

MAUI LAND & PINEAPPLE CO INC  
Form 10-K  
February 26, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended December 31,  
2017**

or

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

**Commission file number 001-06510**

**MAUI LAND & PINEAPPLE  
COMPANY, INC.**

(Exact name of registrant as specified in  
its charter)

**Hawaii**

(State

**09-0107542**

(IRS Employer

Identification No.)

of

incorporation

or

organization)

**200 Village Road**  
**Lahaina, Maui, Hawaii 96761**  
(Address of principal executive offices)  
(Zip Code)

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

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

**Common**  
**Stock,**  
**without**  
**Par**  
**Value**  
**NYSE**  
(Title  
(Name of exchange on which registered)  
of  
each  
class)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes No

<b>\$135,117,734</b> (Aggregate market value of common stock held by non-affiliates of the company on June 30, 2017)	<b>19,103,582</b> (Number of shares of common stock outstanding at February 16, 2018)
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**Portions of registrant's Proxy Statement for registrant's 2018 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K**  
(Documents incorporated by reference)

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**FORWARD-LOOKING STATEMENTS**

This annual report on Form 10-K, or annual report, filed by Maui Land & Pineapple Company, Inc. with the Securities and Exchange Commission, or SEC, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements are subject to considerable risks and uncertainties. Forward-looking statements include all statements that are not statements of historical facts contained in this annual report and can be identified by words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “e,” “continue” or “pursue,” or the negative or other variations thereof or comparable terminology. In particular, forward-looking statements contained in this annual report relate to, among other things, our future events, future financial performance, results of operations, strategic plans and objectives, and recent accounting pronouncements. We caution you that the foregoing list may not include all of the forward-looking statements made in this annual report.

Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable as of the date of this annual 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 annual 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 annual 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 “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 23,000 acres of land on the island of Maui, Hawaii and develop, sell, and manage residential, resort, commercial, agricultural and industrial real estate through the following business segments:

*Real Estate*—Our real estate operations consist of land planning and entitlement, development and sales activities. This segment also includes the operations of Kapalua Realty Company, Ltd., a general brokerage real estate company located in the Kapalua Resort.

*Leasing*—Our leasing operations include residential, resort, commercial, agricultural and industrial land and property leases, licensing of the Company’s registered trademarks and trade names, and stewardship and conservation efforts.

*Utilities*—We own two publicly-regulated utility companies which provide potable and non-potable water and wastewater transmission services to the Kapalua Resort. In addition, we also own a network of several major non-potable water systems in West and Upcountry Maui.

- *Resort Amenities*—We manage the operations of the Kapalua Club, a private, non-equity club program providing our members special programs, access and other privileges at certain amenities at the Kapalua Resort.

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 9 to our financial statements set forth in Item 8 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 and residential community located in West Maui encompassing approximately 3,000 acres. The following is a summary of our landholdings as of December 31, 2017:

	<b>West</b>	<b>Upcountry</b>	<b>Total</b>
	<b>Maui</b>	<b>Maui</b>	
Fully entitled urban	900	–	900
Agricultural zoned	10,800	2,100	12,900
Conservation/watershed	9,000	–	9,000
	20,700	2,100	22,800

*Real Estate Planning and Entitlements* – Appropriate entitlements must be obtained for land that is intended for development. Securing proper land entitlements 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 schools, public 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.

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We have approximately 1,200 acres of land in Maui that are in various stages of the development process. The following is a summary of our development projects as of December 31, 2017:

<u>Location</u>	Approximate Number of Acres	Zoned for Planned Use	Anticipated		Projected
			Completion Dates	Deferred Development Costs (millions)	Costs to Complete (millions)
Kapalua Resort	900	Yes	2019 - 2039	\$7.0	\$500-\$1,000
Hali'imaile Town	300	No	2029 - 2034	\$0.4	\$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 is an internationally recognized world-class destination resort 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 a long-term expansion project of the Kapalua Resort which is 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.

*Hali'imaile Town:* An expansion of an 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 classified as "Small Town" in the long-range County of Maui Island Plan. This classification allows the potential for residential, industrial and commercial development at a moderate density. We are in the early stages of this project's development and securing State and County land use entitlements are expected to take several years.



Projected development costs are expected to be financed by debt financing, private investment, 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 licensed, general brokerage services for properties in the Kapalua Resort and surrounding areas.

Revenues from our Real Estate segment totaled \$14.6 million, or approximately 60% of our total operating revenues for the year ended December 31, 2017.

The price and market for luxury and other real estate in Maui are highly cyclical and influenced significantly by 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 segment faces substantial competition from other land owners and developers on the island of Maui, as well as in other parts of Hawaii and the mainland United States.

Table of Contents*Leasing*

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

*Commercial and Industrial Leases* – We are the owner and lessor of approximately 213,000 square feet of commercial, retail and light industrial properties, including restaurants, retail outlets, office buildings, warehouses and Kapalua Resort activities. The following summarizes information related to our commercial and industrial leases as of December 31, 2017:

	<b>Total Square Footage</b>	<b>Average Occupancy Percentage</b>	<b>Lease Expiration Dates</b>
Kapalua Resort	55,553	98%	2018 – 2048
Other West Maui	18,352	79%	2018 – 2019
Upcountry Maui	139,039	73%	2018 - 2022

*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 and other trademarks and trade names with several different companies, mainly in conjunction with our agricultural, commercial and industrial leases.

*Stewardship and Conservation* – We manage the conservation of a 9,000-acre nature and watershed preserve in West Maui. A portion of our stewardship and conservation efforts is subsidized by the State of Hawaii, the County of Maui and other organizations.

Revenues from our Leasing segment totaled \$5.5 million, or approximately 23% of our total operating revenues for the year ended December 31, 2017.

Our Leasing segment operations are highly sensitive to economic conditions including tourism and consumer spending levels. Our Leasing segment operations also 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, our Utilities segment includes the operations of several major non-potable irrigation water systems in West and Upcountry Maui.

*Kapalua Water Company, Ltd.* provides potable and non-potable water utility services to the Kapalua Resort, including its golf courses, hotels, residential subdivisions, commercial properties and landscaped common areas.

*Kapalua Waste Treatment Company, Ltd.* provides sewage collection and transmission services for the Kapalua Resort. Waste water treatment is processed by the County of Maui Lahaina Wastewater Reclamation Facility.

*Non-Potable Irrigation Water Systems* – We own and operate several non-potable wells, irrigation ditches, reservoirs and transmission systems serving the Kapalua Resort, the County of Maui, and agricultural users in West and Upcountry Maui.

Revenues from our Utilities segment totaled \$3.2 million, or approximately 13% of our total operating revenues for the year ended December 31, 2017.

Our Utilities segment operations are primarily affected by the amount of rainfall and the level of development and volume of visitors in the Kapalua Resort. 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, our Utilities segment does not face any substantial competition.

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### ***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 \$1.1 million, or approximately 5% of our total operating revenues for the year ended December 31, 2017.

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.

### **Employees**

As of December 31, 2017, we had 15 full-time employees, none of whom are members of a collective bargaining group.

### **Available Information**

Our internet address is [www.mauiland.com](http://www.mauiland.com). Information about the Company is also available on [www.kapalua.com](http://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. Our filings may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

### **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 materially and adversely affect our operating results.*

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about 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, 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 costs, conditions in the residential real estate and mortgage markets, interest rates, labor costs, access to credit on reasonable terms, geopolitical issues, 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, in the event that current equity or credit market conditions 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. A downturn in industry, market or economic conditions could make 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.

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***Real estate investments are subject to numerous risks and we are negatively impacted by 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;

• uncertainties and changes in U.S. social, political, regulatory and economic conditions or laws and policies resulting from changes in the U.S. presidential administration and concerns surrounding ongoing developments in the European Union, the Middle East and Asia;

• high unemployment rates and low consumer confidence;

• the general availability of mortgage financing, including the effect of more stringent lending standards for mortgages and perceived or actual changes in interest rates;

• 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 what we believe our 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 limits on, or the elimination of, the deductibility of certain mortgage interest expenses, 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 market for residential or luxury real estate, which, in turn, could adversely affect our development plans, revenues and profitability. During low periods of demand, real estate may remain on hand 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 development projects and negatively affect our operating results. Sustained adverse changes to our development plans could result in 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, the level of unemployment 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 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.

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***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. 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 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 arrangements 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 dependent upon 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.

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***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 our real property or to borrow using our 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.

***Our insurance coverages may be inadequate to cover any losses we incur.***

We maintain various insurance coverages for our business. We have engaged experts to assist us in the determination of our insurance policy terms, including coverage limits and deductibles, based on an evaluation of the level of potential risk, exposure and costs involved. This may result in insurance coverage that may not be sufficient to cover the full value of our losses in certain catastrophic or unforeseen circumstances. In addition, securing coverage in the event we file a claim under our insurance policies may involve substantial time, effort, resources and the risk that the insurance carrier may deny or dispute coverage under the policy. Under such circumstances, we may not receive insurance proceeds or the insurance proceeds we receive may not fully cover business interruptions or losses and our operating results, liquidity and financial condition could be adversely affected.

