	$	459

None of the above assets held for sale have been pledged as collateral under the Company’s credit facility.

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In April 2017, approximately $6.7 million of land improvements were conveyed to the Company by the owner of a 125-acre portion of the Company's Kapalua Mauka project. The owner purchased the 125-acre property, commonly known as Mahana Estates, in 2009. As part of the sale, the owner agreed to subsequently develop and convey to the Company upon completion certain easements, subdivision and utility improvements related to the Mahana Estates property.

In February 2017, the Company sold the 15-acre Kapalua Golf Academy practice course located in the Kapalua Resort for $7.0 million to the owner of the Kapalua Plantation and Bay Golf Courses. The property was sold without any development entitlements. The sale resulted in a gain of approximately $6.4 million. The Company applied $5.6 million of the sale proceeds toward its revolving line of credit facility.

In August 2016, the Company sold a five-acre, fully-entitled 42-unit workforce housing project located in West Maui for $3.0 million. As part of the transaction, the buyer also agreed to provide to the Company 12 residential workforce housing credits by August 2021. The sale resulted in a gain of approximately $2.8 million. The Company utilized the proceeds from the sale to pay down its First Hawaiian Bank credit facility.

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 $15.0 million. The sale resulted in a gain of approximately $14.3 million. The Company utilized the proceeds from the sale to payoff the outstanding balance of a term loan.

6. LONG-TERM DEBT

The Company has a $15.0 million revolving line of credit facility with First Hawaiian Bank (Credit Facility). The Credit Facility matures on December 31, 2019 and provides for two optional one-year extension periods. Interest on borrowings is at LIBOR plus 3.50% (4.46% at September 30, 2017). The Company has pledged its 800-acre Kapalua Mauka project and approximately 30,000 square feet of commercial leased space in the Kapalua Resort as security for the Credit Facility. Net proceeds from the sale of any collateral are required to be repaid toward outstanding borrowings and will permanently reduce the Credit Facility's revolving commitment amount. There are no commitment fees on the unused portion of the Credit Facility.

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 a minimum liquidity (as defined) of $1.0 million, a maximum of $45.0 million in total liabilities, and a limitation on new indebtedness. The Company believes it is in compliance with the covenants under the Credit Facility.

7. SHARE-BASED COMPENSATION

The Company's directors, officers and certain members of management receive a portion of their compensation in shares of the Company's common stock granted under the Equity and Incentive Award Plans (Equity Plans). 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 Equity Plans. Restricted shares issued under the Equity Plans 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 and certain members of management receive restricted shares of common stock annually. Share-based compensations totaled $327,000 and $123,000 for the nine months ended September 30, 2017 and 2016, respectively, for vesting of restricted shares granted.

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 compensations totaled $1,065,000 and $741,000 for the nine months ended September 30, 2017 and 2016, respectively, for shares issued and the vesting of restricted shares granted to the Company's officers and certain members of management.

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8. ACCRUED RETIREMENT BENEFITS

Accrued retirement benefits at September 30, 2017 and December 31, 2016 consisted of the following:

	September 30 2017	December 31, 2016
	(in thousands)	
Defined benefit pension plans	$7,490	$ 7,560
Non-qualified retirement plans	1,654	1,674
Total	9,144	9,234
Less current portion	(164)	(175)
Non-current portion of accrued retirement benefits	$8,980	$ 9,059

The net periodic benefit costs for pension and postretirement benefits for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Interest cost	$560	$803	$1,680	$2,182
Expected return on plan assets	(562)	(659)	(1,686)	(1,977)
Amortization of net loss	204	253	612	760
Recognized gain due to settlements	-	(654)	-	(654)
Pension and other postretirement expenses (income)	$202	$(257)	$606	$311
Other changes in plan assets and benefit obligations recognized in comprehensive income:				
Net loss	$204	$253	$612	$760
Recognized actuarial loss due to settlement	-	721	-	721
Total recognized loss in comprehensive income	$204	$974	$612	$1,481

9. INCOME TAXES

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. The Company’s effective tax rate for 2017 and 2016 reflects the recognition of expected federal alternative minimum tax liabilities and interim period tax benefits and changes to its tax valuation allowance. In 2017, the Company expects to fully utilize the special alternative minimum tax net operating loss carryforward from 2008 which allows for 100% offset to the alternative minimum taxable income in subsequent years. Subsequent to the full utilization of the 2008 carryforward balance, the Company can only offset the normally allowed 90% of alternative minimum taxable income with net operating loss carryforwards from other years.

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 in the Kapalua Resort.

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- Leasing – includes residential, resort, commercial, agricultural and industrial 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.

