

MAUI LAND & PINEAPPLE CO INC  
Form 10-K  
March 01, 2019

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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,  
2018**

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)

**001-06510**

(SEC Employer

Identification No.)

other

jurisdiction

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**  
**NYSE**  
**Value**  
(Name of exchange on which registered)  
(Title  
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 every Interactive Data File required to be  
submitted 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 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.

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

**\$74,987,170**

(Aggregate market value of common stock held by non-affiliates of the company on June 30, 2018)

**19,183,253**

(Number of shares of common stock outstanding at February 16, 2019)

**Portions of registrant's Proxy Statement for registrant's 2019 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 our registered trademarks and trade names, and stewardship and conservation efforts.
- **Utilities**—We own two 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, 2018:

	<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, 2018:

<u>Location</u>	<u>Approximate Number of Acres</u>	<u>Zoned for Planned Use</u>	<u>Anticipated Completion Dates</u>	<u>Deferred Development Costs (millions)</u>	<u>Projected Costs to Complete (millions)</u>
Kapalua Resort	900	Yes	2020 - 2039	\$7.2	\$500 - \$1,000
Hali'imaile Town	300	No	2029 - 2034	\$0.6	\$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 designation 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 \$0.4 million, or approximately 4% of our total operating revenues for the year ended December 31, 2018.

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 190,000 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, 2018:

	<b>Total Square Footage</b>	<b>Average Occupancy Percentage</b>	<b>Lease Expiration Dates</b>
Kapalua Resort	56,577	98%	2019–2048
Other West Maui	13,509	83%	2019
Upcountry Maui	119,382	86%	2019 - 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 \$6.2 million, or approximately 56% of our total operating revenues for the year ended December 31, 2018.

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 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 29% of our total operating revenues for the year ended December 31, 2018.

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 11% of our total operating revenues for the year ended December 31, 2018.

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, 2018, we had 14 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. These filings are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

**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 or potential 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.

***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 a defined benefit pension plan which was 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 plan is affected by, among other things, changes in interest rates, returns from plan asset investments, and actuarial assumptions including the life expectancies of the plan's participants. If we are unable to adequately fund or meet our future obligations with respect to the plan, our business, financial condition and results of operations may be adversely affected.

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*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 became effective on January 1, 2019. Such potential impacts from the adoption of the ASU 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 spaces 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 a 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.

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.

***Security incidents through cyber attacks, cyber intrusions, or other methods could disrupt our information technology networks and related systems, cause a loss of assets or loss of data, give rise to remediation or other expenses, expose us to liability under federal and state laws, and subject us to litigation and investigations, which could result in substantial reputational damage and materially and adversely affect our business, financial condition, results of operations, cash flows, and the market price of our common stock.***

Information technology, communication networks, and related systems are essential to the operation of our business. We use these systems to manage our tenant, vendor and customer relationships, internal communications, accounting and record-keeping systems, and many other key aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks, which also depend on the strength of our procedures and the effectiveness of our internal controls.

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A security incident may occur through physical break-ins, breaches of our secure network by an unauthorized party, software vulnerabilities, malware, computer viruses, attachments to emails, employee theft or misuse, social engineering, or inadequate use of security controls. Outside parties may attempt to fraudulently induce our employees to disclose sensitive information or transfer funds via illegal electronic spamming, phishing, spoofing or other tactics. Additionally, cyber attackers can develop and deploy malware, credential theft or guessing tools, and other malicious software programs to gain access to sensitive data or fraudulently obtain assets we hold.

We have implemented security measures to safeguard our systems and data and to manage cyber security risk. We monitor and develop our information technology networks and infrastructure, and invest in the development and enhancement of our controls designed to prevent, detect, address, and mitigate the risk of unauthorized access, misuse, computer viruses, and other events that could have a security impact. We conduct periodic security awareness trainings for our employees to educate them on how to identify and alert management regarding phishing emails, spoofed or manipulated electronic communications, and other critical security threats. We've implemented internal controls around our treasury function including enhanced payment authorization procedures, verification requirements for new vendor set-up and vendor information changes, and bolstered outgoing payment notification processes and account reconciliation procedures.

While, to date, we are not aware of having experienced a significant security incident or cyber attack, there can be no assurance that our actions, security measures, and controls designed to prevent, detect, or respond to intrusion; to limit access to data; to prevent loss, destruction, alteration, or exfiltration of business information; or to limit the negative impact from such attacks can provide absolute security against a security incident.