***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.

***Failure to maintain the security of our internal and customer electronic information could adversely affect our operations, damage our business reputation and subject us to possible costs and legal action.***

Our business relies on computers and digital technology to process a significant portion of our transactions and store our business records. In addition to internal employment and other sensitive data, we and our service providers also maintain certain digitally-stored information about our customers, including credit card numbers and other personally identifiable information. We, therefore, face risks associated with security breaches or disruptions including cyber-attacks, malware, computer viruses, unauthorized access to our networks and other cyber-related concerns.

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The integrity and protection of our employee, customer and other company data are critical to us. Although we and our service providers make efforts to maintain the security and integrity of our computer systems and networks, including implementation of various control and protection measures, there can be no assurance that our security efforts or measures will be effective or that attempted security breaches or disruptions will be avoided. Because of the dynamic and ever evolving nature of techniques utilized in attempted security breaches, it is impossible for us and our service providers to entirely mitigate this risk. We also cannot estimate or predict with any certainty the potential costs or consequences that may be involved in the event of a material cyber security breach or disruption. Our failure to maintain security over our data, including penetration of our network security and potential misappropriation of confidential and personal information could result in disruption to our operations, damage to our business reputation, possible costs and legal action.

***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.***

We have two defined benefit pension plans which were frozen with respect to benefits and the addition of participants in 2011. The funded status and our ability to satisfy the future obligations of the plans are affected by, among other things, changes in interest rates, returns from plan asset investments, and actuarial assumptions including the life expectancies of the plans' participants. If we are unable to adequately fund or meet our future obligations with respect to the plans, our business, financial condition and results of operations may be adversely affected.

***Changes in U.S. accounting standards may adversely impact us.***

The regulatory boards and government agencies that determine financial accounting standards and disclosures in the U.S., including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (collectively, the "Boards") and the SEC, continually change and update the financial accounting standards we must follow.

In February 2016, the Boards issued an Accounting Standards Update (ASU), which changes certain aspects of accounting for leases for both lessees and lessors. Since February 2016, several additional ASUs have been issued to clarify implementation issues. The final update is effective on January 1, 2019. We are still evaluating the impact of this standard on our financial condition or results of operations, which in turn could also significantly impact the market price of our common stock. Such potential impacts include, without limitation:

- Significant changes to our balance sheet relating to the recognition of operating leases as assets or liabilities based on existing lease terms and whether we are the lessor or lessee;

Significant changes in the timing of revenue recognition (related to lease arrangements in which we are the lessor) or expense recognition (related to the lease arrangements in which we are the lessee), stemming from the potential classification of financing or sales-type leases under the new ASU, for leases that are classified as operating leases under the current accounting standards; and  
Significant fluctuations in our reported results of operations.

In addition, the new accounting update could make leasing/re-leasing of our space less attractive to our potential and current tenants, which could reduce overall occupancy of our properties. Under the current guidance, our tenants do not reflect operating leases with us as a liability on their balance sheets, but only provide a disclosure of future minimum payments associated with the operating lease in the footnotes to their financial statements. The new lease standard will require that lessees record on the balance sheets their rights and obligations pertaining to operating leases with a term of over 12 months. Changes in lease accounting standards could potentially impact the structure and terms of future leases since our tenants may seek to limit lease terms to avoid recognizing lease obligations in their financial statements. The new rules may also make lease renewal options less attractive because, under certain circumstances, the rules will require a tenant to assume that a renewal right will be exercised and accrue a liability relating to the longer lease term. Shorter lease terms and a reduction in rentable square feet leased may lead to reduction in occupancy rates and decline in rental revenue, which would have an adverse effect on our results of operations.

In May 2014, the FASB issued an ASU on recognition of revenue arising from contracts with customers and subsequently issued an ASU on recognition of gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. The updates became effective for us on January 1, 2018. The core principle underlying the revenue recognition ASU is that an entity will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in such exchange. This will require entities to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

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Any difficulties in the implementation of changes in accounting principles, including the ability to modify our accounting systems and to update our policies, procedures, information systems, and internal controls over financial reporting, could result in materially inaccurate financial statements, which in turn could harm our operating results or cause us to fail to meet our reporting obligations. The adoption of new accounting standards could also affect the calculation of our credit facility covenants. We cannot be assured that we will be able to work with our lenders to amend our credit facility covenants in response to changes in accounting standards.

### **Risks Related to Indebtedness**

*We have entered into a credit agreement for a \$15.0 million revolving line of credit facility with a bank. The credit facility has a maturity date of December 31, 2019 and its terms include certain financial and operating covenants, which if we fail to satisfy, could accelerate our repayment obligations and adversely affect our operations and financial results.*

The terms of our credit facility includes covenants requiring among other things, a minimum of \$1.5 million in liquidity (as defined), a maximum of \$45.0 million in total liabilities and a limitation on new indebtedness. Our ability to continue to borrow under our credit facility to fund our business initiatives depends upon our ability to comply with these covenants.

Our business initiatives for the next twelve months include investing in our operating infrastructure and continued planning and entitlement efforts on our development projects. At times, this may require borrowing under our credit facility or other indebtedness, repayment of which may be dependent on selling of our real estate assets at acceptable prices in condensed timeframes.

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.

### **Risks Relating to our Stock**

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

In 2017, the low and high share prices of our common stock ranged from \$6.95 to \$27.80. 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 unanticipated 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.

***Share ownership by our affiliates make it more difficult for third parties to acquire us or effectuate a change of control that might be viewed favorably by other shareholders.***

As of February 16, 2018, affiliates of our company owned, in the aggregate, approximately 65% of our outstanding shares. As a result, if these affiliates were to oppose a third party's acquisition proposal for, or a change in control of, the Company, these affiliates may have sufficient voting power to be able to block or at least delay such an acquisition or change in control from taking place, even if other shareholders would support such a sale or change of control.

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***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, 2017 was approximately 65,000 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 facility 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. 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 covenants of our credit facility.

***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 unanticipated contingencies or other unforeseen circumstances arise, it may 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, accordingly, has a relatively low cost basis. The following is a summary of our landholdings as of December 31, 2017:

	<b>Acres</b>
West Maui	20,700
Upcountry Maui	2,100
Total	22,800

Our West Maui landholdings are comprised of several, largely contiguous parcels that extend from the sea to the top of the second largest mountain on Maui, at an elevation of approximately 5,700 feet. It includes approximately 900 acres within the 3,000-acre Kapalua Resort. The remaining lands are mainly former pineapple fields, gulches, undeveloped coastal and forest areas, and our 9,000-acre conservation watershed preserve.

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Our Upcountry Maui landholdings are 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 have pledged certain of our real estate properties in the Kapalua Resort as security for borrowings under our credit facility.

We own our corporate office 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. Additional information regarding our real estate properties can be found under the heading “Business” in Item 1 of this annual report.

**Item 3. LEGAL PROCEEDINGS**

The Company has been named along with multiple parties in lawsuits filed by owners of units and fractional interests in the project formerly known as The Ritz-Carlton Club and Residences, Kapalua Bay. The lawsuits were filed in the Circuit Court of the Second Circuit, State of Hawaii on May 23, 2011, June 7, 2012, and June 19, 2013. The lawsuits allege deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations and seek unspecified damages, treble damages and other relief. The Company disagrees with the allegations and is defending itself. 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 financial statements.

From time to time, we are a party to various claims, complaints and other legal actions that have arisen in the normal course of our business activities. 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 2016 or 2017. Our ability to declare dividends is restricted by the terms of our credit agreement. We do not intend to pay any cash dividends on our common stock in the foreseeable future. As of February 16, 2018, there were 254 shareholders of record of our common stock, which do not include beneficial owners of our common stock whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

The quarterly high and low intraday sales prices of our common stock, as reported by the NYSE, during 2016 and 2017 were as follows:

	2016 Quarter				2017 Quarter			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
High	\$6.23	\$7.62	\$7.97	\$7.30	\$11.95	\$21.90	\$27.80	\$18.80
Low	4.73	5.23	6.23	6.36	6.95	11.00	11.88	12.80

**Unregistered Sales of Equity Securities**

None.

**Repurchases**

None.

