

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-06510

**MAUI LAND & PINEAPPLE COMPANY, INC.**  
(Exact name of registrant as specified in its charter)

**HAWAII**  
(State or other jurisdiction of  
incorporation or organization)

**99-0107542**  
(IRS Employer  
Identification number)

**200 VILLAGE ROAD,  
LAHAINA, MAUI, HAWAII**  
(Address of principal executive offices)

**96761**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, without Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2013, the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of the registrant's common stock as reported by the New York Stock Exchange on such date, was approximately \$26,645,934. This computation assumes that all directors, executive officers and persons known to the Company to be the beneficial owners of more than ten percent of the Company's common stock are affiliates of the Company. Such assumption should not be deemed conclusive for any other purpose.

At March 1, 2014, the number of shares outstanding of the registrant's common stock was 18,767,663.

**Documents incorporated by reference:**

In accordance with General Instruction G(3) to Form 10-K, certain information required by Part III of Form 10-K is incorporated into this Annual Report on Form 10-K by reference to the registrant's definitive proxy statement for its 2013 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of its fiscal year ended December 31, 2013. Only those portions of the proxy statement that are specifically incorporated by reference herein shall constitute a part of this annual report on Form 10-K.

## FORWARD-LOOKING STATEMENTS AND RISKS

This Annual Report on Form 10-K filed by Maui Land & Pineapple Company, Inc. with the Securities and Exchange Commission, or SEC, contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They contain words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue” or “pursue,” or the negative or other variations thereof or comparable terminology. Actual results could differ materially from those projected in forward-looking statements as a result of the following factors, among others:

- unstable macroeconomic market conditions, including, but not limited to, energy costs, credit markets and changes in income and asset values;
- risks associated with real estate investments generally, and more specifically, demand for real estate and tourism in Hawaii;
- risks due to joint venture relationships;
- our ability to complete land development projects within forecasted time and budget expectations, if at all;
- our ability to obtain required land use entitlements at reasonable costs, if at all;
- our ability to compete with other developers of luxury real estate in Maui;
- potential liabilities and obligations under various federal, state and local environmental regulations with respect to the presence of hazardous or toxic substances;
- changes in weather conditions or the occurrence of natural disasters;
- our ability to maintain the listing of our common stock on the New York Stock Exchange;
- our ability to comply with funding requirements for our defined benefit pension plans;
- our ability to comply with the terms of our indebtedness, including the financial covenants set forth therein, and to extend the maturity date, 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 pay any significant amount of our debt;
- our ability to raise capital through the sale of certain real estate assets; and
- availability of capital on terms favorable to us, or at all.

Such risks and uncertainties also include those risks and uncertainties discussed under the headings “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this annual report, as well as other factors described from time to time in our other 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.

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## PART I

### Item 1. BUSINESS

#### Overview

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

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

- *Real Estate*—Our real estate operations consist of land planning and entitlement, development, and sales.
- *Leasing*—Our leasing activities include commercial, industrial and agricultural land and facilities leases, licensing of our registered trademarks and trade names, and stewardship and conservation efforts.
- *Utilities*—We operate two publicly-regulated utility companies which provide potable and non-potable water and sewage transmission services to the Kapalua Resort. In addition, we also manage ditch, reservoir and well systems which provide non-potable irrigation water to West and Upcountry Maui areas.
- *Resort Amenities*—Within the Kapalua Resort, we manage a private, non-equity club program.

Additional information and operating results pertaining to the above business segments can be found under the heading “Description of Business” in this Item 1 and in Note 13 of our Notes to Consolidated Financial Statements in Item 8 of this annual report.

#### Fiscal Year 2013 Business Developments

The following highlights several of our significant business developments during 2013.

*The Residences at Kapalua Bay Settlement*—In November 2013, the parties involved in The Residences at Kapalua Bay development reached a comprehensive settlement with respect to the numerous issues and disputes surrounding the project. As part of the settlement, we were relieved of our obligation to purchase certain amenities of the project for approximately \$35 million, in exchange for a \$2.4 million payment toward deferred maintenance at the project and other consideration including the conveyance of eight acres of land underlying and adjacent to the project.

*Asset Sales*—In November 2013, we sold a 10-acre light industrial zoned parcel in West Maui for \$5.4 million. In June 2013, we sold a 7-acre parcel and building that was the last of our former agricultural processing facilities in Central Maui for \$4.0 million.

*Defined Benefit Pension Plans*—In June 2013, the State of Hawaii enacted a bill directing the Department of Land and Natural Resources (DLNR), in consultation with the Hawaiian Islands Land Trust, to engage in the purchase of an approximately 270-acre parcel of former agricultural land in West Maui, known as Lipoa Point, from the Company. The bill further requires the DLNR to ensure to the maximum extent practicable that we utilize the proceeds from the sale to benefit our defined benefit pension plans.

For a further discussion about our business developments in 2013, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Item 7 of this annual report.

## Description of Business

### Real Estate

Our Real Estate segment includes all land planning, entitlement, development and sales activities of our landholdings on Maui. Our principal real estate development is the Kapalua Resort, a master-planned, destination resort community located in West Maui encompassing approximately 3,000 acres. A summary of our landholdings as of December 31, 2013 follows:

	<u>West Maui</u>	<u>Upcountry Maui</u>	<u>Total</u>
Fully entitled urban . . . . .	1,200		1,200
Agricultural zoned . . . . .	8,300	2,000	10,300
Conservation/watershed . . . . .	<u>11,800</u>		<u>11,800</u>
	<u>21,300</u>	<u>2,000</u>	<u>23,300</u>

*Real Estate Planning and Entitlements*—Appropriate entitlements must be obtained for land that is intended for development. Securing proper land entitlement is a process that requires obtaining county, state and federal approvals, which can take many years to complete and entails a variety of risks. The entitlement process requires that we satisfy all conditions and restrictions imposed in connection with such governmental approvals, including, among other things, construction of infrastructure improvements, payment of impact fees—for conditions such as parks and traffic mitigation—restrictions on permitted uses of the land, and provision of affordable housing. We actively work with the community, regulatory agencies, and legislative bodies at all levels of government in an effort to obtain necessary entitlements consistent with the needs of the community.

We have approximately 1,500 acres of land in Maui that are in various stages of the development process. The breakdown of these acres is as follows:

<u>Location</u>	<u>Number of Acres</u>	<u>Zoned for Planned Use</u>	<u>Anticipated Completion Dates</u>	<u>Deferred Development Costs (millions)</u>	<u>Projected Costs to Complete (millions)</u>
Kapalua Resort . . . . .	900	Yes	2019 - 2039	\$7.0	\$500 - \$1,000
Pulelehua . . . . .	300	Yes	2019 - 2024	\$0.6	\$200 - \$300
Hali’imaile . . . . .	300	No	2029 - 2034	\$0.1	\$100 - \$200

We are engaged in planning, permitting and entitlement activities for our development projects, and we intend to proceed with construction and sales of the following projects, among others, when internal and external factors permit:

- *Kapalua Resort:* We began development of the Kapalua Resort in the early 1970’s. Today, the Kapalua Resort has become known as an internationally recognized world-class golf resort destination and residential community. We presently have entitlements to develop a variety of projects in the Kapalua Resort. Two that are currently planned include Kapalua Mauka and Kapalua Central Resort.

Kapalua Mauka is the long-planned expansion of the Kapalua Resort located directly upslope of the existing resort development. As presently planned, it encompasses 800 acres and includes up to 639 residential units with extensive amenities, including up to 27 additional holes of golf. State and County land use entitlements have been secured for this project.

Kapalua Central Resort is a commercial town center and residential community located in the core of the Kapalua Resort. It is comprised of 46 acres and is planned to include up to 61,000 square feet of commercial space and 188 condominium and multi-family residential units. State and County land use entitlements have been secured for this project.

- *Pulelehua*: This project is designed to be a new working-class community in West Maui. It encompasses 312 acres and is currently planned to include 882 single and multi-family residences, 95,000 square feet of commercial and retail spaces, an elementary school, churches and a community center. State and County land use entitlements have been secured for this project.
- *Hali'imaile Town*: An expansion of the existing plantation town in Upcountry Maui, this project is contemplated to be a holistic traditional community with agriculture and sustainability as core design elements. The project includes 290 acres designated as urban "Small Town" in the Maui county's general plan. We are in the early stages of this project's development, which will require further county and state approvals which are expected to take several years.

Projected development costs are expected to be financed by debt financing, through joint ventures with other development or construction companies, or a combination of these methods.

*Real Estate Sales*—Our wholly-owned subsidiary, Kapalua Realty Company, Ltd. provides general brokerage services for resales of properties in the Kapalua Resort and surrounding areas.

Revenues from our Real Estate segment totaled \$5.4 million, or approximately 36% of total operating revenues for the year ended December 31, 2013.

The price and market for luxury and other real estate in Maui is highly cyclical based principally upon interest rates, the general real estate markets in the mainland United States and specifically the West Coast, the popularity of Hawaii as a vacation destination and second-home market, the general condition of the economy in the United States and Asia, and the relationship of the dollar to foreign currencies. Our real estate business faces substantial competition from other land developers on the island of Maui, as well as in other parts of Hawaii and the mainland United States.

***Leasing***

Our Leasing segment activities include commercial, light industrial and agricultural land leases, licensing of our registered trademarks and trade names, and stewardship and conservation efforts.

*Commercial and Industrial Leases*—We are the owner and lessor of approximately 290,000 square feet of commercial retail and light industrial properties, including the majority of the restaurants and retail outlets, buildings and activities in the Kapalua Resort. The following summarizes information related to our building leases as of December 31, 2013, including the total square footage of all properties held for lease, the average occupancy of such properties and the range of lease expiration dates for the various properties within each area of Maui in which we hold properties for lease:

	<u>Total Square Footage</u>	<u>Average Occupancy Percentage</u>	<u>Lease Expiration Range</u>
Kapalua Resort . . . . .	103,414	79%	2014 - 2028
Hali'imaile Town . . . . .	119,095	88%	2014 - 2029
Other West Maui . . . . .	66,185	38%	2015 - 2019

*Agricultural Leases*—We are the lessor of 1,900 acres of diversified agriculture land leases in West and Upcountry Maui.

*Trademark and Trade Name Licensing*—We currently have licensing agreements for the use of our registered Kapalua trademarks and trade names with several different companies, mainly in conjunction with the leasing of our commercial spaces and agricultural lands.

*Stewardship and Conservation*—We manage the conservation of an 8,600-acre nature and watershed preserve in West Maui. A portion of our stewardship and conservation efforts is subsidized by the State of Hawaii and other organizations.

Revenues from our Leasing segment totaled \$4.9 million, or approximately 32% of total operating revenues for the year ended December 31, 2013.

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

### ***Utilities***

Our Utilities segment includes the operations of our two Hawaii Public Utilities Commission-regulated subsidiaries, Kapalua Water Company, Ltd. and Kapalua Waste Treatment Company, Ltd. In addition, we also manage non-potable irrigation water systems in West and Upcountry Maui areas.

*Kapalua Water Company, Ltd.* provides potable and non-potable water utility services in the Kapalua Resort area, including the Kapalua Plantation Golf Course (PGC) and the Kapalua Bay Golf Course (Bay Course), The Ritz-Carlton Kapalua hotel, The Residences at Kapalua Bay, and landscaped common areas.

*Kapalua Waste Treatment Company, Ltd.* provides sewage collection and transmission services in the Kapalua Resort area. Waste water treatment is processed by the County of Maui's facility in neighboring Lahaina, Maui.

*Non-Potable Irrigation Water Systems*—We also own and operate several non-potable ditch, reservoir and well systems, which provide irrigation water primarily to the County of Maui, the PGC and Bay Course, and agricultural users in West and Upcountry Maui areas.

Revenues from our Utilities segment totaled \$3.7 million, or approximately 24% of total operating revenues for the year ended December 31, 2013.

Our utility services are primarily affected by the amount of rainfall and the level of development and volume of visitors in the Kapalua Resort area. In addition, our water and sewage system infrastructure requires periodic and ongoing maintenance, which in some cases can involve significant capital expenditures. Due to the regulated nature surrounding water sources and transmission infrastructure on Maui, we do not face any substantial competition for our water utility services.

### ***Resort Amenities***

Our Resort Amenities segment includes 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.

Revenues from our Resort Amenities segment totaled \$1.2 million, or approximately 8% of total operating revenues for the year ended December 31, 2013.

The viability of the Kapalua Club is principally dependent on the overall appeal and success of the Kapalua Resort. The resort faces competition from other resort destination communities on Maui and other parts of Hawaii, including Kaanapali, and Wailea.

### ***Discontinued Operations***

In 2013, we ceased operating the spa and beach club in conjunction with The Residences at Kapalua Bay settlement and foreclosure sale discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 3 to our Notes to Consolidated Financial Statements. In 2011, we ceased operating the PGC, Bay Course, and all retail businesses at the Kapalua Resort. In December 2009, we ceased all agriculture operations. Our former agriculture, golf, retail, spa and beach club businesses are reported as discontinued operations in this annual report.

### **Employees**

As of December 31, 2013, we had 19 employees, none of whom are members of a collective bargaining group.

### **Available Information**

Our Internet address is *www.mauiland.com*. Information about the Company is also available on *www.kapalua.com*. Reference in this annual report to these website addresses does not constitute incorporation by reference of the information contained on the websites. We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available through our website all filings of our executive officers and directors on Forms 3, 4 and 5 pursuant to Section 16 of the Exchange Act. These filings are also available on the SEC's website at *www.sec.gov*.



## Executive Officers of the Company

The names, ages and certain biographical information about our executive officers, as of March 1, 2014, are provided below.

- Warren H. Haruki (61) . Mr. Haruki has been Chief Executive Officer of the Company since May 2011 and Executive Chairman of our Board since January 2009. He has been a director on our Board since 2006. Mr. Haruki has served as President and Chief Executive Officer of Grove Farm Company, Inc., a land development company located on Kauai, Hawaii since February 2005. He was President of GTE Hawaiian Tel and Verizon Hawaii, communications providers, from 1991 to 2003. Mr. Haruki serves on the Board of Hawaiian Telcom, a communications provider, and on the Boards of several privately-held companies.
- Ryan L. Churchill (42) . Mr. Churchill has served as President of the Company since February 2010 and as Senior Vice President-Corporate Development of the Company since March 2007. He served as Vice President-Community Development from November 2005 to March 2007. Mr. Churchill was Vice President/Planning of Kapalua Land Company, Ltd., the operating subsidiary responsible for the Company's Community Development and Resort segments, from June 2004 to November 2005, and Development Manager from October 2000 to June 2004. Mr. Churchill serves on the Boards of various non-profit organizations.
- Tim T. Esaki (51) . . . . . Mr. Esaki has served as Chief Financial Officer of the Company since May 2010. Mr. Esaki was appointed as the Deputy Director of the Department of Public Works for the County of Hawaii from 2009 to April 2010. From 2003 to 2009, he was Senior Vice President of Finance and Accounting for 1250 Oceanside Partners, the developer and operator of a 1,500-acre, master-planned, residential golf and country club community in Kona, Hawaii.

## **Item 1A. RISK FACTORS**

*The following is a summary of certain risks we face in our business. They are not the only risks we face. Additional risks that we do not yet know of or that we currently believe are immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could suffer, and the trading price of our common stock could decline. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in our other filings with the SEC.*

### **Risks Related to our Business**

***Unstable macroeconomic market conditions could continue to materially and adversely affect our operating results.***

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about current global economic conditions poses a risk to our business as consumers, tourists and real estate investors postpone or reduce spending in response to tighter credit markets, higher energy costs, negative financial news, reduced consumer confidence, and/or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Other factors that could influence demand include increases in fuel and other energy costs, conditions in the residential real estate and mortgage markets, interest rates, labor costs, access to credit on reasonable terms, and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could have a material adverse effect on demand for our products and services and on our financial condition and operating results.

In addition, although economic conditions appear to be improving, if the current equity and credit markets do not continue to improve or further deteriorate, or if our expenses increase unexpectedly, it may become necessary for us to raise additional capital in the form of a debt or equity financing, or a combination of the two. If economic conditions do not improve, it could make any debt or equity financing more difficult, more costly, and, in the case of an equity financing, more dilutive to our existing stockholders. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our ability to execute our current business strategy, as well as our financial performance and stock price.

***Real estate investments are subject to numerous risks and we are negatively impacted by the downturns in the real estate market.***

We are subject to the risks that generally relate to investments in real property because we develop and sell real property, primarily for residential use. The market for real estate on Maui and in Hawaii generally tends to be highly cyclical and is typically affected by numerous changes in local, national and worldwide conditions, especially economic conditions, many of which are beyond our control, including the following:

- periods of economic uncertainty and weakness in Hawaii and in the United States generally;
- continuing high unemployment rates and low consumer confidence;
- the current sovereign debt crises affecting several countries in the European Union and concerns about sovereign debt of the United States;
- the general availability of mortgage financing, including the effect of more stringent lending standards for mortgages and perceived or actual changes in interest rates;
- increased energy costs, including fuel costs, which could impact the cost and desirability of traveling to Hawaii;

- local, state and federal government regulation, including eminent domain laws, which may result in a taking for less compensation than the owner believes the property is worth;
- the popularity of Maui in particular and Hawaii in general as a vacation destination or second home market;
- the relationship of the dollar to foreign currencies;
- tax law changes, including potential limits or elimination of the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, real property taxes and employee relocation expenses; and/or
- acts of God, such as tsunamis, hurricanes, earthquakes and other natural disasters.