A principal reason that we cannot provide absolute protection from security incidents is that it may not always be possible to anticipate, detect, or recognize threats to our systems, or to implement effective preventive measures against all security incidents due to, among other things, the frequent change in techniques used in cyber attacks, which may not be recognized until launched, and the wide variety of sources from which a cyber attack can originate. We may not be able to immediately address the consequences of a security incident due to a cyber attack.

The extent of a particular cyber attack and the steps that we may need to take to investigate the attack may not be immediately clear. Therefore, in the event of an attack, it may take a significant amount of time before such an investigation can be completed. During an investigation, we may not necessarily know the extent of the damage incurred or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, which could further increase the costs and consequences of a cyber attack.

Even if we are not targeted directly, cyber attacks on the U.S. government, financial markets, financial institutions, or other businesses, including our tenants, vendors, software creators, cloud providers, and other third parties with whom we do business, could disrupt our normal business operations and networks.

We maintain insurance to protect ourselves against certain losses incurred in the event of a security incident or disruption of our information systems. However, we cannot be certain that the coverage will be adequate to compensate us for all damages that may arise. In addition, we cannot be certain that such insurance coverages will remain available to us in the future on commercially reasonable terms, or at all.

### **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 include covenants requiring among other things, a minimum of \$2.0 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.

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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 2018, the low and high share prices of our common stock ranged from \$9.23 to \$17.55. 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 15, 2019, 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.



*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, 2018 was approximately 28,000 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.

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*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, 2018:

	<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.

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**

We were named along with multiple parties in lawsuits filed by certain 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 alleged deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations and sought unspecified damages, treble damages and other relief.

In September 2018, the defendant parties reached a settlement with the plaintiffs in the May 23, 2011 lawsuit and two of the ten plaintiffs in the June 7, 2012 lawsuit. Under terms of the confidential settlement agreement we made an undisclosed payment in October 2018 to be released from the lawsuit.

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In November 2018, we reached a settlement with the eight remaining plaintiffs in the June 7, 2012 lawsuit. Under terms of the confidential settlement agreement our insurance carrier made an undisclosed payment in November 2018 to release us from the lawsuit. In addition, in December 2018, our insurance carrier reimbursed us for certain of the defense costs we incurred in the June 7, 2012 lawsuit.

In February 2019, we reached a settlement with the plaintiffs in the June 19, 2013 lawsuit. Under terms of the confidential settlement agreement we will be making an undisclosed payment to be released from the lawsuit. The undisclosed payment has been accrued as of December 31, 2018 in the accompanying financial statements.

On December 31, 2018, the State of Hawaii Department of Health (“DOH”) issued a Notice and Finding of Violation and Order (“Order”) for alleged wastewater effluent violations related to our Upcountry Maui wastewater treatment facility. The facility was built in the 1960’s to serve approximately 200 single-family homes developed for workers in our former agricultural operations. The facility is made up of two 1.5-acre wastewater stabilization ponds and surrounding disposal leach fields.

The Order resulted from an inspection by DOH officials in June 2018. The Order includes, among other requirements, payment of a \$230,000 administrative penalty and development of a new wastewater treatment plant, which become final and binding – unless a hearing is requested to contest the alleged violations and penalties. We have requested such a hearing, which has been scheduled for September 2019.

In the meantime, we intend to continue working with the DOH on a previously-approved corrective action plan to resolve and remediate the facility’s wastewater effluent issues.

We are presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to the Order 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 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE under the symbol "MLP." We did not declare any dividends in 2017 or 2018. 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 15, 2019, there were 249 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 prices of our common stock, as reported by the NYSE, during 2017 and 2018 were as follows:

	2017 Quarter				2018 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	\$ 11.95	\$ 21.90	\$ 27.80	\$ 18.80	\$ 17.55	\$ 13.30	\$ 14.20	\$ 12.84
Low	6.95	11.00	11.88	12.80	10.55	9.95	11.15	9.23

**Unregistered Sales of Equity Securities**

None.

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**Repurchases**

None.