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**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 were a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, during the year covered by this report, 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 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, 2017 and 2016

**CONSOLIDATED**

	Year Ended December 31, 2017    2016 (in thousands except share amounts)	
<i>Operating revenues</i>	\$24,377	\$47,364
<i>Operating costs and expenses</i>	(6,826 )	(13,703)

<i>General and administrative</i>	(2,515 )	(2,204 )
<i>Share-based compensation</i>	(1,319 )	(984 )
<i>Depreciation</i>	(1,756 )	(1,984 )
<i>Pension and other postretirement expense</i>	(871 )	(5,019 )
<i>Operating Income</i>	11,090	23,470
<i>Interest Expense</i>	(190 )	(1,656 )
<i>Net Income</i>	\$10,900	\$21,814
<i>Net Income per Common Share</i>	\$0.57	\$1.15

## REAL ESTATE

	Year Ended December 31,	
	2017	2016
	(in thousands)	
<i>Operating revenues</i>	\$14,575	\$37,116
<i>Operating costs and expenses</i>	(1,457 )	(7,460 )
<i>Operating income</i>	\$13,118	\$29,656

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

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In February 2017, we sold the 15-acre Kapalua Golf Academy practice course located in the Kapalua Resort for \$7.0 million to the owner of the Kapalua Plantation and Bay Golf Courses. The property was sold without any development entitlements. The sale resulted in a gain of approximately \$6.4 million. We applied \$5.6 million of the sale proceeds to pay down our First Hawaiian Bank credit facility.

In December 2016, we sold a 3.4-acre property with an approximately 26,000 square foot building, commonly referred to as the Kapalua Village Center, for \$18.0 million to the owner of the Kapalua Plantation and Bay Golf Courses. The Kapalua Village Center, which served as the golf clubhouse for the former Kapalua Village Golf Course, was sold without any development entitlements. The sale resulted in a gain of \$12.9 million. Proceeds from the sale were used to pay down our First Hawaiian Bank credit facility.

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

In June 2016, the Company sold a 304-acre, fully entitled working-class community project located in West Maui, commonly referred to as Pulelehua, for \$15.0 million. The sale resulted in a gain of approximately \$14.3 million. Proceeds from the sale were used to pay down our former American AgCredit and Wells Fargo loans.

Included in real estate operating revenues 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. Real estate commissions totaled \$0.9 million and \$1.1 million for 2017 and 2016, respectively. The decrease in real estate operating costs and expenses for the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily due to lower costs of sales associated with the aforementioned real estate sales.

We did not have any significant real estate development expenditures in 2017 or 2016.

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

LEASING

	Year Ended	
	December 31,	
	2017	2016
	(in thousands)	
<i>Operating Revenues</i>	\$5,527	\$5,324
<i>Operating Costs and Expenses</i>	(2,444)	(2,971)
<i>Operating Income</i>	\$3,083	\$2,353

*Average Occupancy Rates:*

<i>Kapalua Resort</i>	98	%	96	%
<i>Other West Maui</i>	79	%	95	%
<i>Upcountry Maui</i>	73	%	90	%

Leasing operating revenues for the year ended December 31, 2017 were comprised of \$4.6 million of leasing revenues and \$0.9 million of licensing fees from our registered trademarks and trade names. This compares to \$4.5 million of leasing revenues and \$0.8 million of licensing fees for 2016. The decrease in leasing operating costs and expenses for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the write-off in 2016 of approximately \$0.5 million of lease rent from an agricultural land and property tenant in Upcountry Maui and straight-line rent adjustments totaling approximately \$0.4 million.

The decrease in our Upcountry Maui average occupancy rates during the year ended December 31, 2017 was the result of our restructuring of a lease agreement with an agricultural land and property tenant. We plan to renovate and repurpose certain of the properties before leasing them to other tenants.

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

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## UTILITIES

	Year Ended December 31, 2017    2016 (in thousands)	
<i>Operating Revenues</i>	\$3,153	\$3,345
<i>Operating Costs and Expenses</i>	(1,892)	(2,325)
<i>Operating Income</i>	\$1,261	\$1,020

*Consumption (in million gallons):*

<i>Potable</i>	128	134
<i>Non-potable/irrigation</i>	643	579

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 third-party water maintenance company to manage our non-potable irrigation water systems in West and Upcountry Maui.

Our Utilities segment operations are primarily affected by the amount of rainfall and the level of development and volume of visitors in the Kapalua Resort. Rates charged by our Kapalua Water Company, Ltd. and Kapalua Waste Treatment Company, Ltd. subsidiaries are regulated by the Hawaii Public Utilities Commission. The increase in utilities operating income for the year ended December 31, 2017 as compared to the year ended December 31, 2016 is primarily due to cost saving and other efficiency measures put into place during 2017. We did not incur any significant capital or maintenance expenditures related to our Utilities segment infrastructure in 2017 or 2016.

## RESORT AMENITIES

	Year Ended December 31, 2017    2016 (in thousands)	
<i>Operating Revenues</i>	\$1,122	\$1,579
<i>Operating Costs and Expenses</i>	(1,033)	(947)
<i>Operating Income</i>	\$89	\$632
<i>Kapalua Club Members</i>	457	504



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 Kapalua Club does not operate any resort amenities and pays contracted fees to provide access for its members to the spa, beach club and other resort amenities. The decrease in operating revenues for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the decrease in the number of members and the recognition of approximately \$200,000 in 2016 of club membership revenues previously deferred in connection with the Company's project formerly known as The Ritz-Carlton Club and Residences, Kapalua Bay, as a result of revised projections of the estimated life of those club memberships.

#### Interest Expense

Interest expense was \$0.2 million for 2017 compared to \$1.7 million for 2016. Our average interest rates on borrowings was 5.83% for 2017, compared to 5.08% for 2016, and average borrowings were \$1.7 million in 2017 compared to \$30.0 million in 2016.

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LIQUIDITY AND CAPITAL RESOURCES

*Liquidity*

We had cash on hand of \$1.0 million and \$13.8 million of available credit under a \$15.0 million revolving line of credit facility with First Hawaiian Bank as of December 31, 2017.

We have a \$15.0 million revolving line of credit facility with First Hawaiian Bank (Credit Facility). The Credit Facility matures on December 31, 2019 and provides for two optional one-year extension periods. Interest on borrowings is at LIBOR plus 3.50%, or 4.86% and 4.37% at December 31, 2017 and 2016, respectively. We have pledged our 800-acre Kapalua Mauka project and approximately 30,000 square feet of commercial leased space in the Kapalua Resort as security for the Credit Facility. Net proceeds from the sale of any collateral are required to be repaid toward outstanding borrowings and will permanently reduce the Credit Facility's revolving commitment amount. There are no commitment fees on the unused portion of the Credit Facility.

The terms of the Credit Facility include various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a minimum liquidity (as defined) of \$1.5 million, a maximum of \$45.0 million in total liabilities, and a limitation on new indebtedness.

As of December 31, 2017, we were in compliance with the covenants under the Credit Facility.

*Cash Flows*

Net cash flow provided by our operating activities totaled \$8.4 million for the year ended December 31, 2017. Net proceeds from sales of real estate assets totaled \$7.0 million, \$5.6 million of which was used to reduce our long-term debt.

Interest payments on our long-term debt totaled \$99,000 for the year ended December 31, 2017.

We were not required to make any minimum funding contributions to our defined benefit pension plans during 2017 and we do not expect to be required to make any contributions for 2018.

#### *Future Cash Inflows and Outflows*

Our business initiatives for the next twelve months include investing in our operating infrastructure and continued planning and entitlement efforts on our development projects. At times, this may require borrowing under our Credit Facility or other indebtedness, repayment of which may be dependent on selling of our real estate assets at acceptable prices in condensed timeframes.

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.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are described in “Summary of Significant Accounting Policies,” Note 1 to our financial statements set forth in Item 8 of this annual report. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 being critical to our financial statements are as follows:

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.

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Deferred development costs, principally predevelopment costs and offsite development costs related to various projects in the planning stages by our real estate segment, totaled \$10.4 million at December 31, 2017. Based on our future development plans for the Kapalua Resort and other properties, and the estimated value of these future projects, we have concluded that our deferred development costs will be recoverable from our future development projects. Our assumptions and estimates could be subject to significant change because of the long-term nature of our development plans and the uncertainty of when or if certain projects will be developed.

Assets are classified as held for sale when management approves and commits to a plan to sell the property; the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; the sale of the property is probable and is expected to be completed within one year; the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets held for sale are stated at the lower of net book value or estimated fair value less cost to sell.

Sales of real estate assets that are considered central to our ongoing major operations are classified as real estate sales revenue, along with any associated cost of sales, in our consolidated statements of income and comprehensive income. Sales of real estate assets that are considered peripheral or incidental transactions to our ongoing major or central operations are reflected as net gains or losses in our consolidated statements of income and comprehensive income.

If the sale of a real estate asset represents a strategic shift that has, or will have, a major effect on our operations, such as the discontinuance of a business segment, then the operations of the property, including any interest expense directly attributable to it, are classified as discontinued operations, and amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. The disposal of an individual property generally will not represent a strategic shift and, therefore, will typically not meet the criteria for classification as discontinued operations.