Changes in any of the foregoing could have a material adverse effect on our business by causing a more significant general decline in the number of residential or luxury real estate sales and/or prices of the units available for sale, which, in turn, could adversely affect our revenues and profitability. During low periods of demand, real estate product may remain in inventory for much longer than expected or be sold at lower than expected returns, or even at a loss, which could impair our liquidity and ability to proceed with additional land development projects and negatively affect our operating results. Sustained adverse changes to our development plans could result in additional impairment charges or write-offs of deferred development costs, which could have a material adverse impact on our financial condition and results of operations. In addition, in the current economic environment, equity real estate investments may be difficult to sell quickly and we may not be able to adjust our portfolio of properties quickly in response to economic or other conditions.

***Because we are located in Hawaii and therefore apart from the mainland United States, our financial results are more sensitive to certain economic factors, such as spending on tourism and increased fuel and travel costs, which may adversely impact and materially affect our business, financial condition and results of operations.***

Our businesses are dependent on attracting visitors to the Kapalua Resort, to Maui, and to the State of Hawaii as a whole. Economic factors that affect the number of visitors, their length of stay or expenditure levels will affect our financial performance. Factors such as the continuing worldwide economic uncertainty and weakness, continuing high unemployment rates in Hawaii and the mainland United States, natural disasters, substantial increases in the cost of energy, including fuel costs, and events in the airline industry that may reduce passenger capacity or increase traveling costs could reduce the number of visitors to the Kapalua Resort and negatively affect a potential buyer's demand for our ongoing and future property developments, each of which could have a material adverse impact on our business, financial condition and results of operations. In addition, the threat, or perceived threat, of heightened terrorist activity in the United States or other geopolitical events, or the spread of contagious diseases could negatively affect a potential visitor's choice of vacation destination or second home location and as a result, have a material adverse impact on our business, financial condition and results of operations.

***We have previously been involved in joint ventures and may be subject to risks associated with future joint venture relationships.***

We have previously been involved in partnerships, joint ventures and other joint business relationships, and may initiate future joint venture projects. We currently have a 51% interest in Kapalua Bay Holdings, LLC (Bay Holdings), the joint venture that constructed The Residences at Kapalua Bay.

A joint venture involves certain risks such as:

- our actual or potential lack of voting control over the joint venture;
- our ability to maintain good relationships with our joint venture partners;
- a venture partner at any time may have economic or business interests that are inconsistent with ours, especially in light of the ongoing economic uncertainty and weakness;
- a venture partner may fail to fund its share of operations and development activities, or to fulfill its other commitments, including providing accurate and timely accounting and financial information to us; and
- a joint venture or venture partner could lose key personnel.

In connection with our joint venture projects, we may be asked to guarantee the joint venture's obligations, or to indemnify third parties in connection with a joint venture's contractual arrangements. If we were to become obligated under such arrangement or become subject to the risks associated with joint venture relationships, our business, financial condition and results of operations may be adversely affected.

***If we are unable to complete land development projects within forecasted time and budget expectations, if at all, our financial results may be negatively affected.***

We intend to develop resort and other properties as suitable opportunities arise, taking into consideration the general economic climate. New project developments have a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- earthquakes, tsunamis, hurricanes, floods, fires or other natural disasters that could adversely impact a project;
- defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation;
- ability to raise capital;
- impact of governmental assessments such as park fees or affordable housing requirements;
- governmental restrictions on the nature or size of a project or timing of completion; and
- the potential lack of adequate building/construction capacity for large development projects.

If any development project is not completed on time or within budget, this could have a material adverse effect on our financial results.

***If we are unable to obtain required land use entitlements at reasonable costs, or at all, our operating results would be adversely affected.***

The financial performance of our Real Estate segment is closely related to our success in obtaining land use entitlements for proposed development projects. Obtaining all of the necessary entitlements to develop a parcel of land is often difficult, costly and may take several years, or more, to complete. In some situations, we may be unable to obtain the necessary entitlements to proceed with a real estate development or may be required to alter our plans for the development. Delays or failures to obtain these entitlements may have a material adverse effect on our financial results.

***If we are unable to successfully compete with other developers of real estate in Maui, our financial results could be materially adversely affected.***

Our real estate products face significant competition from other luxury resort real estate properties on Maui, and from other residential property in Hawaii and the mainland United States. In many cases, our competitors are larger than us and have greater access to capital. If we are unable to compete with these competitors, our financial results could be materially adversely affected.

***We may be subject to certain environmental regulations under which we may have additional liability and experience additional costs for land development.***

Various federal, state, and local environmental laws, ordinances and regulations regulate our properties and could make us liable for the costs of removing or cleaning up hazardous or toxic substances on, under, or in property we currently own or operate or that we previously owned or operated. These laws could impose liability without regard to whether we knew of, or were responsible for, the presence of hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to properly clean up such substances when present, could jeopardize our ability to develop, use, sell or rent the real property or to borrow using the real property as collateral. If we arrange for the disposal or treatment of hazardous or toxic wastes, we could be liable for the costs of removing or cleaning up wastes at the disposal or treatment facility, even if we never owned or operated that facility. Certain laws, ordinances and regulations, particularly those governing the management or preservation of wetlands, coastal zones and threatened or endangered species, could limit our ability to develop, use, sell or rent our real property.

***Changes in weather conditions or natural disasters could adversely impact and materially affect our business, financial condition and results of operations.***

Natural disasters could damage our resort and real estate holdings, resulting in substantial repair or replacement costs to the extent not covered by insurance, a reduction in property values, or a loss of revenue, each of which could have a material adverse impact on our business, financial condition and results of operations. Our competitors may be affected differently by such changes in weather conditions or natural disasters depending on the location of their assets or operations.

***Unauthorized use of our trademarks could negatively impact our businesses.***

We have several trademarks that we have registered in the United States and in several foreign countries. To the extent that our exclusive use of these trademarks is challenged, we intend to vigorously defend our rights. If we are not successful in defending our rights, our businesses could be adversely impacted.

***Market volatility of asset values and interest rates affect the funded status of our defined benefit pension plans and could, under certain circumstances, have a material adverse effect on our financial condition.***

No additional benefits are accruing for participants in our defined benefit pension plans, however, the funded status for these plans as of December 31, 2013 is a liability of approximately \$20.9 million. Contributions to our defined benefit pension plans are expected to be approximately \$2.8 million in 2014. Changes in interest rates and the fair value of the plan assets drive the annual funding short-fall or gain and affect the minimum cash contributions that must be paid to the plans. Therefore, under certain circumstances, changes in asset values or interest rates could have a material adverse effect on our financial condition.

## **Risks Related to Indebtedness and Liquidity**

***We have incurred a significant amount of indebtedness that is currently scheduled to mature on May 1, 2014 and is subject to certain covenants under our credit agreements. Failure to extend the maturity date of our credit agreements or satisfy the covenants under these agreements could accelerate our repayment obligations, which could adversely affect our operations and financial results and impact our ability to satisfy our other financial obligations and ability to continue as a going concern.***

We had \$49.0 million of indebtedness as of December 31, 2013, consisting of a secured revolving line of credit with Wells Fargo for up to \$32.7 million and a secured term loan with American AgCredit for \$20 million. Both credit facilities are scheduled to mature on May 1, 2014 and have been classified as currently due as of December 31, 2013. We are actively working with our lenders to extend the maturity dates of our credit facilities.

We have pledged a significant portion of our real estate holdings as security for borrowings under our credit facilities, limiting our ability to borrow additional funds. Absent the sale of some of our real estate holdings or refinancing, we do not expect to be able to pay the outstanding balance under the term loan on the maturity date.

Both of our credit agreements contain financial and other covenants that we must satisfy. Our ability to continue to borrow under these agreements and to fund our cash requirements depends upon our ability to comply with those covenants. If we fail to satisfy any of our covenants, each lender may elect to accelerate our payment obligations under such lender's credit agreement.

Our indebtedness could have the effect of, among other things, increasing our exposure to general adverse economic and industry conditions, limiting our flexibility in planning for, or reacting to, changes in our business and industry, and limiting our ability to borrow additional funds.

***Our cash outlook for the next twelve months and our ability to continue to meet our loan covenants and to continue as a going concern is highly dependent on successfully implementing our business initiatives and selling real estate assets at acceptable prices.***

In 2013, we had negative cash flows from operations of \$3.6 million and at December 31, 2013, we had borrowings outstanding of \$49.0 million. Our cash outlook for the next twelve months and our ability to continue to meet our financial covenants is highly dependent on selling certain real estate assets at acceptable prices. If we are unable to meet our loan covenants resulting in our borrowings becoming immediately due, we would not have sufficient liquidity to repay such outstanding borrowings. In addition, we are subject to several commitments and contingencies that could negatively impact our future cash flows, including required funding of our defined benefit pension plans and ongoing legal disputes related to The Residences at Kapalua Bay project. In response to these circumstances, we are undertaking several business initiatives to reduce cash commitments, to generate cash flow, to reduce costs, and to sell real estate assets and pay down our debt. However, there can be no assurance that we will be able to successfully achieve these initiatives, which raises substantial doubt about our ability to continue as a going concern.

In connection with the sale of any real property, our credit agreements require us to pay a portion of the proceeds received from any such sale to our lenders as mandatory principal payments. The amount of proceeds paid to our lenders will reduce net proceeds from any such sale and negatively impact our cash flow.

## **Risks Relating to our Stock**

***Our stock price has been subject to significant volatility.***

In 2013, the daily closing price per share of our common stock has ranged from a high of \$6.94 per share to a low of \$3.74 per share. Our stock price has been, and may continue to be, subject to significant volatility. Among others, including the risks and uncertainties discussed in this annual report, the following factors, some of which are out of our control, may cause the market price of our common stock to continue to be volatile:

- our quarterly or annual earnings or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results;
- the relatively low volume of trading in our stock; and
- the lack of significant securities analysts coverage of our stock.

Fluctuations in the price of our common stock may also be exacerbated by economic and other conditions in Maui in particular, or conditions in the financial markets generally.

***Trading in our stock over the last twelve months has been limited, so investors may not be able to sell as much stock as they want at prevailing prices.***

The average daily trading volume in our common stock for the year ended December 31, 2013 was approximately 12,439 shares. If limited trading in our stock continues, it may be difficult for investors to sell their shares in the public market at any given time at prevailing prices. Moreover, the market price for shares of our common stock may be made more volatile because of the relatively low volume of trading in our common stock. When trading volume is low, significant price movement can be caused by the trading in a relatively small number of shares. Volatility in our common stock could cause stockholders to incur substantial losses.

***We do not anticipate declaring any cash dividends on our common stock.***

We have not declared or paid regular cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and any earnings for use in the operation and expansion of our business. The payment of cash dividends by us is restricted by our credit facilities, which contains covenants prohibiting us from paying any cash dividends without the lender's prior approval. If we do not pay dividends, our stock may be less valuable to you because a return on your investment will only occur if our stock price appreciates.

***If we do not meet the continued listing requirements of the New York Stock Exchange (NYSE), our common stock may be delisted.***

Our common stock is currently listed on the NYSE. On October 23, 2012 we received notification from the NYSE that we were not in compliance with the NYSE's continued listing standards because our average market capitalization was less than \$50 million over a 30 trading-day period and our most recently reported shareholders' equity was less than \$50 million. As prescribed by NYSE procedures, on December 3, 2012 we submitted a business plan to the NYSE demonstrating our ability to achieve compliance with the continued listing standards within 18 months. On January 11, 2013, we were informed that the NYSE accepted our business plan. On May 20, 2013, we were informed by the NYSE that we returned to compliance with the NYSE continued listing standards.

If we are unable to maintain compliance with the NYSE's continued listing standards the NYSE may take action to delist our common stock. Delisting could negatively impact us by, among other things, reducing the liquidity and market price of our common stock, reducing the number of investors

willing to hold or acquire our common stock, and limiting our ability to issue additional securities or obtain additional financing in the future, and might negatively impact our reputation and, as a consequence, our business. In addition, if our common stock is delisted, it would violate the provisions of our credit agreements.

*We may need additional funds which, if available, could result in significant dilution to our stockholders, have superior rights to our common stock and contain covenants that restrict our operations.*

If we continue to operate unprofitably, if unanticipated contingencies arise or if we are required to retire any significant portion of our outstanding indebtedness, it will be necessary for us to raise additional capital either through public or private equity or debt financing. We cannot say with any certainty that we will be able to obtain the additional needed funds on reasonable terms, or at all. If we were to raise capital through the issuance of our common stock or securities convertible or exercisable into our common stock, our existing stockholders may suffer significant dilution. If we issued preferred equity or debt securities, these securities could have rights superior to holders of our common stock and could contain covenants that will restrict our operations. If additional funds are raised through a bank credit facility or the issuance of debt securities, the holder of such indebtedness would have rights senior to the rights of equity holders and the terms of such indebtedness could impose restrictions on our operations.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **Item 2. PROPERTIES**

Most of our land was acquired from 1911 to 1932 and is carried on our consolidated balance sheet at cost. We believe we have clear and unencumbered marketable title to all of our property, except for the following:

- certain easements and rights-of-way that do not materially affect our use of the property;
- a mortgage on approximately 3,100 acres previously used in agriculture operations, which secures our \$20 million term loan agreement;
- a mortgage on approximately 880 acres of land in West Maui primarily within the Kapalua Resort, which secures our \$32.7 million revolving credit facility;
- mortgages on approximately 8,400 acres of land in West Maui, which secures approximately \$20.9 million of our pension obligations.
- a permanent conservation easement granted to The Nature Conservancy of Hawaii, a non-profit corporation, covering approximately 8,600 acres of forest reserve land; and
- a small percentage of our land in various locations on which multiple claims of ownership exist.

We currently have approximately 7,800 acres that are not in the current development plans or held for sale, and are not used in our other operations or planned or used in conservation. These properties will be evaluated in the future to determine the appropriate use or disposition of the acreage.

Our 21,300 acres of land in West Maui comprises a largely contiguous parcel that extends from the sea to an elevation of approximately 5,700 feet and includes 10.6 miles of ocean frontage with approximately 3,300 lineal feet along sandy beaches, as well as agricultural and grazing lands, gulches, undeveloped coastline and heavily forested areas. Our West Maui acreage includes approximately 900 acres within the Kapalua Resort.



Our 2,000 acres of land in Upcountry Maui is situated at elevations between 1,000 and 2,000 feet above sea level on the slopes of Haleakala, a volcanic-formed mountain on the island that rises above 10,000 feet in elevation.

We own our principal executive offices located in the Kapalua Resort. We believe our facilities are suitable and adequate for our business and have sufficient capacity for the purposes for which they are currently being used or intended to be used.

### **Item 3. LEGAL PROCEEDINGS**

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

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

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

On June 19, 2013, a lawsuit was filed against multiple parties including the Company by several owners of timeshare condominium interests in the project formerly known as The Ritz-Carlton Residences at Kapalua Bay (Fractional Interests). The lawsuit was filed in the Circuit Court of the Second Circuit, State of Hawaii, pursuant to Civil No. 13-1-0640-(2). The lawsuit alleges unfair and deceptive trade practices, negligent misrepresentations, omissions, concealment, and fraud in the inducement among other allegations with regards to the marketing and sales of certain Fractional Interests and seeks unspecified damages, treble damages and other relief. We disagree with the allegations and are defending ourselves. Because this lawsuit is in its early stages and has not gone to trial, we are presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying consolidated financial statements.

We are a party to various claims, complaints and other legal actions that have arisen in the normal course of business from time to time. We believe the outcome of these pending legal proceedings, in

the aggregate, is not likely to have a material adverse effect on our operations, financial position or cash flows.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE under the symbol “MLP.” We did not declare any dividends in 2013 and 2012. Our ability to declare dividends is restricted by the terms of our credit agreements. We do not intend to pay any cash dividends on our common stock in the foreseeable future. As of December 31, 2013, there were 310 shareholders of record of our common stock.

The following chart reflects high and low sales prices during each of the quarters in 2013 and 2012:

		<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2013 .....	High	\$4.29	\$4.94	\$4.68	\$6.94
	Low	3.74	3.88	3.86	4.02
2012 .....	High	\$4.25	\$4.49	\$3.84	\$4.24
	Low	3.70	3.09	2.26	1.83

We did not repurchase any shares of common stock during the fiscal year ended December 31, 2013.

**Securities Authorized For Issuance Under Equity Compensation Plans**

The information regarding securities authorized for issuance under our equity compensation plans is set forth in Item 12 of this annual report.

**Item 6. SELECTED FINANCIAL DATA**

Because we qualify as a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, we are not required to provide the information required by this Item.

**Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the forward-looking statements disclaimer set forth at the beginning of this annual report, the risk factors set forth in Item 1A of this annual report, and our Consolidated Financial Statements and the Notes to those statements set forth in Item 8 of this annual report.

## RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2013 and 2012

### CONSOLIDATED

	Year Ended December 31,	
	2013	2012
	(in thousands except share amounts)	
<i>Real Estate Sales</i> . . . . .	\$ 4,513	\$ 1,500
<i>Real Estate Cost of Sales</i> . . . . .	2,420	149
<i>Gains from Real Estate Sales</i> . . . . .	2,093	1,351
<i>Other Operating Revenues</i> . . . . .	10,699	12,071
<i>Other Operating Costs and Expenses</i> . . . . .	13,332	14,674
<i>Operating Loss</i> . . . . .	(540)	(1,252)
<i>Interest Expense, Net</i> . . . . .	2,491	2,563
<i>Loss From Continuing Operations</i> . . . . .	(3,031)	(3,815)
<i>Income (Loss) From Discontinued Operations</i> . . . . .	1,867	(787)
<i>Net Loss</i> . . . . .	\$ (1,164)	\$ (4,602)
<i>Net Loss Per Common Share</i> . . . . .	\$ (0.06)	\$ (0.25)

We reported a net loss of \$1.2 million or \$(0.06) per share for 2013 compared to net loss of \$4.6 million or \$(0.25) per share for 2012. The difference in net loss between years is primarily attributable to gains from sales of real estate assets which are more fully described in the next section entitled “Real Estate.” The decrease in 2013 other operating revenues is due to lower leasing and resort amenities segment revenues. The decrease in 2013 other operating costs and expenses is primarily due to the cost of The Kapalua Bay Residences, which was less than previously estimated and resulted in a gain equal to the difference between the carrying value and fair value of certain assets conveyed in the settlement. The settlement is more fully described in the section entitled “Other.”