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

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

The following discussion and analysis should be read in conjunction with the forward-looking statements disclaimer set forth at the beginning of this annual report, the risk factors set forth in Item 1A of this annual report, and our 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, 2018 and 2017

**CONSOLIDATED**

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	Year Ended December 31, 2018    2017 (in thousands except share amounts)	
<i>Operating revenues</i>	\$11,037	\$24,582
<i>Operating costs and expenses</i>	(8,662 )	(7,031 )
<i>General and administrative</i>	(2,896 )	(2,515 )
<i>Share-based compensation</i>	(1,540 )	(1,319 )
<i>Depreciation</i>	(1,770 )	(1,756 )
<i>Operating income (loss)</i>	(3,831 )	11,961
<i>Pension and other postretirement expense</i>	(514 )	(871 )
<i>Interest expense</i>	(156 )	(190 )
<i>Income tax benefit</i>	4,999	-
<i>Net income</i>	\$498	\$10,900
<i>Net Income per Common Share</i>	\$0.03	\$0.57

REAL ESTATE

	Year Ended December 31, 2018    2017 (in thousands)	
<i>Operating revenues</i>	\$446	\$14,575
<i>Operating costs and expenses</i>	(2,770)	(1,457 )
<i>Operating income (loss)</i>	\$(2,324)	\$13,118

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.

Also included in our real estate operating revenues were 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. totaling \$0.4 million and \$0.9 million for the years ended December 31, 2018 and 2017, respectively.

The increase in real estate operating costs and expenses for the year ended December 31, 2018 compared to the prior year was mainly due to legal defense, mediation and settlement costs incurred in the lawsuits with respect to the project formerly known as The Ritz-Carlton Club and Residences, Kapalua Bay.

We did not have any significant real estate development expenditures in 2018 or 2017.

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,	
	2018	2017
	(in thousands)	
<i>Operating revenues</i>	\$6,223	\$5,732
<i>Operating costs and expenses</i>	(2,570)	(2,476)
<i>Operating income</i>	\$3,653	\$3,256

Leasing operating revenues for the year ended December 31, 2018 were comprised of \$5.3 million of leasing revenues and \$0.9 million of licensing fees from our registered trademarks and trade names. This compares to \$4.8 million of leasing revenues and \$0.9 million of licensing fees for 2017. The increase in leasing operating costs and expenses for the year ended December 31, 2018 compared to the year ended December 31, 2017 was due to higher repairs and maintenance costs for our commercial leasing portfolio properties.



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

## UTILITIES

	Year Ended	
	December 31,	
	2018	2017
	(in thousands)	
<i>Operating revenues</i>	\$3,220	\$3,153
<i>Operating costs and expenses</i>	(2,213)	(2,065)
<i>Operating income</i>	\$1,007	\$1,088

We have contracted a third-party water engineering and management company to manage the operations of our wholly-owned subsidiaries: Kapalua Water Company, Ltd. and Kapalua Waste Treatment Company, Ltd. We have contracted a water maintenance company to manage our non-potable/irrigation water systems in West and Upcountry Maui.

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 costs and expenses for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily due to higher deferred maintenance expenditures and repairs and maintenance costs.

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## RESORT AMENITIES

	Year Ended December 31, 2018    2017 (in thousands)	
<i>Operating revenues</i>	\$1,148	\$1,122
<i>Operating costs and expenses</i>	(1,109)	(1,033)
<i>Operating income</i>	\$39	\$89

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 the member dues collected are primarily used to pay contracted fees to provide access for its members to the spa, beach club and other resort amenities.

## Interest Expense

Interest expense was \$0.2 million for 2018 and 2017. Our average interest rates on borrowings was 5.91% for 2018, compared to 5.83% for 2017, and average borrowings were \$1.3 million in 2018 compared to \$1.7 million in 2017.

## LIQUIDITY AND CAPITAL RESOURCES

*Liquidity*

We had cash on hand of \$0.6 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, 2018.

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%. 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 \$2.0 million, a maximum of \$45.0 million in total liabilities, and a limitation on new indebtedness.

As of December 31, 2018, we were in compliance with the covenants under the Credit Facility.

#### *Cash Flows*

Net cash flow provided by our operating activities totaled \$0.9 million for the year ended December 31, 2018. Interest payments on our long-term debt totaled \$78,000 for the year ended December 31, 2018.

We were not required to make any minimum funding contributions to our defined benefit pension plans during 2018 and we do not expect to be required to make any contributions for 2019.

#### *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.

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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.

The Company recorded a \$5.0 million income tax benefit in 2018 for the expected refunds of unused AMT credit carryforwards over the next several years.

## 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.

Deferred development costs, principally predevelopment costs and offsite development costs related to various projects in the planning stages by our real estate segment, totaled \$10.8 million at December 31, 2018. 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 defined benefit pension plan 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.