Determining pension expense and obligations for our two defined benefit pension plans utilizes actuarial estimates of participants' age at retirement, 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. A detailed discussion of our defined benefit pension plans is contained in Note 6 to our financial statements set forth in Item 8 of this annual report.

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. A detailed discussion of our income taxes is contained in Note 8 to our financial statements set forth in Item 8 of this annual report.

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 legal 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 11 to our financial statements set forth in Item 8 of this annual report.

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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 1970's. Depreciation expense would be considerably higher if fixed assets were stated at current replacement cost.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2017, 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 were a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, during the year covered by this report, we are not required to provide the information required by this Item.

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**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

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Maui Land & Pineapple Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2017 and 2016, and the related consolidated statements of income and comprehensive income, stockholders’ equity (deficiency), and cash flows for each of the years in the two-year period ended December 31, 2017 and the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

***Basis for Opinions***

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered

with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting including obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



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*Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ACCUITY LLP

We have served as the Company's auditor since 2014.

Honolulu, Hawaii

February 23, 2018

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

	December 31, 2017      2016 (in thousands except share data)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$1,029	\$602
Accounts receivable, less allowance of \$40 and \$57 for doubtful accounts	940	1,503
Prepaid expenses and other assets	159	190
Assets held for sale	212	459
Total Current Assets	2,340	2,754
<b>PROPERTY</b>		
Land	5,059	5,059
Land improvements	24,727	18,051
Buildings	24,884	24,884
Machinery and equipment	10,980	10,965
Total Property	65,650	58,959
Less accumulated depreciation	34,971	33,215
Net Property	30,679	25,744
<b>OTHER ASSETS</b>		
Deferred development costs	10,395	8,843
Other noncurrent assets	1,387	1,542
Total Other Assets	11,782	10,385
<b>TOTAL ASSETS</b>	<b>\$44,801</b>	<b>\$38,883</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$696	\$569
Payroll and employee benefits	784	607
Current portion of accrued retirement benefits	164	175
Income taxes payable	-	443
Other current liabilities	203	604
Total Current Liabilities	1,847	2,398
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	1,235	6,857
Accrued retirement benefits	7,867	9,059
Deposits	2,449	2,378
Deferred revenue	215	409
Other noncurrent liabilities	44	40
Total Long-Term Liabilities	11,810	18,743
<b>COMMITMENTS &amp; CONTINGENCIES (Note 11)</b>		

STOCKHOLDERS' EQUITY

Common stock--no par value, 43,000,000 shares authorized; 19,040,273 and 18,958,018 shares issued and outstanding	78,584	78,123
Additional paid in capital	9,246	9,246
Accumulated deficit	(36,432)	(47,332)
Accumulated other comprehensive loss	(20,254)	(22,295)
Total Stockholders' Equity	31,144	17,742
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$44,801	\$38,883

See Notes to Financial Statements

Table of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****AND COMPREHENSIVE INCOME**

	Years Ended December 31, 2017      2016 (in thousands except per share amounts)	
<b>OPERATING REVENUES</b>		
Real estate		
Sales	\$13,681	\$36,000
Commissions	894	1,116
Leasing	5,527	5,324
Utilities	3,153	3,345
Resort amenities and other	1,122	1,579
Total Operating Revenues	24,377	47,364
<b>OPERATING COSTS AND EXPENSES</b>		
Real estate		
Cost of sales	579	6,188
Other	878	1,272
Leasing	2,444	2,971
Utilities	1,892	2,325
Resort amenities and other	1,033	947
General and administrative	2,515	2,204
Share-based compensation	1,319	984
Depreciation	1,756	1,984
Pension and other post-retirement expenses	871	5,019
Total Operating Costs and Expenses	13,287	23,894
<b>OPERATING INCOME</b>	<i>11,090</i>	<i>23,470</i>
Interest expense	(190 )	(1,656 )
<b>NET INCOME</b>	<i>10,900</i>	<i>21,814</i>
Pension, net of income taxes of \$0	2,041	6,372
<b>COMPREHENSIVE INCOME</b>	<i>\$12,941</i>	<i>\$28,186</i>
<b>NET INCOME PER COMMON SHARE --BASIC AND DILUTED</b>	<i>\$0.57</i>	<i>\$1.15</i>

See Notes to Financial Statements

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Table of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)****For the Years Ended December 31, 2017 and 2016****(in thousands)**

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2016	18,868	\$77,628	\$ 9,246	\$ (69,146 )	\$ (28,667 )	\$(10,939)
Share-based compensation expense			315			315
Issuance of shares for incentive plan	99	504				504
Vested restricted stock issued	50	315	(315 )			-
Shares cancelled to pay tax liability	(59 )	(324 )				(324 )
Other comprehensive gain-pension (Note 6)					6,372	6,372
Net income				21,814		21,814
Balance, December 31, 2016	18,958	\$78,123	\$ 9,246	\$ (47,332 )	\$ (22,295 )	\$17,742
Share-based compensation expense			448			448
Issuance of shares for incentive plan	94	767				767
Vested restricted stock issued	59	448	(448 )			-
Shares cancelled to pay tax liability	(71 )	(754 )				(754 )
Other comprehensive gain-pension (Note 6)					2,041	2,041
Net income				10,900		10,900
Balance, December 31, 2017	19,040	\$78,584	\$ 9,246	\$ (36,432 )	\$ (20,254 )	\$31,144

See Notes to Financial Statements

Table of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31, 2017      2016 (in thousands)	
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers and other receipts	\$14,708	\$14,866
Cash receipts from real estate sales, net	6,990	35,570
Cash paid to vendors	(11,427)	(13,089)
Cash paid for payroll and taxes	(1,410 )	(1,221 )
Cash paid for interest	(99 )	(2,219 )
Cash paid for income taxes	(412 )	(30 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,350</b>	<b>33,877</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property	-	(268 )
Payments for other assets	(1,521 )	(63 )
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,521 )</b>	<b>(331 )</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	300	27,500
Payments of long-term debt	(5,922 )	(61,208)
Debt and common stock issuance costs and other	(780 )	(323 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6,402 )</b>	<b>(34,031)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>427</b>	<b>(485 )</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>602</b>	<b>1,087</b>
<b>CASH AT END OF YEAR</b>	<b>\$1,029</b>	<b>\$602</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Net income	\$10,900	\$21,814
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,937	2,990
Conveyance of improvements	(6,691 )	
Share based compensation	448	315
Loss on property disposals	-	12
Changes in operating assets and liabilities:		
Accounts receivable	563	25
Change in retirement liabilities	838	4,976
Trade accounts payable	127	(106 )
Income taxes payable	(443 )	(30 )

Other operating assets and liabilities	<i>671</i>	<i>3,881</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$8,350	\$33,877

SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:

Common stock issued to certain members of the Company's management totaled \$767,000 and \$315,000 in 2017 and 2016, respectively.

See Notes to Financial Statements



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**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**CONSOLIDATION**

The 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. Significant intercompany balances and transactions have been eliminated.

**COMPREHENSIVE INCOME**

Comprehensive income includes all changes in stockholders’ equity, except those resulting from capital stock transactions. Comprehensive income includes adjustments to the Company’s defined benefit pension plan obligations.

**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 classified as held for sale when management approves and commits to a plan to sell the property; the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; the sale of the property is probable and is expected to be completed within *one* year; the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. 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 development costs are written off if management decides that it is *no* longer probable that the Company will proceed with the related development project. There were *no* impairments in deferred development costs in *2017* or *2016*.

#### 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.

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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* impairments in long-lived assets in 2017 or 2016.

ACCRUED RETIREMENT BENEFITS

The Company's policy is to fund retirement benefit 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 pension 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. 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 former management employees provide for specified payments after retirement. A liability has been recognized based on the present value of estimated payments to be made.

REVENUE RECOGNITION

*Overview*

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.

Sales of real estate assets that are considered central to the Company's ongoing major operations are classified as real estate sales revenue, along with any associated cost of sales, in the Company's consolidated statements of income and comprehensive income. Sales of real estate assets that are considered peripheral or incidental transactions to the Company's ongoing major or central operations are reflected as net gains or losses in the Company's consolidated statements of income and comprehensive income.

If the sale of a real estate asset represents a strategic shift that has, or will have, a major effect on the Company's operations, such as the discontinuance of a business segment, then the operations of the property, including any interest expense directly attributable to it, are classified as discontinued operations, and amounts for all prior periods presented are reclassified from continuing operations to discontinued operations. The disposal of an individual property generally will *not* represent a strategic shift and, therefore, will typically *not* meet the criteria for classification as discontinued operations.

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. Deferred revenues from annual dues received from the private club membership program at the Kapalua Resort are recognized on a straight-line basis over *one* year.

#### *Recent accounting pronouncements – Lease Accounting*

In *February 2016*, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors). The ASU is effective for the Company *no* later than *January 1, 2019*, with early adoption permitted. The ASU requires the Company to identify lease and nonlease components of a lease agreement. This ASU will govern the recognition of revenue for lease components. Revenue related to nonlease components under our lease agreements will be subject to the new revenue recognition standard effective upon adoption of the new lease accounting standard. The Company expects to adopt the new lease accounting standard on *January 1, 2019*.