### REAL ESTATE

	Year Ended December 31,	
	2013	2012
	(in thousands)	
<i>Real Estate Sales</i> . . . . .	\$4,513	\$1,500
<i>Real Estate Cost of Sales</i> . . . . .	2,420	149
<i>Gains from Real Estate Sales</i> . . . . .	2,093	1,351
<i>Other Operating Revenues</i> . . . . .	921	1,045
<i>Other Operating Costs and Expenses</i> . . . . .	2,657	2,734
<i>Operating Income (Loss)</i> . . . . .	\$ 357	\$ (338)

In November 2013, we sold a 10-acre light industrial zoned parcel in West Maui for \$5.4 million. The sale resulted in a gain of \$2.1 million. Proceeds from the sale were used to fund our \$2.4 million payment toward deferred maintenance as part of The Residences at Kapalua Bay settlement and to paydown our American AgCredit term loan. Approximately \$0.9 million of the sale price has been deferred until certain post-closing obligations of the Company are completed.

In January 2012, we sold an 89-acre former agricultural parcel in Upcountry Maui for \$1.5 million. The sale resulted in a gain of \$1.4 million.

Included in operating revenues for this segment are real estate sales commissions from resales of properties owned by private residents in the Kapalua Resort and surrounding areas by our wholly-owned subsidiary, Kapalua Realty Company, Ltd. Commission revenue totaled \$0.6 million and \$1.0 million during 2013 and 2012, respectively. The decrease in 2013 was attributed to a lower number of closings, 25 versus 40 in 2012 and lower average sales prices, \$1.0 million versus \$1.3 million in 2012.

We did not have any significant real estate development expenditures in 2013 or 2012.

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

## LEASING

	Year Ended December 31,	
	2013	2012
	(in thousands)	
<i>Operating Revenues</i> . . . . .	\$4,862	\$5,806
<i>Operating Costs and Expenses</i> . . . . .	5,267	5,378
<i>Operating Income (Loss)</i> . . . . .	\$ (405)	\$ 428
<i>Average Occupancy Rates:</i>		
<i>Kapalua Resort</i> . . . . .	79%	81%
<i>Hali'imaile Town</i> . . . . .	88%	87%
<i>Other West Maui</i> . . . . .	38%	40%

We have contracted a third-party property management company to manage our commercial leasing portfolio. The decrease in leasing revenues and operating income (loss) in 2013 was primarily due to turnover and vacancies in a few of our Kapalua Resort leased spaces and activities, including the Kapalua Adventures zipline operations from March to December 2013. In August 2013, our Honolua Store lessee commenced construction of a \$2.7 million renovation and upgrade of the Honolua Store. The renovation was completed in January 2014. Other West Maui leasable 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

	Year Ended December 31,	
	2013	2012
	(in thousands)	
<i>Operating Revenues</i> . . . . .	\$3,686	\$3,541
<i>Operating Costs and Expenses</i> . . . . .	2,804	2,917
<i>Operating Income</i> . . . . .	\$ 882	\$ 624
<i>Consumption (in million gallons):</i>		
<i>Potable</i> . . . . .	159	146
<i>Non-potable/irrigation</i> . . . . .	753	682

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 revenues and operating income in 2013 is primarily the result of increased consumption of potable and non-potable water due to drier weather conditions and higher visitor levels in the resort.

## RESORT AMENITIES

	Year Ended December 31,	
	2013	2012
	(in thousands)	
<i>Operating Revenues</i> . . . . .	\$1,217	\$1,635
<i>Operating Costs and Expenses</i> . . . . .	891	675
<i>Operating Income</i> . . . . .	\$ 326	\$ 960
<i>Kapalua Club Members</i> . . . . .	495	533

Our Resort Amenities segment includes 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 decrease in revenue and operating income in 2013 was primarily due to cessation of contributions from The Kapalua Bay Residences vacation owners association for usage of the spa and beach club amenities for its members. The decline in number of Kapalua Club members in 2013 was primarily attributed to the uncertainties surrounding the resolution of The Kapalua Bay Residences foreclosure proceedings and other project issues.

## OTHER

	Year Ended December 31,	
	2013	2012
	(in thousands)	
<i>Operating Loss</i> . . . . .	\$(1,700)	\$(2,926)

Effective November 25, 2013, the Amenities purchase and sale agreements were terminated and we and other parties associated with the project, including the lenders, the new owners of the project, the other members of Bay Holdings, and the property's former management company, comprehensively resolved and settled the numerous issues and disputes surrounding the project (the "Settlement").

With respect to our portion of the Settlement, we paid \$2.4 million toward deferred maintenance at the project, conveyed the three-acre leased parcel underlying the spa and the five-acre parking lot adjacent to the project valued at \$0.8 million, and committed to pay \$0.6 million over the next four years in exchange for termination of the Amenities purchase and sale agreements. In addition, we received full release from its construction loan guarantees and secured continued access to the spa and beach club for its Kapalua Club members at a monthly cost of \$29,000. We previously recorded \$4.1 million in accrued contract terminations as our best estimate of our exposure under these agreements. The total cost of the settlement was less than previously estimated and resulted in a \$0.3 million reduction of accrued contract terminations and contract terminations expense in the Consolidated Financial Statements in Item 8 of this annual report. The eight acres of land transferred as part of the Settlement was accounted for at fair value in accordance with the accounting guidance

for nonmonetary transactions. Accordingly, we derecognized the spa parcel and parking lot parcel and recognized a gain of \$0.8 million equal to the difference between the carrying value and fair value of those assets.

Also included in operating loss for this segment are miscellaneous transactions and unallocated general, administrative, pension and other post-retirement benefit expenses.

#### DISCONTINUED OPERATIONS

	<u>Year Ended</u> <u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	(in thousands)	
<i>Income (Loss) From Discontinued Operations</i> . . . . .	\$1,867	\$(787)

Our former retail, golf, spa, beach club and agriculture operations are reported as discontinued operations. Income from discontinued operations for 2013 included a \$1.9 million gain from the sale of a 7-acre parcel and building that was part of our former agricultural processing facilities in Central Maui and a \$0.5 million reversal of accrued income taxes payable and interest resulting from our settlement with the U.S. Internal Revenue Service regarding our 2003 through 2008 Federal tax returns. Income (loss) from discontinued operations in 2013 and 2012 also included losses of \$0.4 million and \$1.1 million, respectively, from operating the spa and beach club prior to us ceasing operations in 2013. See Note 7 to Consolidated Financial Statements in Item 8 of this annual report.

#### INTEREST EXPENSE

Interest expense was \$2.5 million for 2013 compared to \$2.6 million for 2012. Our average interest rates on borrowings was 4.6% for 2013, compared to 4.7% for 2012, and average borrowings were \$51 million in 2013 compared to \$47 million in 2012.

#### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, our total debt was \$49.0 million compared to \$49.3 million at December 31, 2012. At December 31, 2013, we had \$359,000 in cash and cash equivalents.

##### *Revolving Line of Credit with Wells Fargo*

We have a \$32.7 million revolving line of credit with Wells Fargo that is scheduled to mature on May 1, 2014. Interest rates on borrowings are at LIBOR plus 3.8% and the line of credit is collateralized by approximately 880 acres of the Company’s real estate holdings at the Kapalua Resort. The line of credit agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$4 million, maximum total liabilities of \$175 million, and a limitation on new indebtedness. The credit agreement includes predetermined release prices for the real property securing the credit facility. There are no commitment fees on the unused portion of the revolving facility. Absent the sale of some of our real estate holdings or refinancing, we do not expect to be able to pay the outstanding balance of the revolving line of credit on the maturity date. As of December 31, 2013, we had \$29.0 million of borrowings outstanding under our revolving line of credit.

### *Term Loan with American AgCredit*

We have a \$20 million term loan with American AgCredit that is scheduled to mature on May 1, 2014. The interest rate on this credit facility is based on the greater of 1.00% or the 30-day LIBOR rate, plus an applicable spread of 4.25%. The loan agreement provides for tiered reductions in the applicable spread to 3.75%, subject to corresponding reductions in the principal balance of the loan. The loan agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$4 million, maximum total liabilities of \$175 million and a limitation on new indebtedness. It also requires mandatory principal repayments of 100% of the net proceeds of the sale of any real property pledged as collateral for the loan and 75% of the net proceeds from the sale of non-collateralized real property. In accordance with this provision, the Company made principal repayments of \$4.1 million and \$353,000 in 2013 and 2012, respectively, in conjunction with the sales of non-collateralized real properties. The loan is collateralized by approximately 3,100 acres of the Company's real estate holdings in West Maui and Upcountry Maui. Absent the sale of some of our real estate holdings or refinancing, we do not expect to be able to pay the outstanding balance under the term loan on the maturity date.

As of December 31, 2013, we are in compliance with the covenants under the Wells Fargo and American AgCredit credit facilities. We are actively working with our lenders to extend the maturity dates of our credit facilities. We believe the extensions will be executed prior to the May 1, 2014 maturity date.

### *Cash Flows*

Net cash used in operating activities for 2013 was \$3.6 million compared to \$3.8 million in 2012. During 2013, net borrowings from our Wells Fargo revolving line of credit were \$3.8 million. In 2013, we repaid \$4.1 million of our American AgCredit term loan. Interest paid in 2013 and 2012 was \$2.3 million and \$2.2 million, respectively. Mandatory funding contributions to our defined benefit pension plans totaled \$2.4 million for both 2013 and 2012.

### *Future Cash Inflows and Outflows*

Our plans for 2013 include the possible sale of certain operating and non-operating real estate assets that could result in net cash proceeds which would be partially used to repay outstanding indebtedness and for general working capital. There can be no assurance that we will be able to sell any of our real estate assets on acceptable terms, if at all.

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

We are subject to several commitments and contingencies that could negatively impact our future cash flows, including required funding of our defined benefit pension plans and ongoing legal disputes related to the Kapalua Bay project. These matters are further described in Notes 9 and 15 to the accompanying Consolidated Financial Statements in Item 8 of this annual report. The aforementioned circumstances raise substantial doubt about our ability to continue as a going concern. There can be no assurance that we will be able to successfully achieve the initiatives discussed below in order to continue as a going concern.

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

Contributions to our defined benefit pension plans are expected to be approximately \$2.8 million in 2014. In June 2013, the State of Hawaii enacted a bill directing the DLNR, in consultation with the Hawaiian Islands Land Trust, to engage in the purchase of an approximately 270-acre parcel of former agricultural land in West Maui, known as Lipoa Point, from the Company. The bill further requires the DLNR to ensure to the maximum extent practicable that we use the proceeds of the sale to fund our defined benefit pension plans. The passage of the bill does not obligate the DLNR to purchase the property or obligate us to sell the property. Any such sale would be subject to negotiation between the parties, including the purchase price. There is no certainty that any such sale will take place, and even if it does, the amount by which our unfunded pension fund liabilities would be reduced is uncertain.

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are described in Summary of Significant Accounting Policies, Note 1 to Consolidated Financial Statements in Item 8 of this annual report. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of accounting estimates. Some of these estimates and assumptions involve a high level of subjectivity and judgment and therefore the impact of a change in these estimates and assumptions could materially affect the amounts reported in our financial statements. The accounting policies and estimates that we have identified as critical to the Consolidated Financial Statements are as follows:

- Our investment in Bay Holdings was written down to zero at December 31, 2009 to recognize an other-than-temporary impairment and to record losses incurred by Bay Holdings in the third quarter of 2009. We and the other members of Bay Holdings guaranteed to the lenders completion of the project and recourse with regard to certain acts, and we recorded \$4.1 million in other accrued liabilities on the consolidated balance sheet at December 31, 2012 for our estimated share of the completion and recourse guarantees. We had an agreement to purchase from Kapalua Bay certain amenities of the project, at the actual construction cost of approximately \$35 million. In November 2013, we and the other parties involved in The Residences at Kapalua Bay development reached a comprehensive settlement of the numerous issues and disputes surrounding the project. As part of the settlement, we were relieved of our obligation to purchase certain amenities of the project for approximately \$35 million in exchange for a \$2.4 million payment toward deferred maintenance at the project and other consideration including the conveyance of eight acres of land underlying and adjacent to the project. The total cost of the settlement was less than previously estimated and resulted in a \$0.3 million reduction of accrued contract terminations and contract terminations expense in the Consolidated Financial Statements in Item 8 of this annual report. The eight acres of land transferred as part of the Settlement was accounted for at fair value in accordance with the accounting guidance for nonmonetary transactions. Accordingly, we derecognized the spa parcel and parking lot parcel and recognized a gain of \$0.8 million equal to the difference between the carrying value and fair value of those assets. Our remaining unpaid balance of the settlement of \$0.6 million has been recorded in accrued contract terminations on the consolidated balance sheet at December 31, 2013.
- Our long-lived assets are reviewed for impairment if events or circumstances indicate that the carrying amount of the long-lived asset may not be recoverable. These asset impairment loss analyses contain uncertainties because they require management to make assumptions and apply



considerable judgments to, among others, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets; thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, our financial condition or future operating results could be materially impacted.

- Deferred development costs, principally predevelopment costs and offsite development costs related to various projects in the planning stages by our Real Estate segment, totaled \$7.8 million at December 31, 2013. Based on our future development plans for the Kapalua Resort and other properties such as Pulelehua, and Hali'imaile Town, and the estimated value of these future projects, management has concluded that these deferred costs will be recoverable from future development projects. The volatility of this assumption arises because of the long-term nature of our development plans and the uncertainty of when or if certain parcels will be developed.
- Determining pension expense for our two defined benefit pension plans utilizes actuarial estimates of employees' age at retirement, retirees' life span, the long term rate of return on investments and other factors. In addition, pension expense is sensitive to the discount rate utilized to value the pension obligation. These assumptions are subject to the risk of change as they require significant judgment and have inherent uncertainties that management or its consulting actuaries may not control or anticipate. As of December 31, 2013, the fair value of the assets of our defined benefit plans totaled approximately \$45.2 million, compared with \$42.5 million as of December 31, 2012. The recorded net pension liability was approximately \$20.9 million as of December 31, 2013 compared to a net pension liability of \$30.3 million as of December 31, 2012. The \$9.4 million decrease in net pension liability during 2013 was mainly attributed to an increase in the discount rate used to determine our pension obligations and an increase in the fair value of plan assets.
- Stock-based compensation expense is calculated based on assumptions as to the expected life of the options, price volatility, risk-free interest rate and expected forfeitures. While management believes that the assumptions made are appropriate, current and future compensation expense could vary based on the assumptions used.
- Management calculates the income tax provision, current and deferred income taxes along with the valuation allowance based upon various complex estimates and interpretations of income tax laws and regulations. Deferred tax assets are reduced by a valuation allowance to the extent that it is more likely than not that they will not be realized. To the extent we begin to generate taxable income in future years, and it is determined the valuation allowance is no longer required, the tax benefit for the remaining deferred tax assets will be recognized at such time. As of December 31, 2013, full valuation allowances of \$59 million has been established primarily for tax credits, net operating loss carry forwards, and accrued retirement benefits to reduce future tax benefits expected to be realized.
- Our results of operations could be affected by significant litigation or contingencies adverse to the Company, including, but not limited to, liability claims, environmental matters, and contract terminations. We record accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We make adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary

materially from those estimates. In making determinations of likely outcomes of litigation matters, we consider many factors. These factors include, but are not limited to, the nature of specific claims, our experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms and the matter's current status. A detailed discussion of significant litigation matters and contingencies is contained in Note 15 to our Consolidated Financial Statements in Item 8 of this annual report.

#### IMPACT OF INFLATION AND CHANGING PRICES

Most of the land we own was acquired from 1911 to 1932 and is carried at cost. At the Kapalua Resort, some of the fixed assets were constructed and placed in service in the mid-to-late 1970s. Depreciation expense would be considerably higher if fixed assets were stated at current cost.