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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.

## 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, 2018, 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 SEC Regulation S-K in 2017, 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, 2018 and 2017, and the related consolidated statements of income and comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2018 and the related notes (collectively referred to as the financial statements). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, 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, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018 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, 2018, 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.

#### ***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.

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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

March 1, 2019

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

	December 31, 2018      2017 (in thousands except share data)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$624	\$1,029
Accounts receivable, less allowance of \$34 and \$40 for doubtful accounts	897	940
Current portion of income tax receivable	2,499	-
Prepaid expenses and other assets	37	159
Assets held for sale	212	212
Total Current Assets	4,269	2,340
<b>PROPERTY</b>		
Land	5,059	5,059
Land improvements	24,727	24,727
Buildings	24,884	24,884
Machinery and equipment	11,143	10,980
Construction in progress	149	-
Total Property	65,962	65,650
Less accumulated depreciation	36,741	34,971
Net Property	29,221	30,679
<b>OTHER ASSETS</b>		
Deferred development costs	10,790	10,395
Income tax receivable	2,500	-
Other noncurrent assets	1,320	1,387
Total Other Assets	14,610	11,782
<b>TOTAL ASSETS</b>	<b>\$48,100</b>	<b>\$44,801</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$1,235	\$-
Accounts payable	2,024	696
Payroll and employee benefits	814	784
Current portion of accrued retirement benefits	165	164
Other current liabilities	460	203
Total Current Liabilities	4,698	1,847

<b>LONG-TERM LIABILITIES</b>		
Long-term debt	-	1,235
Accrued retirement benefits	9,871	7,867
Deposits	2,558	2,449
Deferred revenue	-	215
Other noncurrent liabilities	54	44
Total Long-Term Liabilities	12,483	11,810
<b>COMMITMENTS &amp; CONTINGENCIES (Note 11)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock--no par value, 43,000,000 shares authorized; 19,125,521 and 19,040,273 shares issued and outstanding	79,411	78,584
Additional paid in capital	9,246	9,246
Accumulated deficit	(35,934)	(36,432)
Accumulated other comprehensive loss	(21,804)	(20,254)
Total Stockholders' Equity	30,919	31,144
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$48,100</b>	<b>\$44,801</b>

See Notes to Financial Statements

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

	Years Ended December 31, 2018      2017 (in thousands except per share amounts)	
<b>OPERATING REVENUES</b>		
Real estate		
Sales	\$-	\$13,681
Commissions	446	894
Leasing	6,223	5,732
Utilities	3,220	3,153
Resort amenities and other	1,148	1,122
Total Operating Revenues	11,037	24,582
<b>OPERATING COSTS AND EXPENSES</b>		
Real estate		
Cost of sales	-	579
Other	2,770	878
Leasing	2,570	2,476
Utilities	2,213	2,065
Resort amenities and other	1,109	1,033
General and administrative	2,896	2,515
Share-based compensation	1,540	1,319
Depreciation	1,770	1,756
Total Operating Costs and Expenses	14,868	12,621
<b>OPERATING INCOME (LOSS)</b>	<b>(3,831 )</b>	<b>11,961</b>
Pension and other post-retirement expenses	(514 )	(871 )
Interest expense	(156 )	(190 )
Income tax benefit	4,999	-
<b>NET INCOME</b>	<b>498</b>	<b>10,900</b>
Pension, net of income taxes of \$0	(1,550 )	2,041
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$(1,052 )</b>	<b>\$12,941</b>
<b>NET INCOME PER COMMON SHARE</b>		
--BASIC AND DILUTED	\$0.03	\$0.57

See Notes to Financial Statements

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Table of Contents**MAUI LAND & PINEAPPLE COMPANY, INC. & SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****For the Years Ended December 31, 2018 and 2017****(in thousands)**

	Common Shares	Stock Amount	Additional Paid in Capital	Acumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2017	18,958	\$78,123	\$ 9,246	\$ (47,332 )	\$ (22,295 )	\$17,742
Share-based compensation 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
Share-based compensation expense			563			563
Issuance of shares for incentive plan	71	845				845
Vested restricted stock issued	64	563	(563 )			-
Shares cancelled to pay tax liability	(50 )	(581 )				(581 )
Other comprehensive loss-pension (Note 6)					(1,550 )	(1,550 )
Net income				498		498
Balance, December 31, 2018	19,125	\$79,411	\$ 9,246	\$ (35,934 )	\$ (21,804 )	\$30,919