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The lease ASU requires the use of the modified retrospective transition method and does *not* allow for a full retrospective approach. Based on the required adoption date of *January 1, 2019* for the Company, the modified retrospective method for this ASU requires application of the standard to all leases that exist at, or commence after, *January 1, 2017* (the beginning of the earliest comparative period presented in the *2019* financial statements), with a cumulative adjustment to the opening balance of retained earnings on *January 1, 2017*, for the effect of applying the standard at the date of initial application, and restatement of the amounts presented prior to *January 1, 2019*.

The FASB has also issued a proposed amendment to the lease ASU that would provide an entity an optional transition method to initially account for the impact of the adoption of the new lease ASU with a cumulative adjustment to retained earnings on *January 1, 2019* (the effective date of the ASU), rather than *January 1, 2017*, which would eliminate the need to restate amounts presented prior to *January 1, 2019*. Under the lease ASU, an entity *may* elect a practical expedient package, which allows for the following:

- An entity need *not* reassess whether any expired or existing contracts are or contain leases;
- An entity need *not* reassess the lease classification for any expired or existing leases; and
- An entity need *not* reassess initial direct costs for any existing leases.

These *three* practical expedients are available as a single election that must be elected as a package and must be consistently applied to all existing leases at the date of adoption. The FASB has also tentatively noted in Board meeting minutes of *May 2017* that lessors that adopt this package of practical expedients are *not* expected to reassess expired or existing leases at the date of initial application, which is *January 1, 2017* under the ASU, or *January 1, 2019*, if the Company elects the optional transition method. The FASB noted that the transition provisions generally enable entities to “run off” their existing leases for the remainder of the lease term, which would effectively eliminate the need to calculate a cumulative adjustment to the opening balance of retained earnings.

The FASB has also clarified that the lease ASU will require an assessment of whether a land easement meets the definition of a lease under the new lease ASU. An entity with land easements that are *not* accounted for as leases under the current lease accounting standards, however, *may* elect a practical expedient to exclude those land easements from assessment under the new lease accounting standards. The new lease ASU will be applied to all land easement arrangements entered into or modified on and after the ASU effective date.

## Lessor accounting

The Company recognized revenue from our lease agreements aggregating \$5.5 million for the year ended *December 31, 2017*. This revenue consisted primarily of rental revenue, percentage rental revenue, and tenant recoveries.

Under current accounting standards, the Company recognizes rental revenue from its operating leases on a straight-line basis over the respective lease terms. The Company commences recognition of rental revenue at the date the property is ready for its intended use and the tenant takes possession of or controls the physical use of the property.

Under current accounting standards, tenant recoveries related to payments of real estate taxes, insurance, utilities, repairs and maintenance, common area expenses, and other operating expenses are considered lease components. The Company recognizes these tenant recoveries as revenue when services are rendered in an amount equal to the related operating expenses incurred that are recoverable under the terms of the applicable lease.

Under the lease ASU, each lease agreement will be evaluated to identify the lease components and nonlease components at lease inception. The total consideration in the lease agreement will be allocated to the lease and nonlease components based on their relative standalone selling prices. Lessors will continue to recognize the lease revenue component using an approach that is substantially equivalent to existing guidance for operating leases (straight-line basis).

The Company has *not* completed the analysis of this ASU. If the proposed practical expedient mentioned above is adopted and the Company elects it, the Company expects tenant recoveries that qualify as nonlease components to be presented under a single lease component presentation. However, without the proposed practical expedient, the Company expects that its tenant recoveries would be separated into lease and nonlease components. Tenant recoveries that qualify as lease components, which relate to the right to use the leased asset (e.g., property taxes, and insurance), would be accounted for under the new lease ASU. Tenant recoveries that qualify as nonlease components, which relate to payments for goods or services that are transferred separately from the right to use the underlying asset, including tenant recoveries related to payments for maintenance activities and common area expenses, would be accounted for under the new revenue recognition ASU upon adoption of the new lease ASU.

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Tenant recoveries that are categorized as lease components will generally be variable consideration with revenue recognized as the recoverable services are provided. Tenant recoveries that are categorized as nonlease components will be recognized at a point in time or over time based on the pattern of transfer of the underlying goods or services to the tenants.

## Costs to execute leases

The new lease ASU will require that lessors and lessees capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease (e.g. commissions paid to leasing brokers). Under the new lease ASU, allocated payroll costs and other costs such as legal costs incurred as part of the leasing process prior to the execution of a lease will *no* longer qualify for classification as initial direct costs but will instead be expensed as incurred. During the year ended *December 31, 2017*, the Company did *not* capitalize such costs. Under the new lease ASU, these costs will be expensed as incurred. However, the Company will have the option, under the practical expedient provided by the lease ASU, to continue to amortize previously capitalized initial direct costs incurred prior to the adoption of the ASU.

## Lessee accounting

Under the new lease ASU, lessees are required to apply a dual approach by classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, which corresponds to a similar evaluation performed by the lessor. In addition to this classification, a lessee is also required to recognize a right-of-use asset and a lease liability for all leases with a term of greater than *12* months regardless of their classification, whereas a lessor is *not* required to recognize a right-of-use asset and a lease liability for any operating leases. Leases with a lease term of *12* months or less will be accounted for similar to existing guidance for operating leases.

The ASU requires the recognition of a right-of-use asset and a related liability to account for the Company's future obligations under the office and equipment lease arrangements for which the Company is the lessee. For the year ended *December 31, 2017*, the Company recognized rent expense of approximately *\$50,000* for these leases. As of *December 31, 2017*, the remaining contractual payments under the office and equipment leases are *\$34,000*. All of the aforementioned leases for which the Company is the lessee are currently classified as operating leases, and therefore, the Company will have the option, under the practical expedients provided by the lease ASU, to continue to classify these leases as operating leases upon adoption of the ASU. If the Company selects this practical expedient, it would apply to all of the leases, whether the Company is the lessee or the lessor. The Company is still evaluating the impact to the consolidated financial statements from the initial recognition of each lease liability upon adoption and the pattern of recognition of lease expense subsequent to adoption.



*Recent accounting pronouncements – Revenue Recognition*

In *May 2014*, the FASB issued an ASU on recognition of revenue arising from contracts with customers, as well as recognition of gains and losses from the transfer of nonfinancial assets in contracts with noncustomers, and subsequently, it issued additional guidance that further clarified the ASU. The revenue recognition ASU has implications for all revenues, excluding those that are under the specific scope of other accounting standards, such as revenue associated with leases (described above). The Company's revenues for the year ended *December 31, 2017*, that would have been subject to the revenue recognition ASU had it been effective during the period, were as follows (in thousands):

Real estate	
Sales	\$13,681
Commissions	894
Utilities	3,153
Resort amenities and other	1,122
Total	\$18,850

The core principle underlying the revenue recognition ASU is that an entity will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in such exchange. This will require entities to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

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A customer is distinguished from a noncustomer by the nature of the goods or services that are transferred. Customers are provided with goods or services that are generated by a company's ordinary output activities, whereas noncustomers are provided with nonfinancial assets that are outside of a company's ordinary output activities. This distinction *may not* significantly change the pattern of income recognition, but will determine whether that income is classified as revenue (contracts with customers) or other gains/losses (contracts with noncustomers) in the Company's financial statements.

The ASU will require the use of a new *five*-step model to recognize revenue from customer contracts. The *five*-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will *not* occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

An entity will also be required to determine if it controls the goods or services prior to the transfer to the customer in order to determine if it should account for the arrangement as a principal or agent. Principal arrangements, where the entity controls the goods or services provided, will result in the recognition of the gross amount of consideration expected in the exchange. Agent arrangements, where the entity simply arranges but does *not* control the goods or services being transferred to the customer, will result in the recognition of the net amount the entity is entitled to retain in the exchange. Upon adoption of the new lease ASU in 2019, the Company *may* be required to classify its tenant recoveries into lease and nonlease components, whereby the nonlease components would be subject to the revenue recognition ASU, pending the resolution of the proposed amendment issued by the FASB in *January 2018*. Property services categorized as nonlease components that are reimbursed by the Company's tenants *may* need to be presented on a net basis if it is determined that the Company held an agent arrangement.

The revenue recognition ASU is effective on *January 1, 2018*. Entities can use either a full retrospective or modified retrospective method to adopt this ASU. Under the full retrospective method, all periods presented will be restated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to 2016 will be recorded to retained earnings as of *January 1, 2016*. Under the modified retrospective approach, prior periods are *not* restated to conform to the new standard. Instead, a cumulative adjustment for effects of applying the new standard to periods prior to 2018 is recorded to retained earnings as of *January 1, 2018*. Additionally, incremental footnote disclosures are required to present the 2018 revenues under the prior standard. Under the modified retrospective method, an entity *may* also elect to apply the standard to either (i) all contracts as of *January 1, 2018*, or (ii) only to contracts that are *not* completed as of *January 1, 2018*. The Company has elected to adopt the revenue recognition ASU using the modified retrospective method.