#### OFF BALANCE SHEET ARRANGEMENTS

As of December 31, 2013, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

#### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Because we qualify as a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, we are not required to provide the information required by this Item.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Maui Land & Pineapple Company, Inc.  
Lahaina, Hawaii

We have audited the accompanying consolidated balance sheets of Maui Land & Pineapple Company, Inc. and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), stockholders’ deficiency, and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Maui Land & Pineapple Company, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company’s recurring negative cash flows from operations and deficiency in stockholders’ equity raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans concerning these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP

Honolulu, Hawaii  
March 20, 2014

**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands except share data)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 359	\$ 829
Accounts receivable, less allowance of \$163 and \$262 for doubtful accounts . . . . .	1,203	1,138
Prepaid expenses and other assets . . . . .	596	466
Assets held for sale . . . . .	744	2,483
Total Current Assets . . . . .	2,902	4,916
<b>PROPERTY</b>		
Land . . . . .	5,355	7,382
Land improvements . . . . .	24,951	25,702
Buildings . . . . .	33,534	35,649
Machinery and equipment . . . . .	11,820	12,799
Construction in progress . . . . .	1,606	1,637
Total Property . . . . .	77,266	83,169
Less accumulated depreciation . . . . .	37,084	37,668
Net Property . . . . .	40,182	45,501
<b>OTHER ASSETS</b>		
Deferred development costs . . . . .	7,727	7,612
Other noncurrent assets . . . . .	2,942	3,456
Total Other Assets . . . . .	10,669	11,068
<b>TOTAL</b> . . . . .	<b>\$ 53,753</b>	<b>\$ 61,485</b>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIENCY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt . . . . .	\$ 49,000	\$ 4,068
Trade accounts payable . . . . .	995	1,341
Payroll and employee benefits . . . . .	362	151
Current portion of accrued retirement benefits . . . . .	443	626
Income taxes payable . . . . .	1,421	2,457
Current portion of accrued contract terminations . . . . .	159	4,094
Other accrued liabilities, including deferred revenue . . . . .	2,216	1,948
Total Current Liabilities . . . . .	54,596	14,685
<b>LONG-TERM LIABILITIES</b>		
Long-term debt . . . . .	—	45,200
Accrued retirement benefits . . . . .	20,867	30,394
Accrued contract terminations . . . . .	475	—
Other noncurrent liabilities . . . . .	5,046	5,569
Total Long-Term Liabilities . . . . .	26,388	81,163
<b>COMMITMENTS &amp; CONTINGENCIES (Note 15)</b>		
<b>STOCKHOLDERS' DEFICIENCY</b>		
Common stock—no par value, 43,000,000 shares authorized; 18,737,384 and 18,664,068 shares issued and outstanding . . . . .	76,810	76,410
Additional paid in capital . . . . .	9,245	9,236
Accumulated deficit . . . . .	(93,594)	(92,430)
Accumulated other comprehensive loss . . . . .	(19,692)	(27,579)
Stockholders' Deficiency . . . . .	(27,231)	(34,363)
<b>TOTAL</b> . . . . .	<b>\$ 53,753</b>	<b>\$ 61,485</b>

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2013	2012
	(in thousands except per share amounts)	
<b>OPERATING REVENUES</b>		
Real estate		
Sales	\$ 4,513	\$ 1,500
Commissions and Other	921	1,045
Leasing	4,862	5,806
Utilities	3,686	3,541
Resort amenities and other	1,230	1,679
Total Operating Revenues	<u>15,212</u>	<u>13,571</u>
<b>OPERATING COSTS AND EXPENSES</b>		
Real estate		
Cost of sales	2,420	149
Other	2,084	2,135
Leasing	2,906	2,852
Utilities	2,225	2,280
Resort amenities and other	725	624
General and administrative	2,937	3,073
Land Transferred in Settlement of Contract Terminations	(773)	—
Contract Terminations	(265)	—
Depreciation	2,550	2,878
Pension and other post-retirement expenses	888	1,064
Loss (Gain) on asset dispositions	55	(232)
Total Operating Costs and Expenses	<u>15,752</u>	<u>14,823</u>
Operating Loss	(540)	(1,252)
Interest expense	(2,501)	(2,577)
Interest income	10	14
Loss from Continuing Operations before income taxes	(3,031)	(3,815)
Income tax benefit	—	—
Loss from Continuing Operations	(3,031)	(3,815)
Income (Loss) from Discontinued Operations net of income tax benefit of \$144 and \$88	1,867	(787)
NET LOSS	(1,164)	(4,602)
Pension Benefit Adjustment net of income taxes of \$0	7,887	(4,010)
COMPREHENSIVE INCOME (LOSS)	<u>\$ 6,723</u>	<u>\$ (8,612)</u>
<b>NET INCOME (LOSS) PER COMMON SHARE—BASIC AND DILUTED</b>		
Continuing Operations	\$ (0.16)	\$ (0.20)
Discontinued Operations	0.10	(0.05)
Net Loss	<u>\$ (0.06)</u>	<u>\$ (0.25)</u>

See Notes to Consolidated Financial Statements

**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY**

**For the Years Ended December 31, 2013 and 2012**

**(in thousands)**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance, January 1, 2012 . . . . .	18,583	\$75,933	\$9,211	\$(87,828)	\$(23,569)	\$(26,253)
Share-based compensation expense . . . . .			489			489
Issuance of shares for incentive plan . . . . .	39	150				150
Vested restricted stock issued . . . . .	79	464	(464)			—
Shares cancelled to pay tax liability . . . . .	(37)	(137)				(137)
Other comprehensive loss-pension (Note 8) . . . . .					(4,010)	(4,010)
Net loss . . . . .				(4,602)		(4,602)
Balance, December 31, 2012 . . . . .	<u>18,664</u>	<u>\$76,410</u>	<u>\$9,236</u>	<u>\$(92,430)</u>	<u>\$(27,579)</u>	<u>\$(34,363)</u>
Share-based compensation expense . . . . .			425			425
Issuance of shares for incentive plan . . . . .	33	133				133
Vested restricted stock issued . . . . .	74	416	(416)			—
Shares cancelled to pay tax liability . . . . .	(34)	(149)				(149)
Other comprehensive income-pension (Note 8) . . . . .					7,887	7,887
Net loss . . . . .				(1,164)		(1,164)
Balance, December 31, 2013 . . . . .	<u>18,737</u>	<u>\$76,810</u>	<u>\$9,245</u>	<u>\$(93,594)</u>	<u>\$(19,692)</u>	<u>\$(27,231)</u>

See Notes to Consolidated Financial Statements

**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2013 and 2012**

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
<b>OPERATING ACTIVITIES</b>		
Net loss . . . . .	\$(1,164)	\$(4,602)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization . . . . .	2,870	3,219
Share based compensation . . . . .	425	489
Gain on property disposals . . . . .	(1,668)	(232)
Land transferred in settlement of contract terminations . . . . .	(773)	—
Changes in operating assets and liabilities:		
Accounts receivable . . . . .	(65)	326
Change in retirement liabilities . . . . .	(1,823)	(2,001)
Trade accounts payable . . . . .	(354)	257
Income taxes payable . . . . .	(1,036)	(309)
Other operating assets and liabilities . . . . .	2	(920)
<b>NET CASH USED IN OPERATING ACTIVITIES . . . . .</b>	<b>(3,586)</b>	<b>(3,773)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property . . . . .	(4)	(209)
Proceeds from disposals of property . . . . .	3,904	425
Payments for other assets . . . . .	(109)	(114)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES . . . . .</b>	<b>3,791</b>	<b>102</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt . . . . .	7,800	5,200
Payments of long-term debt . . . . .	(8,068)	(1,453)
Debt and common stock issuance cost and other . . . . .	(407)	(137)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES . . . . .</b>	<b>(675)</b>	<b>3,610</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b>(470)</b>	<b>(61)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . . . .</b>	<b>829</b>	<b>890</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR . . . . .</b>	<b>\$ 359</b>	<b>\$ 829</b>
Cash paid during the year:		
Interest . . . . .	\$ 2,335	\$ 2,163
Income taxes . . . . .	\$ 700	\$ —

**SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:**

- Amounts included in trade accounts payable for additions to property and other investments totaled \$4,000 at December 31, 2013 and 2012.
- Funds related to the sale of property that were held in escrow pending the completion of post-closing obligations were \$0 and \$150,000 at December 31, 2013 and 2012, respectively.
- \$133,100 and \$150,300 of common stock were issued to certain members of the Company's management at December 31, 2013 and 2012, respectively.

See Notes to Consolidated Financial Statements

**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**CONSOLIDATION**

The consolidated financial statements include the accounts of Maui Land & Pineapple Company, Inc. and its principal subsidiary Kapalua Land Company, Ltd. and other subsidiaries (collectively, the “Company”). The Company’s principal operations include the development, sale and leasing of real estate, water and waste transmission services, and the management of a private club membership program at the Kapalua Resort. During 2013, the Company ceased operating the spa and beach club at the Kapalua Resort. The Company’s former retail, golf, spa, beach club and agriculture operations are reported as discontinued operations (Note 7). Significant intercompany balances and transactions have been eliminated.

**LIQUIDITY**

The Company reported net loss of \$1.2 million for the year ended December 31, 2013. Included in the net loss was a profit of \$2.1 million recognized from the sale of a real estate parcel in November 2013 and a \$1.9 million gain from the sale of a 7-acre parcel and building in June 2013 that was part of the Company’s former agricultural processing facilities. The Company reported negative cash flows from operations of \$3.6 million for the year ended December 31, 2013. The Company had an excess of current liabilities over current assets of \$51.7 million and a stockholders’ deficiency of \$27.2 million at December 31, 2013.

The Company has two primary credit facilities that have financial covenants requiring among other things, a minimum of \$4 million in liquidity (as defined), a maximum of \$175 million in total liabilities, and a limitation on new indebtedness. The Company has pledged a significant portion of its real estate holdings as security for borrowings under these credit facilities. Both facilities are scheduled to mature in May 2014 and have been classified as currently due. The Company made a mandatory principal repayment of \$4.1 million during the year ended December 31, 2013 under terms of its American AgCredit credit facility.

In November 2013, the Company and the other parties involved in The Residences at Kapalua Bay development reached a comprehensive settlement of the numerous issues and disputes surrounding the project. These matters are further described in Note 3.

The Company’s cash outlook for the next twelve months and its ability to continue to meet its loan covenants is highly dependent on selling certain real estate assets at acceptable prices. If the Company is unable to meet its loan covenants, borrowings under the Company’s credit facilities may become immediately due, and the Company would not have sufficient liquidity to repay such outstanding borrowings. In addition, the Company is subject to several commitments and contingencies that could negatively impact its future cash flows, including required funding of the Company’s defined benefit pension plans and ongoing legal disputes related to The Residences of Kapalua Bay project. These matters are further described in Notes 9 and 15.

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



In response to these circumstances, the Company continues to undertake efforts to generate cash flow by employing its real estate assets in leasing and other arrangements, by the sale of several real estate assets, and by continued cost reduction efforts. The Company is actively working with its lenders to extend the maturity dates of its credit facilities.

#### COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes all changes in stockholders' deficiency, except those resulting from capital stock transactions. Comprehensive income (loss) includes the pension benefit adjustment (Note 9).

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits in banks.

#### ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are recorded net of an allowance for doubtful accounts. The Company estimates future write-offs based on delinquencies, credit ratings, aging trends, and historical experience. The Company believes the allowance for doubtful accounts is adequate to cover anticipated losses; however, significant deterioration in any of the aforementioned factors or in general economic conditions could change these expectations, and accordingly, the Company's financial condition and/or its future operating results could be materially impacted. Credit is extended after evaluating creditworthiness and no collateral is generally required from customers.

#### ASSETS HELD FOR SALE

Assets are reported as held for sale when they are being actively marketed and available for immediate sale in their present condition, the sale is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year. Assets held for sale are stated at the lower of net book value or estimated fair value less cost to sell.

#### DEFERRED DEVELOPMENT COSTS

Deferred development costs consist primarily of design, entitlement and permitting fees and real estate development costs related to various planned projects. Deferred costs are written off if management decides that it is no longer probable that the Company will proceed with the related development project.

#### PROPERTY AND DEPRECIATION

Property is stated at cost. Major replacements, renewals and betterments are capitalized while maintenance and repairs that do not improve or extend the life of an asset are charged to expense as incurred. When property is retired or otherwise disposed of, the cost of the property and the related accumulated depreciation are written off and the resulting gains or losses are included in income. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method generally over three to 40 years. Depreciation expense was \$2,550,000 and \$2,878,000 for the years ended December 31, 2013 and 2012, respectively.

#### LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes occur, an estimate of the future cash flows expected to result from the use of the assets and their

eventual disposition is made. If the sum of such expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized in an amount by which the assets' net book values exceed their fair value. These asset impairment loss analyses require management to make assumptions and apply considerable judgments regarding, among others, estimates of the timing and amount of future cash flows, expected useful lives of the assets, uncertainty about future events, including changes in economic conditions, changes in operating performance, changes in the use of the assets, and ongoing cost of maintenance and improvements of the assets, and thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, the Company's financial condition or its future operating results could be materially impacted. There were no impairment charges recorded in 2013 or 2012.

#### EMPLOYEE BENEFIT PLANS

The Company's policy is to fund pension costs at a level at least equal to the minimum amount required under federal law, but not more than the maximum amount deductible for federal income tax purposes.

The under-funded status of the Company's defined benefit post-retirement plans is recorded as a liability in its balance sheet and changes in the funded status of the plans are recorded in the year in which the changes occur, through comprehensive income (loss). A pension asset or liability is recognized for the difference between the fair value of plan assets and the projected benefit obligation as of year-end.

Deferred compensation plans for certain management employees provide for specified payments after retirement. The present value of estimated payments to be made is accrued over the period of active employment.

#### REVENUE RECOGNITION

Real estate revenues are recognized in the period in which sufficient cash has been received, collection of the balance is reasonably assured and risks of ownership have passed to the buyer.

Lease revenues are recognized on a straight-line basis over the terms of the leases. Also included in lease income are certain percentage rents determined in accordance with the terms of the leases. Lease income arising from tenant rents that are contingent upon the sales of the tenant exceeding a defined threshold are recognized only after the defined sales thresholds are achieved.

Other revenues are recognized when delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

#### OPERATING COSTS AND EXPENSES

Real estate, leasing, utilities, resort amenities, and general and administrative costs and expenses are reflected exclusive of depreciation and pension and other post-retirement expenses.

#### INCOME TAXES

The Company accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 740. This interpretation prescribes 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 (Note 12).

The Company's provision for income taxes is calculated using the liability method. Deferred income taxes are provided for all temporary differences between the financial statement and income tax

bases of assets and liabilities using tax rates enacted by law or regulation. A valuation allowance is established for deferred income tax assets if management believes that it is more likely than not that some portion or all of the asset will not be realized through future taxable income.

#### SHARE-BASED COMPENSATION PLANS

The Company accounts for share-based compensation, including grants of employee stock options, as compensation expense over the service period (generally the vesting period) in the consolidated financial statements based on their fair values. The impact of forfeitures that may occur prior to vesting is estimated and considered in the amount recognized.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Future actual amounts could differ from these estimates.

#### RISKS AND UNCERTAINTIES

Factors that could adversely impact the Company's future operations or financial results include, but are not limited to the following: continued economic weakness and uncertainty in Hawaii and the mainland United States; continued high unemployment rates and low consumer confidence; the current sovereign debt crises affecting several countries in the European Union and concerns about sovereign debt in the United States; the general availability of mortgage financing, including the effect of more stringent lending standards for mortgages and perceived or actual changes in interest rates; risks related to the Company's investments in real property, the value and salability of which could be impacted by the economic factors discussed above or other factors; the popularity of Maui in particular and Hawaii in general as a vacation destination or second-home market; increased energy costs, including fuel costs, which effect tourism on Maui and Hawaii generally; untimely completion of land development projects within forecasted time and budget expectations; inability to obtain land use entitlements at a reasonable cost or in a timely manner; unfavorable legislative decisions by state and local governmental agencies; the cyclical market demand for luxury real estate on Maui and in Hawaii generally; increased competition from other luxury real estate developers on Maui and in Hawaii generally; failure of future joint venture partners to perform in accordance with their contractual agreements; environmental regulations; acts of God, such as tsunamis, hurricanes, earthquakes and other natural disasters; the Company's location apart from the mainland United States, which results in the Company's financial performance being more sensitive to the aforementioned economic risks; failure to comply with restrictive financial covenants in the Company's credit arrangements; and an inability to achieve the Company's short and long-term goals and cash flow requirements.

#### ENVIRONMENTAL REMEDIATION COSTS

The Company accrues for environmental remediation costs when such losses are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. When the remediation cost is expected to be incurred within a relatively short period of time, the obligations are not discounted to their present value. At December 31, 2013 and 2012, the Company had accrued for \$165,000 and \$675,000, respectively, of remediation costs.

## NEW ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This ASU adds new disclosure requirements for items reclassified out of accumulated other comprehensive income and requires entities to present information about significant items reclassified out of accumulated other comprehensive income by component either (1) on the face of the statement where net income is presented or (2) as a separate disclosure in the notes to the financial statements. The amendments in this ASU should be applied prospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. Amounts reclassified from accumulated other comprehensive income related to defined benefit pension items were \$7,887 and \$(4,010) for the years ended December 31, 2013 and 2012, respectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

## INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding. Diluted income (loss) per share is computed similar to basic 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 dilutive outstanding stock options are exercised. The Company reports a loss from continuing operations in both 2013 and 2012, and therefore these amounts were excluded from the calculation of earnings per share because the effect would be anti-dilutive.

	Year Ended December 31,	
	2013	2012
Basic and diluted . . . . .	18,702,396	18,618,356
Potentially dilutive . . . . .	110,193	173,137

## 2. ASSETS HELD FOR SALE AND REAL ESTATE SALES

At December 31, 2013, assets held for sale consists of a 4-acre parcel and building that serves as the maintenance facility for the Kapalua Plantation Golf Course.

In November 2013, the Company sold a 10-acre light industrial zoned parcel in West Maui for \$5.4 million. The sale resulted in a gain of \$2.1 million. Proceeds from the sale were used to fund the Company's \$2.4 million payment toward deferred maintenance as part of The Residences at Kapalua Bay settlement and to paydown its American AgCredit term loan. Approximately \$0.9 million of the sale price has been deferred until certain post-closing obligations of the Company are completed.

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

In January 2012, the Company sold an 89-acre former agricultural parcel in Upcountry Maui for \$1.5 million. The sale resulted in a gain of \$1.4 million.

### 3. INVESTMENT IN AFFILIATES

The Company has a 51% ownership interest in Kapalua Bay Holdings, LLC (Bay Holdings), which is the sole member of Kapalua Bay LLC (Kapalua Bay). The other members of Bay Holdings are MH Kapalua Venture, LLC, 34%, and ER Kapalua Investors Fund, LLC, 15%. Bay Holdings is not a variable interest entity, as defined in GAAP. The Company accounts for its investment in Bay Holdings using the equity method of accounting because, although it has the ability to exercise significant influence over operating and financial policies, it does not control Bay Holdings through a majority voting interest or other means. Under the LLC agreement, major decisions require the approval of either 75% or 100% of the membership interests. The Company has been designated as the managing member of Bay Holdings. Profits and losses of Bay Holdings were allocated in proportion to the members' ownership interests, which approximated the estimated cash distributions to the members.