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

Reportable operating segment revenues and income for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
	(in thousands)		**(in thousands)**	
Operating Segment Revenues				
Real estate	$290	$3,210	$14,281	$18,876
Leasing	1,353	1,680	4,309	4,572
Utilities	898	813	2,403	2,539
Resort amenities and other	299	359	866	1,030
Total Operating Segment Revenues	$2,840	$6,062	$21,859	$27,017
Operating Segment Income (Loss)				
Real estate	$(38)	$2,768	$13,065	$16,778
Leasing	692	560	2,592	2,195
Utilities	410	124	936	630
Resort amenities and other	57	192	78	357
Total Operating Segment Income	$1,121	$3,644	$16,671	$19,960

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, 2016. 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.

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The fair value of cash, receivables and payables approximate their carrying value due to the short-term nature of the instruments. The valuation is based on settlements of similar financial instruments all of which are short-term in nature and are generally settled at or near cost. The fair value of long-term debt was estimated based on borrowing rates currently available to the Company for long-term debt with similar terms and maturities. The carrying amount of long-term debt at September 30, 2017 and December 31, 2016 was $1.2 million and $6.9 million, respectively, which approximated fair value. The fair value of long-term debt has been classified in the level 2 category.

13. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU 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. While the Company continues to assess its contracts with customers, it does not currently expect a material impact on results of operations, cash flows or financial position. The Company expects the consolidated financial statement disclosures over revenue recognition will expand in order to comply with the ASU.

In March 2017, FASB issued ASU No. 2017-07, Compensation-Retirement Benefits. This ASU aims to improve the presentation of the net periodic pension cost and net periodic postretirement benefit cost by requiring the reporting of the service cost component in the same line item or items as other compensation costs arising from services rendered by employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations This ASU will be effective for public business entities for annual periods beginning after December 15, 2017. The Company is in the process of assessing the impact of ASU No, 2017-07 on its financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718) Scope of Modification Accounting. This ASU clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The standard is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is in the process of assessing the impact of ASU No, 2017-09 on its 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, 2016 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, agricultural 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, agricultural and industrial 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.

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- *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 2017.

RESULTS OF OPERATIONS

Three and Nine months Ended September 30, 2017 compared to Three and Nine months Ended September 30, 2016

CONSOLIDATED

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
	(in thousands)		(in thousands)	
Operating revenues	$2,840	$6,062	$21,859	$27,017
Operating costs and expenses	(1,719)	(2,418)	(5,188)	(7,057)
General and administrative	(648)	(648)	(1,723)	(1,698)
Share-based compensation	(253)	(67)	(1,065)	(741)
Depreciation	(463)	(498)	(1,296)	(1,486)
Pension and other postretirement expenses	(202)	257	(606)	(311)
Operating income	(445)	2,688	11,981	15,724
Interest expense	(39)	(213)	(152)	(1,327)
Net income (Loss)	$(484)	$2,475	$11,829	$14,397
Net income (Loss) per common share	$(0.03)	$0.13	$0.62	$0.76

The increase in share-based compensation during the three and nine months ended September 30, 2017 compared to the same periods in 2016 was the result of higher performance-based awards under our equity and incentive award plan. The decrease in depreciation during the three and nine months ended September 30, 2017 compared to the same periods in 2016 reflects our sale of a 26,000 square foot building, commonly referred to as the Kapalua Village Center, in December 2016. The decrease in interest expense during the three and nine months ended September 30, 2017 compared to the same periods in 2016 is the result of the reduction and refinancing of our long-term debt. Included in pension and other postretirement expenses for the three and nine months ended September 30, 2016 is a reduction of approximately $0.7 million resulting from a one-time payment settlement with certain participants of our non-qualified retirement plans, which was paid in October 2016.

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REAL ESTATE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
	(in thousands)		(in thousands)	
Operating revenues	$290	$3,210	$14,281	$18,876
Operating costs and expenses	(328)	(442)	(1,216)	(2,098)
Operating income (loss)	$(38)	$2,768	$13,065	$16,778

In April 2017, approximately $6.7 million of land improvements were conveyed to us by the owner of a 125-acre portion of our Kapalua Mauka project. The owner purchased the 125-acre property, commonly known as Mahana Estates, in 2009. As part of the sale, the owner agreed to subsequently develop and convey to us upon completion certain easements, subdivision and utility improvements related to the Mahana Estates property.

In February 2017, we sold the 15-acre Kapalua Golf Academy practice course located in the Kapalua Resort for $7.0 million to the owner of the Kapalua Plantation and Bay Golf Courses. The property was sold without any development entitlements. The sale resulted in a gain of approximately $6.4 million. The property was not pledged as collateral under our revolving line of credit facility. We applied $5.6 million of the sale proceeds toward our revolving line of credit facility.