The Company further elected to apply this new ASU only to contracts *not* completed as of *January 1, 2018*. For all contracts within this scope, the Company recognized revenues totaling \$18.9 million for the year ended *December 31, 2017*. The Company evaluated the revenue recognition for all contracts within this scope under existing accounting standards and under the new revenue recognition ASU and confirmed that there were *no* differences in the amounts recognized or the pattern of recognition. Therefore, the adoption of this ASU did *not* result in an adjustment to our

retained earnings on *January 1, 2018*.

## 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 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 8).

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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.

The Company recognizes accrued interest related to unrecognized tax benefits as interest expense and penalties in general and administrative expenses in its consolidated statements of income and comprehensive income and such amounts are included in income taxes payable on the Company's consolidated balance sheets.

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on *December 22, 2017*. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The Company is applying the guidance in Securities and Exchange Commission Staff Accounting Bulletin (SAB) 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which provides guidance on applying FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, if the accounting for certain income tax effects of the TCJA are incomplete by the time the financial statements are issued for a reporting period. Specifically, SAB 118 permits companies to use reasonable estimates and provisional amounts for some line items for taxes when preparing year-end 2017 financial statements. Additional disclosures required by SAB 118 are included in Note 8.

## SHARE-BASED COMPENSATION PLANS

The Company accounts for share-based compensation, including grants of shares of common stock, as compensation expense over the service period (generally the vesting period) in the 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 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: periods of economic weakness and uncertainty in Hawaii and the mainland United States; high unemployment rates and low consumer confidence; uncertainties and changes in U.S. social, political, regulatory and economic conditions or laws and policies resulting from changes in the U.S. presidential administration and concerns surrounding ongoing developments in the European Union, Middle East, and Asia; 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 affect 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.

## NEW ACCOUNTING PRONOUNCEMENTS

In *March 2016*, FASB issued ASU No. *2016-09*, Compensation-Stock Compensation. This ASU simplifies the accounting for share-based payment transactions, including income taxes, classification of awards, and classification on the statement of cash flows. This ASU became effective for the Company in *2017* and did *not* have a material effect on its financial statements.

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In *June 2016*, FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses. This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of information to determine credit loss estimates. This ASU will be effective for annual reporting periods beginning after *December 15, 2019* for public business entities. The Company is in the process of assessing the impact of ASU No. 2016-13 on its financial statements.

In *August 2016*, FASB issued ASU No. 2016-15, Statement of Cash Flows. This ASU aims to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU will be effective for public business entities for annual reporting periods beginning after *December 15, 2017*. The Company is in the process of assessing the impact of ASU No. 2016-15 on its financial statements.

In *October 2016*, FASB issued ASU No. 2016-16, Income Taxes. This ASU simplifies the recognition of intra-entity income tax consequences when an asset other than inventory is transferred. This ASU will be effective for annual reporting periods beginning after *December 15, 2017* for public business entities. The Company is in the process of assessing the impact of ASU No. 2016-16 on its financial statements.

In *November 2016*, FASB issued ASU No. 2016-18, Statement of Cash Flows-Restricted Cash. This ASU addresses the diversity in the classification and presentation of changes in restricted cash in the statement of cash flows. This ASU will be effective for annual reporting periods beginning after *December 15, 2017* for public business entities. The Company is in the process of assessing the impact of ASU No. 2016-18 on its financial statements.

In *December 2016*, FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. This ASU summarizes the various amendments that serve to clarify the codification or to correct unintended application of guidance. This ASU will be effective for annual reporting periods beginning after *December 15, 2017*. The Company is in the process of assessing the impact of ASU No. 2016-19 on its financial statements.

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

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

#### NET INCOME PER COMMON SHARE

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

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Potentially dilutive shares arise from non-qualified stock options to purchase common stock and non-vested restricted stock. The treasury stock method is applied to determine the number of potentially dilutive shares for non-vested restricted stock and stock options assuming that the shares of non-vested restricted stock are issued for an amount based on the grant date market price of the shares and that the outstanding stock options are exercised.

	Year Ended December 31,	
	2017	2016
Basic and diluted	18,995,274	18,923,622
Potentially dilutive	27,500	26,822

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

At *December 31, 2017* and *2016* assets held for sale consisted of the following:

	<b>December 31, 2017 (in thousands)</b>	<b>December 31, 2016</b>
Upcountry Maui, 630-acre parcel of agricultural land	\$ 156	\$ 156
Upcountry Maui, 80-acre parcel of agricultural land and wastewater treatment facility	56	56
Kapalua Resort, 15-acre golf practice course	-	247
Assets held for sale	\$ 212	\$ 459

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

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



Company upon completion certain easements, subdivision and utility improvements related to the Mahana Estates property.

In *February 2017*, the Company sold the *15-acre* Kapalua Golf Academy practice course located in the Kapalua Resort for *\$7.0* million to the owner of the Kapalua Plantation and Bay Golf Courses. The property was sold without any development entitlements. The sale resulted in a gain of approximately *\$6.4* million. The Company used *\$5.6* million of the sale proceeds to pay down its long-term debt.

In *December 2016*, the Company sold a *3.4-acre* property with an approximately *26,000* square foot building, commonly referred to as the Kapalua Village Center, for *\$18.0* million to the owner of the Kapalua Plantation and Bay Golf Courses. The Kapalua Village Center, which served as the golf clubhouse for the former Kapalua Village Golf Course, was sold without any development entitlements. The sale resulted in a gain of *\$12.9* million. Proceeds from the sale were used to pay down the Company's long-term debt.

In *August 2016*, the Company sold a *five-acre*, fully entitled *42-unit* workforce housing project located in West Maui for *\$3.0* million. As part of the transaction, the buyer agreed to provide the Company with *12* residential workforce housing credits by *August 2021*. The sale resulted in a gain of approximately *\$2.8* million. Proceeds from the sale were used to pay down the Company's long-term debt.

In *June 2016*, the Company sold a *304-acre*, fully entitled working-class community project located in West Maui, commonly referred to as Pulelehua, for *\$15.0* million. The sale resulted in a gain of approximately *\$14.3* million. Proceeds from the sale were used to pay down the Company's long-term debt.

### **3. PROPERTY**

#### *Land*

Most of the Company's *22,800* acres of land were acquired between *1911* and *1932* and is carried in its balance sheets at cost. Approximately *20,700* acres of land are located in West Maui and comprise a largely contiguous parcel that extends from the sea to an elevation of approximately *5,700* feet. This parcel includes approximately *900* acres within the Kapalua Resort, a master-planned, destination resort and residential community located in West Maui encompassing approximately *3,000* acres. The Company's remaining *2,100* acres of land are located in Upcountry Maui in an area commonly known as Hali'imaile and are mainly comprised of leased agricultural fields, including related processing and maintenance facilities.



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### *Land Improvements*

Land improvements are comprised primarily of roads, utilities, and landscaping infrastructure improvements at the Kapalua Resort. Also included is the Company's potable and non-potable water system in West Maui. The majority of the Company's land improvements were constructed and placed in service in the mid-to-late 1970's or conveyed in 2017. Depreciation expense would be considerably higher if these assets were stated at current replacement cost.

### *Buildings*

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

### *Machinery and Equipment*

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

## **4. LONG-TERM DEBT**

Long-term debt is comprised of amounts outstanding under the Company's \$15.0 million revolving line of credit facility with First Hawaiian Bank (Credit Facility). The Credit Facility matures on *December 31, 2019* and provides for *two* optional *one*-year extension periods. Interest on borrowings is at LIBOR plus 3.50%, or 4.86% and 4.37% at *December 31, 2017* and *2016*, respectively. The Company has pledged its 800-acre Kapalua Mauka project and approximately 30,000 square feet of commercial leased space in the Kapalua Resort as security for the Credit Facility. Net proceeds from the sale of any collateral are required to be repaid toward outstanding borrowings and will permanently reduce the Credit Facility's revolving commitment amount. There are *no* commitment fees on the unused portion of the Credit Facility.

The terms of the Credit Facility include various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a minimum liquidity (as defined) of \$1.5 million, a maximum of \$45.0 million in total liabilities, and a limitation on new indebtedness.

The Company believes that it is in compliance with the covenants under the Credit Facility as of *December 31, 2017*.