Kapalua Bay constructed a residential and timeshare development on land that it owned at the site of the former Kapalua Bay Hotel, and a spa on an adjacent parcel of land that was owned by the Company and leased to Kapalua Bay. As a result of the 2009 losses incurred by Bay Holdings, the Company's carrying value of its investment in Bay Holdings was written down to zero in 2009. The Company will not recover any amounts from its investment in Bay Holdings because all operations of Kapalua Bay have ceased. Therefore, the Company will not recognize any additional equity in the earnings (losses) of Bay Holdings. The Company had made cash contributions to Bay Holdings of \$53.2 million and non-monetary contributions of land valued at \$25 million.

The Company had an agreement to purchase from Kapalua Bay certain amenities of the project, including the spa, a beach club and a sundry store, at the actual construction cost of approximately \$35 million (the "Amenities Purchase and Sale Agreements").

Kapalua Bay had a construction loan agreement that matured on August 1, 2011. The loan was collateralized by the project assets including the land that is owned by Kapalua Bay that underlies the project. The Company and the other members of Bay Holdings had guaranteed to the lenders completion of the project and recourse with regard to certain acts, but had not guaranteed repayment of the loan. On March 13, 2012, the lenders notified Kapalua Bay that the loan was in default and on June 13, 2012, the lenders filed for foreclosure against Kapalua Bay. The foreclosure was completed on June 13, 2013 and the loan collateral including the unsold inventory, leasehold spa improvements, and the Amenities Purchase and Sale Agreements between the Company and Kapalua Bay, were transferred to a firm affiliated with one of the two remaining lenders. Other than the transfer of the Purchase and Sale Agreements, the foreclosure proceeding does not directly impact the Company's operating results.

Because the Company did not have sufficient liquidity to purchase the amenities at the actual construction cost of approximately \$35 million, it had been actively negotiating with the lenders and new owners of the project to resolve its commitments under the Amenities purchase and sale agreements.

Effective November 25, 2013, the Amenities purchase and sale agreements were terminated and the Company and other parties associated with the project, including the lenders, the new owners of the project, the other members of Bay Holdings, and the property's former management company, comprehensively resolved and settled the numerous issues and disputes surrounding the project (the "Settlement").

With respect to its portion of the Settlement, the Company paid \$2.4 million toward deferred maintenance at the project, conveyed the three-acre leased parcel underlying the spa and the five-acre parking lot adjacent to the project valued at \$0.8 million, and committed to pay \$0.6 million over the next four years in exchange for termination of the Amenities purchase and sale agreements. In addition, the Company received full release from its construction loan guarantees and secured

continued access to the spa and beach club for its Kapalua Club members at a monthly cost of \$29,000. The Company previously recorded \$4.1 million in accrued contract terminations as its best estimate of its exposure under these agreements. The total cost of the settlement was less than previously estimated and resulted in a \$0.3 million reduction of accrued contract terminations and contract terminations expense in the accompanying consolidated financial statements. The eight acres of land transferred as part of the Settlement were accounted for at fair value in accordance with the accounting guidance for nonmonetary transactions. Accordingly, the Company derecognized the spa parcel and parking lot parcel and recognized a gain of \$0.8 million equal to the difference between the carrying value and fair value of those assets.

Summarized balance sheet and operating information for Bay Holdings as of December 31, 2013 and 2012 and for the years then ended are as follows:

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Restricted cash . . . . .	\$ 2,282	\$ 3,241
Real estate inventories . . . . .	—	149,774
Other assets, net . . . . .	41	10,712
Total Assets . . . . .	<u>\$ 2,323</u>	<u>\$ 163,727</u>
Construction loan payable and other member loans . . . . .	\$ —	\$ 375,441
Other liabilities . . . . .	8,362	46,408
Total Liabilities . . . . .	<u>\$ 8,362</u>	<u>\$ 421,849</u>
Members' Deficiency . . . . .	<u>\$(6,039)</u>	<u>\$(258,122)</u>
	<u>2013</u>	<u>2012</u>
	(in thousands)	
Revenues . . . . .	\$ 14	\$ (745)
Costs and Expenses . . . . .	(252,056)	50,827
Net Income (Loss) . . . . .	<u>\$ 252,070</u>	<u>\$(51,572)</u>

Costs and expenses for the year ended December 31, 2013 includes the recognition of Kapalua Bay's gain on foreclosure of approximately \$262 million resulting from \$328 million of debt forgiveness. As discussed above, the Company's carrying value of its investment in Bay Holdings was written down to zero in the past, and the Company will not recognize any additional equity in the earnings (losses) of Bay Holdings.

#### 4. PROPERTY

##### *Land*

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

##### *Land Improvements and Buildings*

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

### *Machinery and Equipment*

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

### *Construction in Progress*

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

## **5. LONG-TERM DEBT**

Long-term debt at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Wells Fargo revolving loans, 3.99% and 4.05%, respectively . . . . .	\$29,000	\$25,200
American AgCredit term loan, 5.00% and 5.25%, respectively . . .	<u>20,000</u>	<u>24,068</u>
Total . . . . .	49,000	49,268
Less current portion . . . . .	<u>49,000</u>	<u>4,068</u>
Long-term debt . . . . .	<u>\$ —</u>	<u>\$45,200</u>

### **WELLS FARGO**

The Company has a \$32.7 million revolving line of credit with Wells Fargo that is scheduled to mature on May 1, 2014. Interest rates on borrowings are at LIBOR plus 3.8% and the line of credit is collateralized by approximately 880 acres of the Company's real estate holdings at the Kapalua Resort. The line of credit agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$3 million, maximum total liabilities of \$175 million, and a limitation on new indebtedness. The credit agreement includes predetermined release prices for the real property securing the credit facility. There are no commitment fees on the unused portion of the revolving facility. Absent the sale of some of its real estate holdings or refinancing, the Company does not expect to be able to pay the outstanding balance of the revolving line of credit on the maturity date.

### **AMERICAN AGCREDIT**

The Company has a \$20 million term loan with American AgCredit that is scheduled to mature on May 1, 2014. The interest rate on this credit facility is based on the greater of 1.00% or the 30-day LIBOR rate, plus an applicable spread of 4.25%. The loan agreement provides for tiered reductions in the applicable spread to 3.75%, subject to corresponding reductions in the principal balance of the loan. The loan agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of \$4 million, maximum total liabilities of \$175 million and a limitation on new indebtedness. It also requires mandatory principal repayments of 100% of the net proceeds of the sale of any real property pledged as collateral for the loan and tiered mandatory principal repayments based on predetermined percentages ranging from 10% to 75% of the net proceeds from the sale of non-collateralized real property. In accordance with this provision, the Company made principal repayments of \$4.1 million and \$0.4 million in 2013 and 2012, respectively, in conjunction with the sales of non-collateralized real properties. The loan is collateralized by approximately 3,100 acres of the Company's real estate holdings in West Maui and Upcountry Maui.

Absent the sale of some of its real estate holdings or refinancing, the Company does not expect to be able to pay the outstanding balance under the term loan on the maturity date.

As of December 31, 2013, the Company is in compliance with the covenants under the Wells Fargo and American AgCredit credit facilities. The Company is actively working with its lenders to extend the maturity date of its credit facilities.

## **6. 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.

In 2013, eight acres of land were transferred as part of the Settlement and were accounted for at fair value in accordance with the accounting guidance for nonmonetary transactions. Accordingly, the Company derecognized the spa parcel and parking lot parcel and recognized a gain of \$0.8 million equal to the difference between the carrying value and fair value (based on Level 3 inputs) of those assets.

The fair value of 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 December 31, 2013 and 2012 was \$49,000,000 and \$49,268,000, respectively, which approximated fair value. The fair value of debt has been classified as level 2 measurements, respectively. See Note 9 for the classification of the fair value of pension assets.

## **7. DISCONTINUED OPERATIONS**

The Company ceased spa operations in June 2013 and beach club operations in September 2013 in conjunction with the conclusion of The Residences at Kapalua Bay foreclosure proceedings and the Settlement. In September 2011, the Company ceased all retail operations at the Kapalua Resort. In March 2011, the Company ceased operating the two championship golf courses at the Kapalua Resort. In December 2009, the Company ceased all agriculture operations. Accordingly, the operating results including any gains or losses from the disposal of assets related to these former operations have been reported as discontinued operations in the accompanying consolidated financial statements. Income from discontinued operations for 2013 included a \$1.9 million gain from the sale of a 7-acre parcel and building that was part of the Company's former agricultural processing facilities in Central Maui and a \$0.5 million reversal of accrued income taxes payable and interest resulting from the IRS settlement. Income (loss) from discontinued operations in 2013 and 2012 also includes losses of \$0.4 million and \$1.1 million, respectively, from operating the spa and beach club prior to us ceasing such operations in 2013.



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

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Revenues		
Spa & Beach Club . . . . .	\$1,294	\$ 2,592
Total . . . . .	<u>\$1,294</u>	<u>\$ 2,592</u>
Income (loss) from Discontinued Operations		
Spa & Beach Club . . . . .	\$ (443)	\$(1,141)
Golf courses . . . . .	—	(89)
Retail . . . . .	(1)	(3)
Agriculture . . . . .	<u>2,167</u>	<u>358</u>
Total . . . . .	<u>\$1,723</u>	<u>\$ (875)</u>

## 8. LEASING ARRANGEMENTS

### LESSEE

The Company has various operating leases which expire in 2016 and 2017. Total rental expense under operating leases was \$43,000 in 2013 and \$18,000 in 2012. Future minimum rental payments due under operating leases total \$7,000 in 2014, \$7,000 in 2015, \$6,000 in 2016, and \$1,000 in 2017.

### LESSOR

The Company leases land primarily to agriculture operators and space in commercial buildings, primarily to retail tenants. These operating leases generally provide for minimum rents and, in some cases, licensing fees and percentage rentals based on tenant revenues. In addition, the leases generally provide for reimbursement of common area maintenance and other expenses. Total rental income under these operating leases was as follows:

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Minimum rentals . . . . .	\$2,684	\$2,639
Percentage rentals . . . . .	562	1,182
Licensing fees . . . . .	637	667
Other (primarily common area recoveries) . . . . .	<u>979</u>	<u>1,318</u>
	<u>\$4,862</u>	<u>\$5,806</u>

Property at December 31, 2013 and 2012 includes leased property of \$45,165,000 and \$46,778,000, respectively (before accumulated depreciation of \$20,075,000 and \$19,915,000, respectively).

Future minimum rental income receivable during the next five years and thereafter is as follows:

	<u>(in thousands)</u>
2014 . . . . .	\$2,585
2015 . . . . .	2,504
2016 . . . . .	1,990
2017 . . . . .	1,906
2018 . . . . .	1,479
Thereafter . . . . .	8,186

## 9. EMPLOYEE BENEFIT PLANS

The Company had defined benefit pension plans covering substantially all full-time, part-time and intermittent employees. Effective as of January 1, 2010, the defined benefit pension plan covering non-bargaining salaried employees was frozen, and effective January 1, 2011, pension benefits for non-bargaining hourly employees were also frozen and no further pension benefits will accrue to the affected employees. Effective April 1, 2011, the Company did not have any active employees accruing pension benefits as the remaining employees who were covered under the Pension Plan for Bargaining Unit and Hourly Employees (Bargaining Plan) were terminated when the Company's golf course operations ceased.

The measurement date for the Company's benefit plan disclosures is December 31<sup>st</sup> of each year. The changes in benefit obligations and plan assets for 2013 and 2012, and the funded status of the plans, and assumptions used to determine benefit information at December 31, 2013 and 2012 were as follows:

	<b>Pension Benefits</b>	
	<b>2013</b>	<b>2012</b>
	(in thousands)	
Change in benefit obligations:		
Benefit obligations at beginning of year . . . . .	\$ 72,824	\$ 66,645
Service cost . . . . .	—	—
Interest cost . . . . .	2,880	3,189
Actuarial (gain) loss . . . . .	(5,193)	7,218
Benefits paid . . . . .	(4,420)	(4,228)
Benefit obligations at end of year . . . . .	<u>66,091</u>	<u>72,824</u>
Change in plan assets:		
Fair value of plan assets at beginning of year . . . . .	42,518	39,053
Actual return on plan assets . . . . .	4,691	5,336
Employer contributions . . . . .	2,389	2,357
Benefits paid . . . . .	(4,420)	(4,228)
Fair value of plan assets at end of year . . . . .	<u>45,178</u>	<u>42,518</u>
Funded status . . . . .	<u>\$ (20,913)</u>	<u>\$ (30,306)</u>
Accumulated Benefit Obligations . . . . .	<u>\$ 66,091</u>	<u>\$ 72,824</u>
Weighted average assumption used to determine benefit obligations at December 31:		
Discount rate . . . . .	4.68% - 4.92%	3.87% - 4.16%
Expected long-term return on plan assets . . . . .	7.00%	7.50%
Rate of compensation increase . . . . .	n/a	n/a

The amounts recognized for pension benefits on the Company's consolidated balance sheets as of December 31, 2013 and 2012 were as follows and are included within current and noncurrent portion of accrued retirement benefits::

	<b>2013</b>	<b>2012</b>
	(in thousands)	
Current Liability . . . . .	\$ 306	\$ 306
Noncurrent Liability . . . . .	<u>20,607</u>	<u>30,000</u>
Net amounts recognized . . . . .	<u>\$20,913</u>	<u>\$30,306</u>

Amounts recognized for pension benefits in accumulated other comprehensive loss (before income tax effect of \$0) at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Net loss . . . . .	\$19,692	\$27,579
Net amounts recognized . . . . .	<u>\$19,692</u>	<u>\$27,579</u>

In 2014, \$582,000 of the net loss included in accumulated other comprehensive loss at December 31, 2013 is expected to be recognized as a component of net periodic pension cost.

Components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss) were as follows:

	<u>Pension Benefits</u>	
	<u>2013</u>	<u>2012</u>
	(in thousands)	
Pension and other benefits:		
Interest cost . . . . .	\$ 2,880	\$ 3,189
Expected return on plan assets . . . . .	(2,906)	(2,864)
Recognized net actuarial loss . . . . .	914	739
Net expense . . . . .	<u>\$ 888</u>	<u>\$ 1,064</u>
Other Changes in Plan Assets and Benefit Obligations		
Recognized in Other Comprehensive Income (Loss):		
Net loss . . . . .	\$(6,973)	\$ 4,749
Recognized loss . . . . .	(914)	(739)
Total recognized (gain) loss in other comprehensive income (loss) . . . . .	<u>\$(7,887)</u>	<u>\$ 4,010</u>

	<u>2013</u>	<u>2012</u>
Weighted average assumptions used to determine net periodic cost:		
Pension benefits:		
Discount rate . . . . .	3.87% - 4.16%	4.79% - 4.98%
Expected long-term return on plan assets . . . . .	7.00%	7.50%
Rate of compensation increase . . . . .	n/a	n/a

The expected long-term rate of return on plan assets was based on a building-block approach. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long-term capital markets are determined. Diversification and rebalancing of the plan assets are properly considered as part of establishing the long-term portfolio returns.

The fair values of the Company's pension plan assets at December 31, 2013 and 2012, by asset category, were as follows:

	2013 Fair Value Measurements (in thousands)		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
AHGT Pooled equity funds . . . . .	\$—	\$25,061	\$25,061
AHGT Pooled fixed income funds . . . . .	—	19,160	19,160
Cash management funds . . . . .	—	957	957
	<u>\$—</u>	<u>\$45,178</u>	<u>\$45,178</u>

  

	2012 Fair Value Measurements (in thousands)		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
AHGT Pooled equity funds . . . . .	\$—	\$23,706	\$23,706
AHGT Pooled fixed income funds . . . . .	—	17,671	17,671
Cash management funds . . . . .	—	1,141	1,141
	<u>\$—</u>	<u>\$42,518</u>	<u>\$42,518</u>

*Aon Hewitt Group Trust (AHGT) Pooled equity and fixed income funds:* Pooled equity and fixed income funds consist of various AHGT Funds offered through a private placement. The units are valued daily using the net asset value (NAV). The NAVs are based on the fair value of each fund's underlying investments. Level 1 assets are priced using quotes for trades occurring in active markets for the identical asset. Level 2 assets are priced using observable inputs for the asset (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

An administrative committee consisting of certain senior management employees administers the Company's defined benefit pension plans. The pension plan assets are allocated among approved asset types based on the plans current funded status and other characteristics set by the administrative committee, and subject to liquidity requirements of the plans.

The Company expects to contribute \$2.8 million to its defined benefit pension plans in 2014. Estimated future benefit payments are as follows (in thousands):

2014 . . . . .	\$ 4,465
2015 . . . . .	4,430
2016 . . . . .	4,433
2017 . . . . .	4,463
2018 . . . . .	4,498
2019 - 2023 . . . . .	22,493

The Company's cessation of its pineapple operations at the end of 2009 and the corresponding reduction in the active participant count for the Pension Plan for Bargaining Unit and Hourly Employees (Bargaining Plan) triggered the requirement that the Company provide security to the Pension Benefits Guaranty Corporation (PBGC) of approximately \$5.2 million to support the unfunded liabilities of the Bargaining Plan. In April 2011, the Company executed a settlement agreement with the

PBGC and pledged security of approximately 1,400 acres in West Maui that will be released in five years if the Company does not otherwise default on the agreement.

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

In June 2013, the State of Hawaii enacted a bill directing the Department of Land and Natural Resources (DLNR), in consultation with the Hawaiian Islands Land Trust, to engage in the purchase of an approximately 270-acre parcel of former agricultural land in West Maui, known as Lipoa Point, from the Company. The bill further requires the DLNR to ensure to the maximum extent practicable that the Company uses the proceeds of the sale to benefit the Company's defined benefit pension plans. As of December 31, 2013, the Company had unfunded pension fund liabilities of \$20.9 million. The unfunded obligations are secured by approximately 8,400 acres in West Maui with a carrying value of \$1.8 million, which includes Lipoa Point. The passage of the bill does not obligate the DLNR to purchase the property or obligate the Company to sell the property. Any such sale would be subject to negotiation between the parties, including the purchase price. There is no certainty that any such sale will take place, and even if it does, the amount by which the Company's unfunded pension fund liabilities would be reduced is uncertain. Any such reduction may not be sufficient to release the security interest on any of the Company's other West Maui real estate holdings securing the Company's unfunded pension fund liabilities.