See Notes to Financial Statements

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

	Years Ended December 31,	
	2018	2017
	(in thousands)	
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers and other receipts	\$ 14,841	\$ 13,298
Cash receipts from real estate sales, net	-	6,990
Cash paid to vendors	(12,352)	(10,017)
Cash paid for payroll and taxes	(1,529 )	(1,410 )
Cash paid for interest	(78 )	(99 )
Cash paid for income taxes	-	(412 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>882</b>	<b>8,350</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property	(311 )	-
Payments for other assets	(395 )	(1,521 )
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(706 )</b>	<b>(1,521 )</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	500	300
Payments of long-term debt	(500 )	(5,922 )
Debt and common stock issuance costs and other	(581 )	(780 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(581 )</b>	<b>(6,402 )</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(405 )</b>	<b>427</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,029</b>	<b>602</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 624</b>	<b>\$ 1,029</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Net income	\$ 498	\$ 10,900
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,839	1,937
Conveyance of improvements	-	(6,691 )
Share based compensation	563	448
Changes in operating assets and liabilities:		



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Accounts receivable	43	563
Change in retirement liabilities	455	838
Trade accounts payable	1,328	127
Income taxes receivable	(2,499 )	(443 )
Other operating assets and liabilities	(1,345 )	671
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$882</b>	<b>\$8,350</b>

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

Common stock issued to certain members of the Company's management totaled \$845,000 and \$767,000 in 2018 and 2017, 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 2018 or 2017.

#### 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 2018 or 2017.

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 plan is recorded as a liability in its balance sheet and changes in the funded status of the plan is 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, performance obligations have been performed 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 FASB issued an 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). Subsequently, the FASB issued additional ASUs that further clarified the original ASU. The ASUs became effective for us on January 1, 2019. Upon adoption of the lease ASUs on January 1, 2019, we elected the following practical expedients provided by these ASUs:

• Package of practical expedients – requires the Company not to reevaluate its existing or expired leases as of January 1, 2019, under the new lease accounting ASUs.



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• Optional transition method practical expedient – requires the Company to apply the new lease ASUs prospectively from the adoption date of January 1, 2019.

• Land easements practical expedient – requires the Company to account for land easements existing as of January 1, 2019, under the accounting standards applied to them prior to January 1, 2019.

• Single component practical expedient – requires the Company to account for lease and nonlease components associated with that lease under the new lease ASUs, if certain criteria are met.

• Short-term leases practical expedient – for operating leases with a term of 12 months or less in which the Company is the lessee, this expedient allows us not to record on the Company's balance sheets related lease liabilities, taxes collected from lessees, lessor costs paid directly by lessee to a third party and right-of-use assets.

## Lessor accounting

The Company recognized revenue from our lease agreements aggregating \$6.2 million for the year ended December 31, 2018. 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).

On January 1, 2019, the Company elected the single component practical expedient, which requires the Company, by class of underlying asset, not to allocate the total consideration to the lease and nonlease components based on their relative stand-alone selling prices. This single component practical expedient requires the Company to account for the lease component and nonlease component(s) associated with that lease as a single component if (i) the timing and pattern of transfer of the lease component and the nonlease component(s) associated with it are the same and (ii) the lease component would be classified as an operating lease if it were accounted for separately. If it is determined that

the lease component is the predominant component, the Company accounts for the single component as an operating lease in accordance with the new lease ASUs. Conversely, the Company is required to account for the combined component under the new revenue recognition ASU if it is determined that the nonlease component is the predominant component.

As a result of this assessment, rental revenues and tenant recoveries from the lease of real estate assets that qualify for this expedient are accounted for as a single component under the new lease ASUs, with tenant recoveries primarily as variable consideration. Tenant recoveries that do not qualify for the single component practical expedient and are considered nonlease components are accounted for under the revenue recognition ASUs. The Company's operating leases commencing or modified after January 1, 2019, for which the Company is the lessor are expected to qualify for the single component practical expedient accounting under the new lease ASUs. The adoption of this guidance will not have a material impact on the Company's financial statements.

#### 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, 2018, the Company did not capitalize such costs. Under the package of practical expedients that the Company elected on January 1, 2019, it is not required to reassess whether initial direct leasing costs capitalized prior to the adoption of the new lease ASUs in connection with the leases that commenced prior to January 1, 2019, qualify for capitalization under the new lease ASUs. Effective January 1, 2019, costs that the Company incurs to negotiate or arrange a lease regardless of its outcome, such as fixed employee compensation, tax, or legal advice to negotiate lease terms, and costs related to advertising or soliciting potential tenants will be expensed as incurred.