## 5. LEASING ARRANGEMENTS

The Company leases land primarily to agriculture operators and space in commercial buildings, primarily to restaurant and retail tenants through 2034. 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:

	2017	2016
	(in thousands)	
Minimum rentals	\$2,495	\$2,458
Percentage rentals	1,255	1,172
Licensing fees	868	814
Other (primarily common area recoveries)	909	880
Total	\$5,527	\$5,324

Property at *December 31, 2017* and *2016* includes leased property of \$29.4 million and \$29.3 million, respectively (before accumulated depreciation of \$16.3 million and \$15.0 million, respectively).

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

	(in thousands)
2018	\$ 2,333
2019	2,294
2020	2,380
2021	2,018
2022	1,386
Thereafter	2,381

**6. ACCRUED RETIREMENT BENEFITS**

Accrued Retirement Benefits at *December 31, 2017* and *2016* consisted of the following:

	2017	2016
	(in thousands)	
Defined benefit pension plans	\$5,812	\$7,560
Non-qualified retirement plans	2,219	1,674
Total	8,031	9,234
Less current portion	(164 )	(175 )
Non-current portion of accrued retirement benefits	\$7,867	\$9,059

The Company has *two* defined benefit pension plans which cover substantially all of its former bargaining and non-bargaining full-time, part-time and intermittent employees. In *2011*, pension benefits under both plans were frozen. The Company also has unfunded non-qualified retirement plans covering *twelve* of its former executives. The non-qualified retirement plans were frozen in *2009* and future vesting of additional benefits was discontinued.

During the *fourth* quarter of *2016*, participants who had terminated employment and had *not* started to collect their pension benefits were offered a limited-time opportunity to take their benefits as a *one-time* lump sum payment. The offer was extended to approximately *500* participants of which *325* participants elected to take the *one-time* lump sum payment. In total, approximately *\$9.3* million of lump sum settlement payments were paid out of the trusts for the defined benefit pension plans.. In addition, approximately *\$0.8* million of *one-time* lump sum payments were made to

settle obligations under the Company's non-qualified retirement plans.

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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 *2017* and *2016*, and the funded status of the plans and assumptions used to determine benefit information at *December 31, 2017* and *2016* were as follows:

	<b>2017</b>	<b>2016</b>
	(in thousands)	
Change in benefit obligations:		
Benefit obligations at beginning of year	\$56,378	\$66,852
Interest cost	2,216	2,804
Actuarial loss (gain)	2,074	1,042
Benefits paid	(4,216 )	(4,217 )
Lump sum payments	-	(10,103 )
Benefit obligations at end of year	56,452	56,378
Change in plan assets:		
Fair value of plan assets at beginning of year	47,176	56,434
Actual return on plan assets	5,531	5,188
Employer reimbursement for retirement benefits	(230 )	(1,054 )
Employer contributions	181	928
Benefits paid	(4,216 )	(4,217 )
Lump sum payments	-	(10,103 )
Fair value of plan assets at end of year	48,442	47,176
Funded status	\$(8,010 )	\$(9,202 )
Accumulated benefit obligations	\$56,452	\$56,378
Weighted average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.59% <del>4%</del>	4.07% <del>4%</del>
Expected long-term return on plan assets	5.00%	5.00%
Rate of compensation increase	n/a	n/a

Accumulated other comprehensive loss of \$20.2 million and \$22.3 million at *December 31, 2017* and *2016*, respectively, represent the net actuarial loss which has *not* yet been recognized as a component of pension expense. In *2018*, \$0.7 million of net actuarial loss is expected to be recognized as a component of net pension expense.

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

**2017**      **2016**

(in thousands)

## Pension and other benefits:

Interest cost	\$2,216	\$2,804
Expected return on plan assets	(2,255)	(2,713)
Recognized net actuarial loss	840	1,030
Settlement/Curtailment Expense	-	3,958
Pension expense	\$801	\$5,079

## Other changes in plan assets and benefit obligations recognized in comprehensive income:

Net gain	\$(1,201)	\$(1,384)
Recognized gain	(840 )	(4,988)
Total recognized gain in comprehensive income	\$(2,041)	\$(6,372)



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Weighted average assumptions used to determine net periodic benefit cost:	2017	2016
Pension benefits:		
Discount rate	4.07% - 4.14%	4.30% - 4.44%
Expected long-term return on plan assets	5.00%	5.00%
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 presumed 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 plan assets are properly considered as part of establishing long-term portfolio returns.

The fair values of the Company's pension plan assets at *December 31, 2017* and *2016*, by asset category, were as follows:

	2017 Fair Value Measurements (in thousands)		
	Quoted Prices in		
	Active Markets	Significant Other Observable	Total
	for Identical	Inputs (Level 2)	
	Assets (Level 1)		
AHGT pooled equity funds	\$-	\$14,772	\$14,772
AHGT pooled fixed income funds	-	32,581	32,581
Cash management funds	-	1,089	1,089
	\$-	\$48,442	\$48,442

	2016 Fair Value Measurements (in thousands)	
	Quoted Prices in	Significant Other Observable
	Active Markets	Significant Other Observable
	for Identical	Inputs (Level 2)
	Assets (Level 1)	
AHGT pooled equity funds	\$-	\$14,772
AHGT pooled fixed income funds	-	32,581
Cash management funds	-	1,089
	\$-	\$48,442

for  
Identical

	Assets (Level 1)	
AHGT pooled equity funds	\$- \$ 7,177	\$7,177
AHGT pooled fixed income funds	- 39,025	39,025
Cash management funds	- 974	974
	\$- \$ 47,176	\$47,176

*Aon Hewitt Group Trust (AHGT) pooled equity and fixed income funds:* Pooled equity and fixed income funds consist of various AHGT Funds offered through private placements. The units are valued daily using net asset values (NAV). NAV 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.

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Estimated future benefit payments are as follows (in thousands):

2018	\$4,225
2019	4,154
2020	4,077
2021	3,981
2022	3,865
2023 - 2027	17,680

The Company does *not* expect to be required to make minimum contributions to its pension plans in 2018. *No* required minimum contributions were made in 2017 or 2016.

**7. SHARE-BASED COMPENSATION**

The Company's directors, officers and certain members of management receive a portion of their compensation in shares of the Company's common stock granted under the Company's 2017 Equity and Incentive Award Plan (Equity Plan). Share-based compensation is valued based on the average of the high and low share price on the date of grant. Shares are issued upon execution of agreements reflecting the grantee's acceptance of the respective shares subject to the terms and conditions of the Equity Plan. Restricted shares issued under the Equity Plan vest quarterly and have voting and regular dividend rights but cannot be disposed of until such time as they are vested. All unvested restricted shares are forfeited upon the grantee's termination of directorship or employment from the Company.

Share-based compensation is determined and awarded annually to the Company's officers and certain members of management based on their achievement of certain predefined performance goals and objectives under the Equity Plan. Such share-based compensation is comprised of an annual incentive paid in shares of common stock and a long-term incentive paid in restricted shares vesting quarterly over a period of *three* years.

Share-based compensation totaled \$1,319,000 and \$984,000 for 2017 and 2016, respectively. Included in these amounts were \$448,000 and \$315,000 of restricted shares of common stock which vested during 2017 and 2016, respectively.

**8. 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 *December 2017*, The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The TCJA also establishes new tax laws that will affect future periods, including, but *not* limited to: (1) reducing the U.S. federal corporate tax rate; (2) limiting deductible interest expense; (3) modifying the tax treatment of like-kind exchanges; (4) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (5) imposing a new provision designed to tax global intangible low-tax income; (6) creating the base erosion anti-abuse tax, a new minimum tax; (7) limiting the use of net operating loss carryforwards created in tax years beginning after *December 31, 2017*; (8) modifying the limitations on the use of foreign tax credits to reduce our U.S. income tax liability; (9) permanently eliminating the corporate alternative minimum tax and allowing credits to reduce our U.S. income tax liability; and (10) further restricting the deductibility of certain executive compensation and fringe benefits. The Company is in the process of analyzing the final legislation and determining an estimate of the financial impact

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Reconciliations between the total income tax benefit and the amount computed using the statutory federal rate of 35% for the years ended *December 31, 2017* and *2016* were as follows:

	2017	2016
	(in thousands)	
Federal income tax expense at statutory rate	\$3,815	\$7,635
Adjusted for:		
Valuation allowance	(3,814)	(7,603)
Permanent differences and other	(1 )	(32 )
Income tax benefit - continuing operations	\$-	\$-

Deferred tax assets were comprised of the following temporary differences as of *December 31, 2017* and *2016*:

	2017	2016
	(in thousands)	
Net operating loss and tax credit carryforwards	\$25,745	\$38,915
Joint venture and other investments	(22 )	18
Accrued retirement benefits	2,483	3,924
Property net book value	1,716	2,801
Deferred revenue	546	953
Stock compensation	13	22
Reserves and other	(115 )	404
Total deferred tax assets	30,366	47,037
Valuation allowance	(30,366)	(47,037)
Net deferred tax assets	\$-	\$-

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 loss, which is *not* included in the current provision. The Company had \$83.3 million in federal net operating loss carry forwards at *December 31, 2017*, that expire from 2029 through 2034. The Company had \$97.4 million in state net operating loss carry forwards at *December 31, 2017*, that expire from 2029 through 2034. In 2017, the Company fully utilized the special alternative minimum tax net operating loss carryforward from 2008 which allowed for 100% offset to the alternative minimum taxable income for 2017.