The Company has investment and savings plans that allow eligible employees on a voluntary basis to make pre-tax contributions of their cash compensation. Substantially all employees are eligible to participate in one or more plans. No Company contributions were made to these plans in 2013 or 2012.

On October 1, 1998, deferred compensation plans that provided for specified payments after retirement for certain management employees were amended to eliminate future benefits. At the termination date, these employees were given credit for existing years of service and the future vesting of additional benefits was discontinued. The present value of the benefits to be paid was being accrued over the period of active employment. As of December 31, 2013 and 2012, deferred compensation plan liabilities totaled \$340,000 and \$512,000, respectively.

## **10. SHARE-BASED COMPENSATION**

The Company accounts for share-based compensation arrangements, including grants of employee stock options, as compensation expense over the service period (generally the vesting period) in the consolidated financial statements based on their fair values. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. Excess tax benefits are reported as a financing cash inflow rather than as a reduction of taxes paid.

The total compensation expense recognized for share-based compensation was \$425,000 and \$489,000 for 2013 and 2012, respectively. There was no tax benefit or expense related thereto. Recognized share-based compensation was reduced for estimated forfeitures prior to vesting based primarily on historical annual forfeiture rates of approximately 2.8% and 3.2%, for 2013 and 2012, respectively. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. Executive officers and certain members of management received annual

incentive awards of \$133,100 and \$150,300 in February 2013 and 2012, respectively, based on the achievement of certain predefined performance goals and objectives. The annual incentive awards are paid in stock of the Company and resulted in the issuance of 33,187 and 39,294 shares in February 2013 and 2012, respectively.

### *Stock Options*

In May 2006, the Company's shareholders approved the 2006 Equity and Incentive Award Plan (the "2006 Plan") and an increase in the number of shares of common stock authorized under the Articles of Association by 1,000,000 shares, all of which have been reserved for issuance under the 2006 Plan. The 2006 Plan provides that the administrator can grant stock options and other equity instruments. The terms of certain grant types follow general guidelines, but the term and conditions of each award can vary at the discretion of the administrator. With respect to awards granted to non-employee directors, the administrator of the 2006 Plan is the Board of Directors. The Compensation Committee of the Board is the administrator of the 2006 Plan for all other persons, unless the Board assumes authority for administration. At December 31, 2013, there were 447,824 shares remaining and available for issuance under the 2006 Plan.

A summary of stock option award activity as of and for the year ended December 31, 2013 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000)(1)
Outstanding at December 31, 2012 . . . . .	79,000	\$23.52			
Forfeited or Cancelled . . . . .	<u>(19,000)</u>	\$35.82	\$12.29		
Outstanding at December 31, 2013 . . . . .	<u>60,000</u>	\$19.63	\$ 7.33	3.4	\$—
Exercisable at December 31, 2013 . . . . .	<u>55,000</u>	\$20.94	\$ 7.77	3.2	\$—
Expected to Vest at December 31, 2013(2) . . . .	<u>3,600</u>	\$ 5.20	\$ 2.48	5.2	\$—

(1) For in the money options

(2) Options expected to vest reflect estimated forfeitures.

There were no stock option awards granted in 2013 or 2012. The grant date fair value of stock options vested in 2013 and 2012 was \$12,000 and \$35,000, respectively.

As of December 31, 2013, there was \$2,300 of total unrecognized compensation for awards granted under the stock options plans that is expected to be recognized over a weighted average period of 0.3 year.

### *Restricted Stock*

In 2013, 12,000 restricted shares that vest as service requirements are met were granted to management employees and the Company's Board of Directors, and 74,342 shares of restricted stock vested as directors' and management service requirements were met. In 2012, 21,277 restricted shares that vest as service requirements are met were granted to management employees and the Company's Board of Directors, and 78,769 shares of restricted stock vested as directors' and management service requirements were met. All restricted shares granted in 2013 and 2012 were granted under the 2006 Plan. The weighted average grant-date fair value of restricted stock granted during 2013 and 2012 was \$4.03 and \$3.54 per share, respectively.

A summary of the activity for nonvested restricted stock awards as of and for the year ended December 31, 2013 is presented below:

	<u>Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Nonvested balance at December 31, 2012 . . . . .	94,137	\$5.56
Granted . . . . .	12,000	\$4.03
Vested . . . . .	<u>(74,342)</u>	\$4.79
Nonvested balance at December 31, 2013 . . . . .	<u>31,795</u>	\$5.79

## 11. RELATED PARTY TRANSACTIONS

The Company has a 51% ownership interest in Bay Holdings, the owner and developer of The Residences at Kapalua Bay. The other members of Bay Holdings, through wholly owned affiliates, are Marriott, which owns a 34% interest in Bay Holdings, and ER which owns the remaining 15% interest in Bay Holdings. Stephen M. Case, who is a director and a 64% shareholder of the Company as of February 2014, is the Chairman, Chief Executive Officer, and indirect beneficial owner of Revolution LLC, which is the indirect majority owner of ER, and thus Mr. Case has a beneficial interest in Bay Holdings.

## 12. INCOME TAXES

GAAP prescribes 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. In 2013, the tax liability for uncertain tax positions was reduced by \$248,000 to \$0 because of expiration of statutes of limitations and the IRS settlement. As of December 31, 2013 and 2012, total accrued interest for uncertain income tax positions was \$296,000 and \$899,000, respectively.

The Company recognizes accrued interest related to unrecognized tax benefits as interest expense and penalties in general and administrative expense in its consolidated statement of operations and such amounts are included in income taxes payable on the Company's consolidated balance sheet. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Balance at beginning of year . . . . .	\$ 248	\$ 626
Settlement adjustments for tax provisions of prior years . . . . .	(220)	(290)
Expiration of statutes of limitations . . . . .	<u>(28)</u>	<u>(88)</u>
Balance at end of year . . . . .	<u>\$ —</u>	<u>\$ 248</u>

In 2013, the income tax benefit from the reversal of the tax liability discussed above were included in income from discontinued operations as they relate to the Company's former agriculture operations that were discontinued in 2009. The Company also recorded a \$0.5 million reversal of accrued income taxes payable and interest resulting from its settlement with the IRS.

Reconciliations between the total income tax benefit and the amount computed using the statutory federal rate of 35% was as follows:

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Federal income tax benefit at statutory rate Adjusted for: . . . . .	\$(1,061)	\$(1,335)
Valuation allowance . . . . .	1,034	1,274
Permanent differences and other . . . . .	<u>27</u>	<u>61</u>
Income tax benefit—continuing operations . . . . .	<u>\$ —</u>	<u>\$ —</u>

Deferred tax assets (liabilities) were comprised of the following temporary differences as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	<u>(in thousands)</u>	
Net operating loss and tax credit carryforwards . . . . .	\$ 46,205	\$ 49,205
Joint venture and other investments . . . . .	294	2,440
Accrued retirement benefits . . . . .	7,458	10,815
Property net book value . . . . .	2,825	4,304
Deferred revenue . . . . .	1,522	1,280
Stock compensation . . . . .	150	145
Reserves and other . . . . .	<u>671</u>	<u>663</u>
Total deferred tax assets . . . . .	59,125	68,852
Valuation Allowance . . . . .	<u>(59,125)</u>	<u>(66,467)</u>
Deferred condemnation proceeds . . . . .	—	(2,385)
Total deferred tax liabilities . . . . .	<u>—</u>	<u>(2,385)</u>
Net deferred tax assets (liabilities) . . . . .	<u>\$ —</u>	<u>\$ —</u>

Valuation allowances have been established to reduce future tax benefits not expected to be realized. The change in the deferred tax asset related to accrued retirement benefits and the valuation allowance includes the pension adjustment included in accumulated other comprehensive income, which is not included in the current provision. The Company had \$101.9 million in federal net operating loss carry forwards at December 31, 2013, that expire from 2028 through 2033. Net operating loss for state income tax purposes that expire from 2028 through 2033 totaled \$117.5 million at December 31, 2013.

In April 2013, the Company and the IRS arrived at a settlement which concluded the IRS examination of the Company's federal income tax returns for 2003 through 2008. Under terms of the settlement, the Company agreed to pay \$1.8 million to the IRS, of which \$0.7 million was paid in 2013. The Company is currently in discussion with the IRS regarding the remaining payment terms of the settlement. As a result of the settlement, the Company reversed \$0.5 million it had previously accrued in income taxes payable and accrued interest in estimating its exposure for this matter. The reversal has been reported in discontinued operations in the accompanying condensed consolidated financial statements as it relates to the Company's former agricultural operations. The Company is subject to routine audits by taxing jurisdictions and there are currently no audits for any tax periods in progress. As of December 31, 2013, tax years prior to 2010 are no longer subject to examination for U.S. tax purposes.



### 13. SEGMENT INFORMATION

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

- Real Estate includes the development and sale of real estate inventory and the operations of Kapalua Realty Company, a general brokerage real estate company located within the Kapalua Resort.
- Leasing primarily includes revenues and expenses from real property leasing activities, license fees and royalties for the use of certain of the Company's trademarks and brand names by third parties, and the cost of maintaining the Company's real estate assets, including conservation activities.
- Utilities primarily include the operations of Kapalua Water Company and Kapalua Waste Treatment Company, the Company's water and sewage transmission operations (regulated by the Hawaii Public Utilities Commission) servicing the Kapalua Resort. The operating segment also includes the management of ditch, reservoir and well systems that provide non-potable irrigation water to West and Upcountry Maui areas.
- Resort Amenities include a membership program that provides certain benefits and privileges within the Kapalua Resort for its members. In 2012, the resort amenities segment also included a full-service spa and a beach club. In 2013, the Company ceased operating the spa and beach club in conjunction with the conclusion of The Residences at Kapalua Bay foreclosure proceeding and accounted for the spa and beach club operation results as discontinued operations.

Condensed financial information for each of the Company's reportable segments for 2013 and 2012 follows:

	<u>Real Estate</u>	<u>Leasing</u>	<u>Utilities</u>	<u>Resort Amenities</u>	<u>Other(5)</u>	<u>Consolidated</u>
<i>2013</i>						
Operating revenues(1) . . . . .	\$ 5,434	\$ 4,862	\$3,686	\$1,217	\$ 13	\$15,212
Operating income (loss)(2) . . . . .	357	(405)	882	326	(1,700)	(540)
Interest expense, net . . . . .						(2,491)
Loss from continuing operations . . . . .						\$(3,031)
Depreciation expense . . . . .	—	1,992	426	61	71	\$ 2,550
Capital expenditures(3) . . . . .	270	—	7	—	—	\$ 277
Assets(4) . . . . .	10,026	32,398	6,113	1,385	3,831	\$53,753

	<u>Real Estate</u>	<u>Leasing</u>	<u>Utilities</u>	<u>Resort Amenities</u>	<u>Other(5)</u>	<u>Consolidated</u>
<i>2012</i>						
Operating revenues(1) . . . . .	\$2,545	\$ 5,806	\$3,541	\$1,635	\$ 44	\$13,571
Operating income (loss)(2) . . . . .	(338)	428	624	960	(2,926)	(1,252)
Interest expense, net . . . . .						(2,563)
Loss from continuing operations . . . . .						\$(3,815)
Depreciation expense . . . . .	—	2,240	461	1	176	\$ 2,878
Capital expenditures(3) . . . . .	109	22	54	—	—	\$ 185
Assets(4) . . . . .	6,736	37,421	6,437	1,752	9,139	\$61,485

- (1) Amounts are principally revenues from external customers and exclude equity in earnings of affiliates and interest income. Intersegment revenues were insignificant.
- (2) “Operating loss” is total operating revenues, less operating costs and expenses (excluding interest income, interest expense and income taxes).
- (3) Primarily includes expenditures for property and deferred costs.
- (4) “Segment assets” are located in the United States.
- (5) Consists primarily of miscellaneous transactions and unallocated general and administrative, pension and other post-retirement expenses and gain related to the Kapalua Bay settlement. Other assets are primarily assets held for sale, assets related to discontinued operations, information technology assets and assets at the Kapalua Resort that are not used directly in any operating segment.

#### 14. RESERVES

Allowance for doubtful accounts and reserves for environmental liabilities for 2013 and 2012 are as follows:

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at End of Year</u>
	(in thousands)			
Allowance for Doubtful Accounts				
2013 . . . . .	\$262	\$ 92	\$(191)	\$163
2012 . . . . .	\$519	\$212	\$(469)	\$262
<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at End of Year</u>
	(in thousands)			
Reserve for Environmental Liabilities				
2013 . . . . .	\$675	\$41	\$(551)	\$165
2012 . . . . .	\$866	\$—	\$(191)	\$675

In 2013, the Company recorded a decrease of the environmental reserve of \$551,000 in conjunction with the sale of a 7-acre parcel and building that was part of the Company’s former agricultural processing facilities in Central Maui because the buyer assumed responsibility.

## 15. COMMITMENTS AND CONTINGENCIES

### *Discontinued Operations*

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

Pursuant to a 1999 settlement agreement with the County of Maui, the Company and several chemical manufacturers have agreed that until December 1, 2039, they will pay for 90% of the capital costs to install filtration systems in any future water wells if the presence of a nematocide, commonly known as DBCP, exceeds specified levels, and for the ongoing maintenance and operating cost for filtration systems on existing and future wells. The Company estimated its share of the cost to operate and maintain the filtration systems for the existing wells, and its share of the cost of a letter of credit used to secure its obligations, and as of December 31, 2013 has recorded a reserve for environmental liability of \$82,000. The Company is presently not aware of any plans by the County of Maui to install other filtration systems or to drill any water wells in areas affected by agricultural chemicals. Accordingly, a reserve for costs relating to any future wells has not been recorded because the Company is not able to reasonably estimate the amount of liability, if any.

### *Kapalua Bay*

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

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

On June 19, 2013, a lawsuit was filed against multiple parties including the Company by several owners of timeshare condominium interests in the project formerly known as The Ritz-Carlton Residences at Kapalua Bay (Fractional Interests). The lawsuit was filed in the Circuit Court of the Second Circuit, State of Hawaii, pursuant to Civil No. 13-1-0640-(2). The lawsuit alleges unfair and deceptive trade practices, negligent misrepresentations, omissions, concealment, and fraud in the inducement among other allegations with regards to the marketing and sales of certain Fractional

Interests and seeks unspecified damages, treble damages and other relief. The Company disagrees with the allegations and plans to vigorously defend itself. Because this lawsuit is in its early stages and has not gone to trial, the Company is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to this matter and no provision has been made in the accompanying consolidated financial statements.

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

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

*EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES*

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2013. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act 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 principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2013, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

*MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING*

Our management has the responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officer and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal controls over financial reporting include those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting only provides reasonable assurance with respect to financial statement presentation and preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the

Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (1992)*. Based on its assessments, management believes that, as of December 31, 2013, the Company’s internal control over financial reporting is effective.

#### *CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING*

There have been no changes in the Company’s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the fiscal fourth quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting.

#### **Item 9B. OTHER INFORMATION**

None.

### **PART III**

#### **Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information set forth under “Section 16(a) Beneficial Ownership Reporting Compliance” and “Election of Directors” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013, is incorporated herein by reference. Certain information concerning our executive officers is contained in Item 1 of this annual report.

#### *Code of Ethics*

Our Board of Directors approved the Amended and Restated Code of Ethics in March 2008. The Code of Ethics is applicable to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and all other employees of the Company. The Code of Ethics is intended to qualify as a “code of ethics” for purposes of Item 406(b) of Regulation S-K. The Code of Ethics is posted on our website at <http://mauland.com/investor.shtml>. We will satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of the Code of Ethics by posting such information on our website.

#### **Item 11. EXECUTIVE COMPENSATION**

The information set forth under “Executive Compensation,” and “Director Compensation” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013, is incorporated herein by reference.

#### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information set forth under “Security Ownership of Certain Beneficial Owners” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013, is incorporated herein by reference, which is set forth below.

## Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides summary information as of December 31, 2013, for our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders . . . . .	91,795	19.63	447,824

With the exception of the information regarding securities authorized for issuance under our equity compensation plans set forth above, the information required by this Item 12 is incorporated herein by reference to the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013.

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under “Certain Relationship and Related Transactions,” and “—Director Independence” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013, is incorporated herein by reference.

### Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information set forth under “Independent Registered Public Accounting Firm” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2013, is incorporated herein by reference.