In August 2016, we sold a five-acre, fully-entitled 42-unit workforce housing project located in West Maui for $3.0 million. As part of the transaction, the buyer also agreed to provide us with 12 residential workforce housing credits by August 2021. The sale resulted in a gain of approximately $2.8 million. Proceeds from the sale were used to pay down our First Hawaiian Bank credit facility.

In June 2016, we sold a fully-entitled 304-acre working-class community project located in West Maui, commonly referred to as Pulelehua, for $15.0 million. The sale resulted in a gain of approximately $14.3 million. We utilized the proceeds from the sale to payoff the outstanding balance of a term loan.

Also included in our real estate operating revenues were sales commissions totaling $290,000 and $210,000 for the three months ended September 30, 2017 and 2016, respectively, and $600,000 and $876,000 for the nine months ended September 30, 2017 and 2016, respectively, from resales of properties owned by private residents in the Kapalua Resort and surrounding areas by our wholly-owned subsidiary, Kapalua Realty Company, Ltd.

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.

LEASING

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
	(in thousands)		(in thousands)	
Operating revenues	$1,353	$1,680	$4,309	$4,572
Operating costs and expenses	(661)	(1,120)	(1,717)	(2,377)
Operating income	$692	$560	$2,592	$2,195
Commercial and Industrial Leasing Occupancy:				
Kapalua Resort	100%	86%	100%	86%
Other West Maui	90%	37%	90%	37%
Upcountry Maui	95%	90%	95%	90%

The decrease in operating revenue and operating costs and expenses during the three and nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 were primarily due to the sale of the Kapalua Village Center in December 2016. In addition, operating costs and expenses for the three and nine months ended September 30, 2016 included a write-off of approximately $0.5 million of lease rent from an agricultural land and property tenant in Upcountry Maui.

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

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UTILITIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Operating revenues	$898	$813	$2,403	$2,539
Operating costs and expenses	(488)	(689)	(1,467)	(1,909)
Operating income (loss)	$410	$124	$936	$630
Consumption (in million gallons):				
Potable	39	35	105	109
Non-potable/irrigation	197	165	497	480

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 costs and expenses during the three and nine months ended September 30, 2017 compared to the same periods in 2016 were primarily due to higher operational efficiencies and a decrease in the amount of potable water loss.

RESORT AMENITIES AND OTHER

Three Months Ended September 30,		Nine Months Ended September 30,	
2017	2016	2017	2016
(in thousands)		(in thousands)	

Operating revenues	$299	$359	$866	$1,030
Operating costs and expenses	(242)	(167)	(788)	(673)
Operating income	$57	$192	$78	$357
Kapalua Club Members	477	509	477	509

Dues collected from our Kapalua Club members are utilized principally to pay for access and other privileges to amenities operated by outside third parties in the Kapalua Resort.

The decrease in operating revenues during the three and nine months ended September 30, 2017 compared to the same periods in 2016 was primarily due to the decrease in the number of members and annual membership dues. The increase in operating costs and expenses was due to an increase in amounts paid to operators of certain resort amenities used by club members.

LIQUIDITY AND CAPITAL RESOURCES

Revolving Line of Credit Facility

We have a $15.0 million revolving line of 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 3.50% (4.46% at September 30, 2017). We have pledged our 800-acre Kapalua Mauka project and approximately 30,000 square feet of commercial leased space in the Kapalua Resort as security for the Credit Facility. Net proceeds from the sale of any collateral are required to be repaid toward outstanding borrowings and will permanently reduce the Credit Facility’s revolving commitment amount. There are no commitment fees on the unused portion of the Credit Facility.

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 a minimum liquidity (as defined) of $1.0 million, a maximum of $45.0 million in total liabilities, and a limitation on new indebtedness. We believe we are in compliance with the covenants under the Credit Facility.

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Cash Flows

During the first nine months of 2017, net cash provided by our operating activities was $7.8 million as compared to $16.0 million for the first nine months of 2016.

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 non-core real estate assets, and by continued cost containment efforts. We intend to utilize a portion of our Credit Facility and the proceeds from the sale of any of our real estate assets in our development efforts, including planning, permitting and securing further entitlements for our projects and other landholdings. We also plan to utilize available working capital in addressing deferred maintenance and improvements in our commercial leasing properties.

We do not expect to be required to make minimum contributions to our pension plans in 2017.

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,” “antici “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;
- 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 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, 2016 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.

Changes in Internal Controls Over Financial Reporting

We are in the process of reviewing and updating the internal controls and related procedures to reflect our change in filing status as an accelerated filer in January 2018. Except as otherwise noted above, there has not been any 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, 2017 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, 2016 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.

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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 2, 2017	/s/ TIM T. ESAKI
Date	Tim T. Esaki
	Chief Financial Officer
	(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Description
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.