In accordance with SAB 118, during the year ended *December 31, 2017*, we recorded an adjustment of \$12.1 million to the deferred tax assets and valuation allowance as a result of the TCJA's reduction of the Federal corporate rate from 35% to 21%.

## 9. 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 services (regulated by the Hawaii Public Utilities Commission) for 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.

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Condensed financial information for each of the Company's reportable segments for the years ended *December 31, 2017* and *2016* were as follows:

	Real		Resort		Other	Consolidated
	Estate	Leasing	Utilities	Amenities	(2)	
<u>2017</u>						
Operating revenues (1)	\$14,575	\$5,527	\$3,153	\$ 1,121	\$1	\$ 24,377
Operating costs and expenses	(1,457)	(2,444)	(1,892)	(978)	(55)	(6,826)
Depreciation expense	-	(1,207)	(393)	(52)	(104)	(1,756)
General and administrative and other expenses	(982)	(742)	(306)	(531)	(2,144)	(4,705)
Operating income (loss)	12,136	1,134	562	(440)	(2,302)	11,090
Interest expense						(190)
Income from continuing operations						\$ 10,900
Capital expenditures (3)	\$1,457	\$-	\$-	\$ -	\$-	\$ 1,457
Assets (4)	\$13,261	\$18,100	\$2,932	\$ 1,216	\$9,292	\$ 44,801
	Real		Resort		Other	Consolidated
	Estate	Leasing	Utilities	Amenities	(2)	
<u>2016</u>						
Operating revenues (1)	\$37,116	\$5,324	\$3,345	\$ 1,487	\$92	\$ 47,364
Operating costs and expenses	(7,460)	(2,971)	(2,325)	(897)	(50)	(13,703)
Depreciation expense	-	(1,524)	(394)		(66)	(1,984)
General and administrative and other expenses	(829)	(626)	(271)	(385)	(6,096)	(8,207)
Operating income (loss)	28,827	203	355	205	(6,120)	23,470
Interest expense						(1,656)
Income from continuing operations						\$ 21,814
Capital expenditures (3)	\$123	\$-	\$-	\$ -	\$-	\$ 123
Assets (4)	\$11,634	\$19,721	\$3,604	\$ 1,476	\$2,448	\$ 38,883

(1) Amounts are principally revenues from external customers and exclude equity in earnings of affiliates.

(2) Intersegment revenues were insignificant.

(3) Consists primarily of miscellaneous transactions and unallocated general and administrative, and pension and other post-retirement expenses.

(4) Primarily includes expenditures for property and deferred costs.

(5) Segment assets are located in the United States.

**10. RESERVES**

Allowance for doubtful accounts for 2017 and 2016 were as follows:

Description	Balance			Balance at End of Year
	at Beginning of Year	Increase	Decrease	
(in thousands)				
Allowance for Doubtful Accounts				
2017	\$ 57	\$ -	\$ (17 )	\$ 40
2016	\$ 319	\$ 578	\$ (840 )	\$ 57

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**11. COMMITMENTS AND CONTINGENCIES**

The Company has been named along with multiple parties in lawsuits filed by owners of units and fractional interests in the project formerly known as The Ritz-Carlton Club and Residences, Kapalua Bay. The lawsuits were filed in the Circuit Court of the Second Circuit, State of Hawaii on *May 23, 2011*, *June 7, 2012*, and *June 19, 2013*. The lawsuits allege deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations and seek unspecified damages, treble damages and other relief. The Company disagrees with the allegations and is defending itself. 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 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.

**12. FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements to enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. GAAP requires that financial assets and liabilities be classified and disclosed in *one* of the following *three* categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are *not* corroborated by market data.

The Company considers all cash on hand to be unrestricted cash for the purposes of the consolidated balance sheets and consolidated statements of cash flows. 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, 2017* and *2016* was *\$1,235,000* and *\$6,857,000*, respectively, which approximated fair value. The fair value of debt was measured using the level 2 inputs, noted above. See Note 6 for the classification of the fair value of pension assets.

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**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, 2017. 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, 2017, 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 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, 2017. 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 (2013)*. Based on its assessments, management believes that, as of December 31, 2017, the Company's internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Accuity LLP, an independent registered public accounting firm as stated in their report which is set forth in Part II, Item 8 of this annual report on Form 10-K.

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*CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING*

We have updated the internal controls and related procedures to reflect our change in filing status as an accelerated filer in January 2018. Except as otherwise noted above, there 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**

With the exception of the information regarding our executive officers and the Company's Code of Business Conduct and Ethics (Code of Ethics) set forth below, the information required by this Item 10 is incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after the close of our fiscal year ended December 31, 2017.

**Executive Officers**

The names, ages and certain biographical information about our executive officers, as of February 1, 2018, are provided below.

Warren Mr. Haruki has been Chief Executive Officer of the Company since May 2011 and Executive Chairman of H. Haruki our Board since January 2009. He has been a director on our Board since 2006. Mr. Haruki has served as (65) 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 First Hawaiian Bank, and on the boards of several privately-held companies.

Tim T.  
Esaki  
(55)

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. Mr. Esaki was an Audit Senior Manager at Ernst & Young LLP, where he worked from 1986 to 1999.

### *Code of Ethics*

Our Board of Directors approved the 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://mauiland.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**

Incorporated herein by reference from the Company’s definitive proxy statement, which will be filed no later than 120 days after the close of our fiscal year ended December 31, 2017.

Table of Contents**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

With the exception of the information regarding securities authorized for issuance under our equity compensation plans set forth below, the information required by this Item 12 is incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after the close of our fiscal year ended December 31, 2017.

*Securities Authorized For Issuance Under Equity Compensation Plans*

The following table provides summary information as of December 31, 2017, for our equity compensation plans:

<u>Plan Category</u>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	(a)		
2017 Equity and Incentive Award Plan	27,500	\$ 7.48	1,309,560

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

Incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after the close of our fiscal year ended December 31, 2017.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after the close of our fiscal year ended December 31, 2017.

**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 Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Stockholders' Equity (Deficiency) for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016

Notes to Financial Statements



Table of Contents**(a)3. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
3.1	<u>Restated Articles of Associated, as currently in effect</u>	10-Q	001-06510	3.1	8/4/2010	
3.2	<u>Amended Bylaws, as currently in effect</u>	10-K	001-06510	3.2	3/2/2012	
10.11#	<u>2017 Equity and Incentive Award Plan</u>	DEF 14A	001-06510	Appendix A	3/28/2017	
10.22	<u>Loan Agreement, by and among the Company and first Hawaiian Bank, dated June 6, 2016</u>	8-K	001-06510	10.1	6/11/2014	
10.24	<u>Credit Agreement, by and between the Company and First Hawaiian Bank, dated August 5, 2016</u>	10-Q	001-06510	10.1	8/11/2016	
21	<u>Subsidiaries of the Company</u>					X
23.1*	<u>Consent of Accuity LLP, Independent Registered Public Accounting Firm, dated February 23, 2018</u>					X
24.1	<u>Power of Attorney (included on the signature page of this report)</u>					X
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</u>					X
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</u>					X
32.1*	<u>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.</u>					X
32.2*	<u>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.</u>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Taxonomy Extension labels Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Link Document					X

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\* This certification shall not be deemed to be “filed” for the purposes of Section 18 of the Exchange Act, 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 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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.

#Indicates a management contract or compensatory plan or arrangement.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 23, 2018.

MAUI LAND &  
PINEAPPLE  
COMPANY, INC.

By: /s/ Warren H. Haruki  
Warren H. Haruki  
*Chief Executive Officer*

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Warren H. Haruki and Tim T. Esaki, and each or either of them, acting individually, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any of them, or their or his or her substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Exchange Act, as amended, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By/s/ Warren H. Haruki  
Warren H. Haruki, Chairman of the Board &  
Chief Executive Officer (Principal Executive Officer)

Date February 23, 2018

By/s/ Stephen M. Case

Date February 23, 2018

Stephen M. Case, Director

By/s/ David A. Heenan  
David A. Heenan, Director

Date February 23, 2018

By/s/ Anthony P. Takitani  
Anthony P. Takitani, Director

Date February 23, 2018

By/s/ Arthur C. Tokin  
Arthur C. Tokin, Director

Date February 23, 2018

By/s/ Tim T. Esaki  
Tim T. Esaki, Chief Financial Officer  
(Principal Financial Officer)

Date February 23, 2018

By/s/ Paulus Subrata  
Paulus Subrata, Controller  
(Principal Accounting Officer)

Date February 23, 2018