## PART IV

### Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a)1. Financial Statements

The following Financial Statements of Maui Land & Pineapple Company, Inc. and subsidiaries and Report of Independent Registered Public Accounting Firm are included in Item 8 of this annual report:

- Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended December 31, 2013 and 2012
- Consolidated Balance Sheets as of December 31, 2013 and 2012
- Consolidated Statements of Stockholders’ Deficiency for the Years Ended December 31, 2013 and 2012
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012
- Notes to Consolidated Financial Statements

### (a)3. Exhibits

#### Exhibit No

- 3.1 Restated Articles of Association, as of May 13, 2010 (filed as Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 2010, filed August 4, 2010, and incorporated herein by reference).
- 3.2 Amended Bylaws, as of February 17, 2012. (filed as Exhibit 3.2 to Form 10-K for the year ended December 31, 2011, filed March 2, 2012 and incorporated herein by reference).
- 10.1 Loan Agreement by and between American AgCredit, FLCA and Maui Land & Pineapple Company, Inc., entered into as of December 22, 2010 (filed as exhibit 10.23 to Form 10-K for the year ended December 31, 2010, filed March 14, 2011 and incorporated herein by reference).
- 10.2 Fee and Leasehold Mortgage with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, entered into on November 15, 2007 (filed as Exhibit 10.2 to Form 8-K, filed November 19, 2007 and incorporated herein by reference).
- 10.3 Amended and Restated Credit Agreement, dated as of October 9, 2009, by and among Maui Land & Pineapple Company, Inc., and each of the financial institutions initially a signatory thereto, and Wells Fargo Bank, National Association, as Administrative Agent (filed as Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2009, filed November 3, 2009 and incorporated herein by reference).
- 10.4 First Modification Agreement dated as of September 17, 2010, entered into by and among Maui Land & Pineapple Company, Inc., and each of the financial institutions initially a signatory thereto (filed as Exhibit 10.4 to Form 10-Q for the quarter ended September 30, 2010, filed November 2, 2010 and incorporated herein by reference).
- 10.5 Second Modification Agreement and Waiver dated as of December 22, 2010, entered into by and among Maui Land & Pineapple Company, Inc. and Wells Fargo Bank, National Association (filed as exhibit 10.21 to Form 10-K for the year ended December 31, 2010, filed March 14, 2011 and incorporated herein by reference).
- 10.6 Third Modification Agreement and Waiver dated as of February 23, 2011, entered into by and among Maui Land & Pineapple Company, Inc. and Wells Fargo Bank, National Association (filed as exhibit 10.22 to Form 10-K for the year ended December 31, 2010, filed March 14, 2011 and incorporated herein by reference).
- 10.7 Fourth Modification Agreement dated as of August 1, 2011, entered into by and among Maui Land & Pineapple Company, Inc. and Wells Fargo Bank, National Association (filed as Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2011, filed November 3, 2011 and incorporated herein by reference).
- 10.8 Second Amendment Agreement dated February 26, 2013, entered into by and among Maui Land & Pineapple Company, Inc. and American AgCredit, FLCA. (filed as Exhibit 10.8 to Form 10-K for the year ended December 31, 2012, filed March 1, 2013 and incorporated herein by reference).
- 10.9† Supplemental Executive Retirement Plan (effective as of January 1, 1988) (filed as Exhibit (10)B to Form 10-K for the year ended December 31, 1988 (SEC File No. 001-06510), and incorporated herein by reference).



Exhibit No

- 10.10† Maui Land & Pineapple Company, Inc. 2003 Stock and Incentive Compensation Plan (incorporated by reference to Appendix B of the Definitive Proxy Statement on Schedule 14A filed on November 10, 2003 (SEC File No. 001-06510)).
- 10.11† Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (incorporated by reference to Appendix B of the Definitive Proxy Statement on Schedule 14A filed on March 27, 2006 (SEC File No. 001-06510)).
- 10.12† Form of Stock Option Grant Notice and Form of Stock Option Agreement, pursuant to the Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (filed as Exhibit 10.9 to Form 10-Q for the quarter ended June 30, 2006, filed August 8, 2006 (SEC File No. 001-06510), and incorporated herein by reference).
- 10.13† Form of Restricted Stock Award Grant Notice and Form of Restricted Stock Award Agreement, pursuant to the Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (filed as Exhibit 10.10 to Form 10-Q for the quarter ended June 30, 2006, filed August 8, 2006 (SEC File No. 001-06510), and incorporated herein by reference).
- 10.14 Limited Liability Company Agreement of Kapalua Bay Holdings, LLC, dated August 31, 2004 (filed as Exhibit 10(A) to Form 10-Q for the quarter ended September 30, 2004, filed November 12, 2004 (SEC File No. 001-06510), and incorporated herein by reference).
- 10.15 Fee and Leasehold Mortgage, Security Agreement and Fixture Filing made by Kapalua Bay, LLC in favor of Lehman Brothers Holdings, Inc. (filed as Exhibit 10.2 to Form 8-K filed July 20, 2006 (SEC File No. 001-06510) and incorporated herein by reference).
- 10.16 Completion Guaranty made by Maui Land & Pineapple Company, Inc., The Ritz-Carlton Development Company, Inc. and Exclusive Resorts Development Company, LLC in favor of Lehman Brothers Holdings, Inc. (filed as Exhibit 10.4 to Form 8-K filed July 20, 2006 (SEC File No. 001-06510) and incorporated herein by reference).
- 10.17 Recourse Guaranty made by Maui Land & Pineapple Company, Inc., The Ritz-Carlton Development Company, Inc. and Exclusive Resorts Development Company, LLC in favor of Lehman Brothers Holdings, Inc. (filed as Exhibit 10.5 to Form 8-K filed July 20, 2006 (SEC File No. 001-06510) and incorporated herein by reference).
- 10.18 Amended and Restated Construction Loan Agreement, dated as of February 11, 2009, by and among Kapalua Bay, LLC, Lehman Brothers Holdings Inc., Central Pacific Bank, Landesbank Baden-Württemberg, Deutsche Hypothekenbank, Swedbank AB, New York Branch, and MH Kapalua Venture, LLC (filed as Exhibit 10.55 to Form 10-K for the year ended December 31, 2008, filed March 31, 2009 and incorporated herein by reference).
- 10.19 Master Assignment and Assumption and Modification Agreement, dated as of February 11, 2009, by and among Kapalua Bay, LLC, Lehman Brothers Holdings Inc., Central Pacific Bank, Landesbank Baden-Württemberg, Deutsche Hypothekenbank, Swedbank AB, New York Branch, and MH Kapalua Venture, LLC (filed as Exhibit 10.56 to Form 10-K for the year ended December 31, 2008, filed March 31, 2009 and incorporated herein by reference).

Exhibit No

- 10.20 Second Omnibus Amendment to Construction Loan Documents, dated as of February 11, 2009, by and among Kapalua Bay, LLC, Lehman Brothers Holdings Inc., Central Pacific Bank, Landesbank Baden-Württemberg, Deutsche Hypothekenbank, Swedbank AB, New York Branch, and MH Kapalua Venture, LLC (filed as Exhibit 10.57 to Form 10-K for the year ended December 31, 2008, filed March 31, 2009 and incorporated herein by reference).
- 10.21 ± Sale, Purchase and Lease Termination Agreement, entered into on March 28, 2007 (filed as Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2007, filed May 9, 2007 and incorporated herein by reference).
- 10.22 ± Second Amended and Restated Limited Liability Company Agreement of W2005 Kapalua/Gengate Hotel Holdings L.L.C., entered into on March 28, 2007 (filed as Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2007, filed May 9, 2007 and incorporated herein by reference).
- 10.23 Settlement Agreement entered into on April 19, 2011, by and between Maui Land & Pineapple Company, Inc. and the Pension Benefit Guaranty Corporation. (filed as Exhibit 10.22 to Form 10-K for the year ended December 31, 2011, filed March 2, 2012 and incorporated herein by reference).
- 10.24 Mortgage, Security Agreement, Assignment of Rents, Fixture Filing and Financing Statement effective April 19, 2011. (filed as Exhibit 10.23 to Form 10-K for the year ended December 31, 2011, filed March 2, 2012 and incorporated herein by reference).
- 10.25\* Settlement and Release Agreement entered into on October 24, 2013, by and between Kapalua Bay, LLC, The Ritz-Carlton Management Company, L.L.C., The Ritz-Carlton Development Company, Inc., MH Kapalua Venture, LLC, Maui Land & Pineapple Company, Inc., Exclusive Resorts, Inc., Maui Holdings JV LLC, Lantern Asset Management, LLC, Island Investors, LLC, Island Acquisitions Kapalua, LLC and Lehman Brothers Holdings, Inc.
- 10.26 Settlement Agreement entered into on November 19, 2012, by and between Maui Land & Pineapple Company, Inc. and the Pension Benefit Guaranty Corporation (filed as Exhibit 10.25 to Form 10-K for the year ended December 31, 2012, filed March 1, 2013 and incorporated herein by reference).
- 10.27 Kapalua Bay Course Sale, Purchase and Escrow Agreement dated September 16, 2010 (filed as Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2010, filed November 2, 2010 and incorporated herein by reference).
- 10.28 Bay Golf Course Lease made and entered into effective September 30, 2010 (filed as Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2010, filed November 2, 2010 and incorporated herein by reference).
- 10.29 Golf Academy Lease, made and entered into effective October 1, 2010 (filed as Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2010, filed November 2, 2010 and incorporated herein by reference).
- 10.30 Settlement Agreement and Release of All Claims (Board of Water Supply of the County of Maui vs. Shell Oil Company, et al.) (filed as Exhibit 10.5(i) to Form 10-K for the year ended December 31, 1999 (SEC File No. 001-06510), filed March 24, 2000 and incorporated herein by reference).
- 21.\* Subsidiaries of Maui Land & Pineapple Company, Inc.

Exhibit No

- 23.1\* Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm, dated March 20, 2014.
- 31.1\* Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934.
- 31.2\* Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934.
- 32.1\*\* Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\*\* Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 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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\* This document is being “filed” herewith.

\*\* This certification shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

† This document represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 15(c) of Form 10-K.

± Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24-b-2 of the Securities Exchange Act of 1934, as amended. The omitted material has been separately filed with the Securities and Exchange Commission.



**SETTLEMENT AND RELEASE AGREEMENT**

**THIS SETTLEMENT AND RELEASE AGREEMENT** (this “**Agreement**”) is made and entered into effective as of October 24, 2013 (the “**Effective Date**”), by and between Kapalua Bay, LLC (“**KBLLC**”), The Ritz-Carlton Management Company, L.L.C. (“**RCMC**”), The Ritz-Carlton Development Company, Inc. (“**RCDC**”), MH Kapalua Venture, LLC (“**MHKV**”), Maui Land & Pineapple Company, Inc. (“**MLP**”), Exclusive Resorts, Inc. (“**ER**”) (KBLLC, RCMC, RCDC, MHKV, MLP, and ER are collectively referred to herein as “**Original Project Parties**”), Maui Holdings JV LLC (“**Maui JV**”), Lantern Asset Management, LLC (“**Lantern**”), Island Investors, LLC (“**Island**”), Island Acquisitions Kapalua, LLC (“**IAK**”), and Lehman Brothers Holdings, Inc. (“**Lehman**”), (Maui JV, Lantern, Island, IAK, and Lehman are collectively referred to herein as “**New Project Parties**”). The above-listed entities are individually referred to as a “**Party**” and collectively as the “**Parties.**”

**RECITALS**

**WHEREAS**, the Parties wish to resolve numerous disputes and issues related to the Amended and Restated Construction Loan Agreement dated as of February 11, 2009 (as amended, supplemented or otherwise modified from time to time, the “**Loan Agreement**”) and the Loan Documents (as defined in the Loan Agreement) and the Project which the Loan Documents define and concern, including issues and disputes concerning (i) the loan made to KBLLC pursuant to the Loan Agreement; (ii) the physical condition of the Project; and (iii) the operation of the Project;

**WHEREAS**, the Parties believe that it would be in their mutual best interests to avoid the costs and uncertainties of litigation regarding the above-stated disputes and issues and to finally settle such disputes and issues on the terms and conditions set forth herein; and

**WHEREAS**, this Agreement is being entered into contemporaneously with settlement agreements involving certain other entities associated with the Project (collectively, the “**Related Settlements**”), including (i) RCMC and the Kapalua Bay Vacation Owners Association, Inc. (“**VOA**”), (ii) RCMC and the Association of Apartment Owners of Kapalua Bay Condominium (“**AOAO**”), (iii) the AOAO, the VOA and IAK, and (iv) IAK and MLP.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by reference, the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Definitions.**

1.1 Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

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1.2 “**Escrow Agent**” means the Hawaii office of Old Republic Title & Escrow of Hawaii whose mailing address is: 4211 Waialae Avenue, #8040, Honolulu, Hawai’i 96816.

1.3 “**AOAO Settlement Agreement**” means the Settlement and Release Agreement between the AOA and RCMC dated October 24, 2013 and attached hereto as **Exhibit “B”**.

1.4 “**VOA Settlement Agreement**” means the Settlement and Release Agreement between the VOA and RCMC dated October 24, 2013 and attached hereto as **Exhibit “C”**.

1.5 “**VOA Minimum Release Condition**” means the condition precedent set forth in the VOA Settlement Agreement that the Escrow Agent receive Release Agreements (as defined therein) from Fractional Interest Owners (as defined therein) representing seventy (70) or more Fractional Interests (as defined therein) within the Escrow Period (as defined therein).

1.6 “**Affiliates**” means, with respect to any Party, all parent companies, subsidiaries, affiliates, sister companies, and agents of, and all other companies and entities under common ownership or control with, such Party, as well as the respective current and past officers, directors, shareholders, owners, members, employees, consultants, representatives, agents, attorneys, successors and assigns of all of the foregoing, including, for the avoidance of doubt, each person or entity listed on **Exhibit “A”** hereto.

1.7 “**Court**” means the United States Bankruptcy Court for the Southern District of New York.

1.8 “**Lehman Bankruptcy Case**” means the case styled In re Lehman Brothers Holdings, Inc., et al., Case No. 08-13555 (JMP), pending before the Court.

1.9 “**Release Effective Date**” means such date, if any, upon which the conditions stated in Section 3.2(i) have been satisfied.

1.10 “**Settlement Documents**” means this Agreement, together with all exhibits hereto.

1.11 “**Terminated Notes**” means the original Promissory Notes executed by KBLLC in connection with the Loan Agreement, each of which shall be marked “Cancelled/Satisfied” in accordance with Section 10 of this Agreement.

2. **Escrow.**

Within five (5) days of the Effective Date, the Parties shall establish an escrow account with the Escrow Agent.

3. **Deposit of Settlement Documents and Terminated Notes with Escrow Agent and Release From Escrow.**

3.1. Simultaneously with the Parties establishing an escrow account with the Escrow Agent, (i) the Parties shall execute and deposit with Escrow Agent executed counterparts of the Settlement Documents, (ii) MLP, RCMC and ER shall deposit their respective portions of the

Deferred Maintenance Payment (defined below) with Escrow Agent in accordance with Section 4 below; and (iii) Lantern shall deposit with Escrow Agent the Terminated Notes in accordance with Section 10 below together with the instructions described in Section 10 below.

3.2. Escrow Agent shall hold the executed counterparts of the Settlement Documents, the Deferred Maintenance Payment and the Terminated Notes in escrow, subject to Sections 3.3 and 3.4 below and in accordance with the terms of that certain escrow direction letter of even date herewith executed by the Parties, the parties to the Related Settlements and Escrow Agent (the “**Escrow Direction Letter**”), until the earlier of the date on which:

- (i) the VOA Minimum Release Condition has been satisfied (or waived by RCMC in accordance with the VOA Settlement Agreement), or
- (ii) the Escrow Period (as defined in the VOA Settlement Agreement) has expired.

3.3. Upon the satisfaction of the conditions stated in Section 3.2(i) above prior to the expiration of the Escrow Period, the Escrow Agent shall deliver in accordance with the Escrow Direction Letter (i) fully-executed originals of the Settlement Documents to all Parties thereto, (ii) the Deferred Maintenance Payment to the AOA, and (iii) the Terminated Notes to KBLLC.

3.4. If the conditions stated in Section 3.2(i) fail to occur prior to the expiration of the Escrow Period, the Escrow Agent shall return in accordance with the Escrow Direction Letter the Terminated Notes, Deferred Maintenance Payment and original counterparts of the Settlement Documents to the Parties delivering the same, and this Agreement shall be null and void and the Release Effective Date shall not occur.

3.5. Each of the Parties hereby covenants and agrees that during the pendency of the Escrow Period, neither it nor any of its Affiliates will pursue or cooperate in any other person’s pursuit of any claims, causes of action, demands or suits of any kind, whether in law or equity, against any other Party or such other Party’s Affiliates that is not pending as of the Effective Date; provided, however, that nothing in this Section 3.5 shall prohibit any of the Parties or their Affiliates from defending or cooperating in the defense of any such claims, causes of action, demands or suits.

4. **Funding of Deferred Maintenance at Project.** Simultaneously with establishing an escrow account with Escrow Agent, MLP, RCMC and ER shall deposit with the Escrow Agent their respective portions of a \$3,855,000 payment (the “**Deferred Maintenance Payment**”) to be used by the AOA for deferred maintenance at the Project as set forth below:

- 4.1 MLP shall deliver to the Escrow Agent Two Million Four Hundred Thousand Dollars (\$2,400,000);
- 4.2 ER shall deliver to the Escrow Agent Nine Hundred Thousand Dollars (\$900,000); and

4.3 RCMC shall deliver to the Escrow Agent Five Hundred Fifty-Five Thousand Dollars (\$555,000).

5. **MLP/IAK Settlement.** To facilitate a settlement of matters surrounding the Project, MLP and the New Project Parties have agreed to the settlement terms attached hereto as **Exhibit "D"** ("**MLP/IAK Settlement**"). The definitive documents memorializing the MLP/IAK Settlement shall be delivered to the Escrow Agent simultaneously with the execution of this Agreement and shall be subject to the Escrow Direction Letter.

6. **Cooperation on Litigation Matters.** The Parties shall make all reasonable efforts to cooperate in the resolution of any litigation surrounding the Project, which currently includes the following:

- a. Lawsuit styled, Earl C. Charles and Patricia A. Charles in their individual capacities and as co-trustees of the Earl C. Charles and Patricia A. Charles Revocable Living Trust dated December 12, 1990, et al. v. Kapalua Bay, LLC, et al., pending in the Circuit Court of the Second Circuit for the State of Hawaii, Case Number 13-1-0640(2);
- b. Lawsuit styled, Virendra Nath, et al. v. Kapalua Bay LLC, et al., pending in the Circuit Court of the Second Circuit for the State of Hawaii, Case Number 11-1-0216(3);
- c. Lawsuit styled, Krishna Narayan, et al. v. Marriott International, Inc., et al., pending in the Circuit Court of the Second Circuit for the State of Hawaii, Case Number 12-1-0586(3);
- d. Lawsuit styled, Michael Jacob Rosenbaum v. Kapalua Bay LLC, et al., pending in the Circuit Court of the Second Circuit for the State of Hawaii, Case Number 10-1-0435(1);
- e. Lawsuit styled, Michael Afremov and Lorie Afremov v. Kapalua Bay LLC, et al., pending in the Circuit Court of the Second Circuit for the State of Hawaii, Case Number 09-1-0979(1); and
- f. Complaint in intervention filed by Plaintiff-Intervenors Michael Afremov and Lorie Afremov in the Lawsuit styled, Lantern Asset Management, LLC, in its capacity as agent for Island Investors LLC, Lehman Brothers Holdings Inc. and MH Kapalua Venture, LLC v. Kapalua Bay, LLC, et al., pending in the Circuit Court of the First Circuit for the State of Hawaii, Case Number 12-1-1649-06.

7. **Consent to Insurance Refund.** All Parties hereto consent to RCMC funding, or causing to be funded (concurrently with the Escrow Agent's delivery of the Deferred Maintenance Payment to the AOA), Four Hundred Seventy-Five Thousand One Hundred Twenty-Seven and 28/100 Dollars (\$475,127.28) to the AOA (the "**Insurance Refund**"). The Insurance Refund represents that portion of the insurance premium paid by the AOA in 2012 that is currently refundable to the AOA due to early termination of the coverage. All Parties hereto hereby waive and release any claims and causes of action they may have with regard to the Insurance Refund.



8. **Court Approval.** Lehman represents that no approval of the Court in the Lehman Bankruptcy Case will be required for Lehman to enter into this Agreement or take all actions reasonably necessary to execute upon the terms of this Agreement and the Related Settlements to which Lehman is a party.

9. **Mutual Releases.**

9.1. Effective upon the Release Effective Date, each of the Original Project Parties, for itself and on behalf of its respective Affiliates, hereby forever remises, releases, acquits, satisfies, and forever discharges the New Project Parties and their respective Affiliates (collectively, the “**New Project Party Released Parties**”), and shall be deemed to have remised, released, acquitted, satisfied, and forever discharged the New Project Party Released Parties of and from all manner of actions, causes of action, suits, debts, covenants, contracts, controversies, agreements, promises, claims, counterclaims and demands whatsoever, which the Original Project Parties and their Affiliates ever had or now have against the New Project Party Released Parties, or which any trustee, personal representative, successor, heir or assign of the Original Project Parties and their Affiliates hereafter can, shall or may have, by reason of any matter, cause or thing whatsoever, whether asserted or unasserted, known or unknown, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, from the beginning of time to the Effective Date, in each case that arise from or out of the Project, the loan made to KBLLC pursuant to the Loan Agreement, or the Loan Documents, including, but not limited to, the Completion Guaranty, Recourse Guaranty, Make Whole Letter, and Environmental Indemnity, as each are defined in the Loan Agreement (collectively, “**Original Project Party Released Claims**”); and agree not to file or cause to be filed any legal action against any New Project Party Released Party relating to or arising from Original Project Party Released Claims. Further, this paragraph shall not operate or be construed to operate as a release or discharge of any of the New Project Party Released Parties’ obligations under this Agreement or any of the Related Settlements, and does not contemplate any third-party beneficiaries except the New Project Party Released Parties.

9.2. Effective upon the Release Effective Date, each of the New Project Parties, for itself and on behalf of its respective Affiliates, hereby forever remises, releases, acquits, satisfies, and forever discharges the Original Project Parties and their respective Affiliates (collectively, the “**Original Project Party Released Parties**”), and shall be deemed to have remised, released, acquitted, satisfied, and forever discharged the Original Project Party Released Parties of and from all manner of actions, causes of action, suits, debts, covenants, contracts, controversies, agreements, promises, claims, counterclaims and demands whatsoever, which the New Project Parties and their Affiliates ever had or now have against the Original Project Party Released Parties, or which any trustee, personal representative, successor, heir or assign of the New Project Parties and their Affiliates hereafter can, shall or may have, by reason of any matter, cause or thing whatsoever, whether asserted or unasserted, known or unknown, suspected or unsuspected, contingent or non-contingent,

liquidated or unliquidated, from the beginning of time to the Effective Date, in each case that arise from or out of the Project, the loan made to KBLLC pursuant to the Loan Agreement, or the Loan Documents, including, but not limited to, the Completion Guaranty, Recourse Guaranty, Make Whole Letter, and Environmental Indemnity, as each are defined in the Loan Agreement (collectively, "**New Project Party Released Claims**"); and together with Original Project Party Released Claims, "**Claims**"); and agree not to file or cause to be filed any legal action against any Original Project Party Released Party relating to or arising from New Project Party Released Claims. Further, this paragraph shall not operate or be construed to operate as a release or discharge of any of the Original Project Party Released Parties' obligations under this Agreement or any of the Related Settlements, and does not contemplate any third-party beneficiaries except the Original Project Party Released Parties.

9.3 WITH RESPECT TO ANY AND ALL CLAIMS, THE PARTIES AGREE THAT THEY EXPRESSLY WAIVE THE PROVISIONS, RIGHTS AND BENEFITS OF CALIFORNIA CIVIL CODE § 1542 AND ANY PROVISIONS, RIGHTS AND BENEFITS CONFERRED BY ANY LAW OF ANY STATE OR TERRITORY OF THE UNITED STATES OR PRINCIPLE OF COMMON LAW WHICH IS SIMILAR, COMPARABLE OR EQUIVALENT TO CALIFORNIA CIVIL CODE § 1542, WHICH PROVIDES:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

THE PARTIES ACKNOWLEDGE THAT THEY MAY HEREAFTER DISCOVER FACTS IN ADDITION TO OR DIFFERENT FROM THOSE THAT THEY NOW KNOW OR BELIEVE TO BE TRUE WITH RESPECT TO THE SUBJECT MATTER OF THE CLAIMS, BUT THE PARTIES SHALL EXPRESSLY HAVE FULLY, FINALLY AND FOREVER SETTLED, RELEASED AND DISCHARGED ANY AND ALL CLAIMS, KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, WHETHER OR NOT CONCEALED OR HIDDEN, WHICH NOW EXIST, OR HERETOFORE HAVE EXISTED UPON ANY THEORY OF LAW OR EQUITY NOW EXISTING OR COMING INTO EXISTENCE IN THE FUTURE, INCLUDING, BUT NOT LIMITED TO, CONDUCT WHICH IS NEGLIGENT, RECKLESS, INTENTIONAL, WITH OR WITHOUT MALICE, OR A BREACH OF ANY DUTY, LAW OR RULE, WITHOUT REGARD TO THE SUBSEQUENT DISCOVERY OR EXISTENCE OF SUCH DIFFERENT OR ADDITIONAL FACTS.

10. **Termination of Loan Documents; Return of Original Promissory Notes.** On the Effective Date, Lantern shall instruct the Escrow Agent that, upon the occurrence of the Release Effective Date, Escrow Agent shall immediately: (i) mark the face of all Terminated Notes as "Cancelled/Satisfied", and (ii) deliver such Terminated Notes to KBLLC. Upon the Release Effective Date, the Loan Agreement and each of the Loan Documents, including, but not limited to, the Completion Guaranty, Recourse Guaranty, Make Whole Letter, and Environmental

Indemnity (as each are defined in the Loan Agreement), and any and all further rights, obligations and liabilities of the Parties thereunder, shall immediately terminate and be of no further force and effect.

11. **No Admissions.** This Agreement is the result of a settlement and compromise of disputed matters as set forth herein. Nothing contained herein nor the consummation of this Agreement is to be construed or deemed an admission of liability, culpability, negligence or wrongdoing on the part of the Parties hereto. No Party hereto admits that the claims of the others are valid or more meritorious and each Party hereto agrees that the terms of this Agreement shall never be used, referred to or considered as an admission of liability of such claims. The Parties hereto have entered into this Agreement with the intention to avoid protracted disputes, uncertainties, and litigation with their attendant inconveniences and expenses.

12. **Independent Counsel; Voluntary Agreement.** The Parties hereto each acknowledge they have: (i) been given the opportunity to consult with legal counsel and advisors of their own choosing in connection with the execution of this Agreement and have each taken advantage of such opportunity, (ii) carefully read and considered all terms and provisions of this Agreement and understand the substance and effect thereof, and (iii) entered into this Agreement freely and voluntarily and without any coercion or duress, economic or otherwise.

13. **Agreement; Amendment.** This Agreement is a final and binding settlement of the matters described herein and supersedes any prior agreement or understanding, oral or written, pertaining to any matters described herein. No provision of this Agreement may be modified, waived, amended or added to, except by a writing signed by the Party or Parties against which the enforcement of such modification, waiver, amendment or addition is or may be sought. This Agreement is an integrated agreement except to the extent indicated to the contrary in this Agreement.

14. **Attorneys' Fees; Costs.** Each Party to this Agreement shall bear its own fees and costs (including, without limitation, attorneys' fees) in connection with the settlement of the matters herein and the negotiation, execution and performance of this Agreement.

15. **Right to Enforce.** Each Party to this Agreement has the right to enforce the terms of this Agreement and the prevailing party in any such action is entitled to recover its reasonable and documented attorneys' fees and costs.

16. **Incorporation of Recitals, Exhibits.** All recitals, exhibits and schedules attached hereto or referred to herein are incorporated in this Agreement as though fully set forth herein.

17. **Assignment; Successors and Assigns.** This Agreement may not be assigned by any Party without the prior written consent of the other Parties. No such assignment shall be deemed to relieve the assigning Party from any liability or responsibility hereunder. This Agreement shall be binding upon and shall inure to the benefit of each of the Parties hereto and their respective successors and permitted assigns.

18. **Governing Law.** This Agreement shall be construed and enforced pursuant to the laws of the state of New York.
19. **Arbitration.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration will be heard and determined by a single arbitrator in New York, New York. The arbitrator's decision in any such arbitration will be final and binding upon the Parties and may be enforced in any court of competent jurisdiction. Without limiting the foregoing, the Parties agree that any such decision may be enforced in, and accordingly submitted to the nonexclusive jurisdiction and venue of, any court of competent jurisdiction.
20. **Headings.** The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions of this Agreement.
21. **Waiver.** The waiver of any breach of any provision hereunder by any Party shall not be deemed to be a waiver of any preceding or subsequent breach hereunder. No failure or delay of any Party in the exercise of any right given hereunder shall constitute a waiver thereof nor shall any partial exercise of any right preclude further exercise thereof.
22. **Time of Essence.** Time is of the essence in this Agreement as to all dates and time periods set forth herein.
23. **Construction.** Each Party to this Agreement acknowledges: (i) this Agreement and its reduction in final written form is the result of extensive good faith negotiations, (ii) the Parties and their respective representatives have carefully reviewed and examined this Agreement prior to execution by such Parties, (iii) any statutory rule of construction that ambiguities are to be construed against the drafting party shall not be employed in the interpretation of this Agreement. The terms and conditions of this Agreement have been negotiated at arm's length among knowledgeable Parties, represented by experienced legal counsel. As a result, the rule of "interpretation against the draftsman" shall not apply in any dispute over the interpretation of the terms and conditions of this Agreement.
24. **Authority to Execute Agreement.** Each of the undersigned represents and warrants that he/she is duly authorized to bind the entity for which he/she is executing this Agreement and that the Party for whom such person is signing is the sole owner of any Claims it is releasing hereunder and has not assigned any such Claims. The New Project Parties represent and warrant that they have collectively acquired and continue to own all of the Lenders' interests under the Loan Agreement and other Loan Documents (except for the interest of MH Kapalua Venture, LLC), including, but not limited to, any claims of any nature by such Lenders against the Original Project Parties, and that they are duly authorized under the Loan Agreement and the other Loan Documents to enter into this Agreement. Each Party separately acknowledges that the foregoing representations and warranties are an essential and material provision of this Agreement and shall survive execution of this Agreement.

25. **No Third Party Beneficiaries.** Except as otherwise expressly provided herein, nothing contained in this Agreement, express or implied, is intended to confer on any third party any right or remedies hereunder, and no individual or entity not (i) a Party to this Agreement or (ii) an Affiliate shall be deemed to be a third party beneficiary of this Agreement.

26. **Confidentiality.** The Parties shall keep the terms and conditions of this Agreement confidential and shall not convey, disclose, communicate, inform and/or otherwise disseminate, orally or in writing, to any third party the terms and conditions of this Agreement without the prior written consent of the other Parties except: (i) made pursuant to court order or as required by law; (ii) made to a respective attorney, lender, insurance carrier, auditor, representative, director or employee of one of the Parties, provided that any such disclosure is made in the furtherance of a respective financial or business interest of such Party and is not part of a general publication or dissemination; (iii) by a Party to enforce the terms of this Agreement; or (iv) made to the parties of the Related Settlements, including the members of the VOA and the AOAO. Notwithstanding the foregoing, the ultimate parent company of any Party may make such disclosures in one or more filings with the United States Securities and Exchange Commission ("SEC") or the New York Stock Exchange ("NYSE") as are required to comply with applicable SEC or NYSE rules and regulations. The Parties shall not issue any press release, media disclosure, flier, mailer, or other publication of any kind whatsoever intended for circulation among the general public (including, without limitation, other owners in the Project) with respect to any of the terms and conditions of this Agreement without the express written consent of the other Parties. Lehman agrees that if Lehman is required to file this Agreement with the Court, it will seek to do so under seal on the basis of this Section 26.

27. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A transmission by one Party to another Party of an executed signature page of this Agreement by facsimile or in a pdf format by e-mail shall be deemed to constitute due execution and delivery of this Agreement by such Party. The Parties intend to be bound by the signatures on such facsimile and/or pdf document, are aware that the other Parties will rely on such signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

28. **Illegality.** If any clause, provision, or paragraph of this Agreement shall, for any reason, be held illegal, invalid, or unenforceable, such illegality, invalidity, or enforceability shall not affect any other clause, provision, or paragraph of this Agreement, and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable clause, paragraph, or other provision had not been contained herein, except if the release granted by any Party in this Agreement is deemed to be unenforceable, illegal, or invalid, then the release granted by such releasing Party herein shall be of no force and effect, and any monies or other consideration that may have been delivered to such releasing Party pursuant to this Agreement shall immediately be returned to the Party that provided such monies or other consideration.

29. **Survival.** Each term, representation and warranty contained in this Agreement and the exhibits hereto shall survive execution of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the Effective Date.

**Kapalua Bay, LLC**

By: Kapalua Bay Holdings, LLC, its Member

By: MLP KB Partner, LLC, its Managing Member

By: Maui Land & Pineapple Company, Inc.

By: /s/ Ryan Churchill  
Name: Ryan Churchill  
Title: President

By: /s/ Tim T. Esaki  
Name: Tim T. Esaki  
Title: Chief Financial Officer

**The Ritz-Carlton Management Company, LLC**

By: /s/ Craig Ouellette  
Name: /s/ Craig Ouellette  
Title: Senior Director, Asset Management

**The Ritz-Carlton Development Company, Inc.**

By: /s/ John E. Geller  
Name: John E. Geller  
Title: Vice President

MH Kapalua Venture, LLC

By: /s/ John E. Geller  
Name: John E. Geller  
Title: Vice President

**Maui Land & Pineapple Company, Inc.**

By: /s/ Ryan Churchill  
Name: Ryan Churchill  
Title: President

By: /s/ Tim T. Esaki  
Name: Tim T. Esaki  
Title: Chief Financial Officer

**Exclusive Resorts, Inc.**

By: /s/ Sara Bayko  
Name: Sara Bayko  
Title: Senior Vice President and General Counsel

**Maui Holdings JV LLC**

By: /s/ L. Andy Mitchell  
Name: L. Andy Mitchell  
Title: Authorized Signatory

**Lantern Asset Management, LLC**

By: /s/ L. Andy Mitchell  
Name: L. Andy Mitchell  
Title: President

**Island Investors, LLC**

By: /s/ L. Andy Mitchell  
Name: L. Andy Mitchell  
Title: Authorized Signatory

**Island Acquisitions Kapalua, LLC**

By: /s/ L. Andy Mitchell  
Name: L. Andy Mitchell  
Title: Authorized Signatory

**Lehman Brothers Holdings, Inc.**

By: /s/ Jonas Stiklorius  
Name: Jonas Stiklorius  
Title: Authorized Signatory

**Exhibit 21**

Maui Land & Pineapple Company, Inc.—Subsidiaries  
As of December 31, 2013

<u>Name</u>	<u>State of Incorporation</u>	<u>Percentage of Ownership</u>
Maui Pineapple Company, Ltd. . . . .	Hawaii	100
Kapalua Land Company, Ltd. . . . .	Hawaii	100
Kapalua Realty Company, Ltd. . . . .	Hawaii	100
Kapalua Advertising Company, Ltd. . . . .	Hawaii	100
Kapalua Water Company, Ltd. . . . .	Hawaii	100
Kapalua Waste Treatment Company, Ltd. . . . .	Hawaii	100
Kapalua Bay Holdings, LLC . . . . .	Delaware	51
Kapalua Bay, LLC . . . . .	Delaware	100



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-133898 and No. 333-112932 on Form S-8, and Registration Statement No. 333-150244 on Form S-3 of our report dated March 20, 2014, relating to the consolidated financial statements of Maui Land & Pineapple Company, Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph regarding going concern uncertainty), appearing in this Annual Report on Form 10-K of Maui Land & Pineapple Company, Inc. and subsidiaries for the year ended December 31, 2013.

/s/ DELOITTE & TOUCHE LLP

Honolulu, Hawaii

March 20, 2014

## CERTIFICATION

I, Warren H. Haruki, certify that:

1. I have reviewed this Annual Report on Form 10-K of Maui Land & Pineapple Company, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: March 20, 2014

By: \_\_\_\_\_ /s/ WARREN H. HARUKI

Warren H. Haruki  
Chairman of the Board &  
Chief Executive Officer  
Maui Land & Pineapple Company, Inc.