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Lessee accounting

Under the new lease ASUs, 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 lessors. In addition to this classification, a lessee is also required to recognize a right-of-use asset and a lease liability for all leases 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.

For the year ended December 31, 2018, the Company recognized rent expense of approximately \$62,000 for these leases. As of December 31, 2018, the remaining contractual payments under the office and equipment leases are \$57,000. 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.

Under the package of practical expedients that the Company elected upon adoption of the new lease ASUs, all of its operating leases existing as of January 1, 2019, for which the Company is the lessee, continue to be classified as operating leases subsequent to the adoption of the new lease ASUs. The Company have also evaluated the effect of the new lease ASUs on the calculation of its debt covenants as of December 31, 2018 and noted no significant effect on the calculation.

*Recent accounting pronouncements – Revenue Recognition*

In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (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 below).

The Company's revenues for the year ended December 31, 2018 that were subject to the revenue recognition ASU were as follows (in thousands):

Real estate	\$446
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Utilities	3,220
Resort amenities and other	1,148
Total	\$4,814

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 requires 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. The Company's revenue streams are recognized at a point in time except for the utilities and resort amenities revenue. Utility services are recognized as provided over the monthly billing period, and the annual membership dues are recognized over a period of twelve months.

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 determines whether that income is classified as revenue (contracts with customers) or other gains/losses (contracts with noncustomers) in the Company's financial statements. The Company's revenue streams for the period were generated as ordinary output activities to customers as defined by the guidance and were properly classified as revenues.

The ASU requires 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. The application of the five-step model to the revenue streams, effective January 1, 2018 compared to the prior guidance did not result in significant changes in the way the Company records its real estate revenue, utilities revenue and resort amenities and other revenues.

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An entity is also 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. The Company is currently evaluating the option to use a practical expedient to not separate lease and non-lease components as shown in ASU No.2018-11 prior to adoption in 2019. 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.

Upon adoption, 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 elected to adopt this guidance using the modified retrospective method at January 1, 2018 which did not result in an adjustment to retained earnings. Additionally, upon adoption, the Company evaluated its revenue recognition policy for all revenue streams within the scope of the ASU under previous standards and using the five-step model under the new guidance and confirmed that there were no differences in the pattern of revenue recognition.

## 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).

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%, elimination of Alternative Minimum Tax (AMT) and refund of AMT credit carryforward, 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.

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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 AND RECLASSIFICATIONS

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. Certain amounts in the December 31, 2017 consolidated statements of operations and comprehensive income were reclassified to conform to the December 31, 2018 presentation. Such amounts had no impact on net income and comprehensive income previously reported.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2018 and December 31, 2017, the Company had deposits in excess of the FDIC limit.

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.

## LEGAL CONTINGENCIES

The Company are parties to claims and lawsuits as well as threatened or potential actions or claims concerning matters arising from the conduct of its business activities. The outcome of claims or litigation and the timing of ultimate resolution are inherently difficult to predict and significant judgment may be required in the determination of both the probability of loss and whether the amount of the loss is reasonably estimable. The Company's estimates are subjective and are based on the status of legal and regulatory proceedings, the merit of the Company's defenses and consultation with external legal counsel. An accrual for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Refer to Note 11 of the Notes to Financial Statements for further information regarding the Company's legal proceedings.

## 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 on January 1, 2018 and did not have a material effect on its financial statements.

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 is effective for public business entities for annual reporting periods beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company's financial statements.



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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 is effective for public business entities for annual reporting periods beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company's 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 is effective for public business entities for annual reporting periods beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company's 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 is effective for public business entities for annual reporting periods beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company's financial statements.

In March 2017, FASB issued ASU No. 2017-07, Compensation-Retirement Benefits. This ASU aims to improve the presentation of 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 is effective for public business entities for annual periods beginning after December 15, 2017. The adoption of this guidance did not have a material impact on the Company's 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. This ASU is effective for public business entities for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial statements.

On August 28, 2018, the FASB issued ASU 2018-14 which amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU's changes related to disclosures are part of the FASB's disclosure framework project which was aimed to improve the effectiveness of disclosures in notes to financial statements. This ASU is effective for public business entities for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The Company expects to adopt the new disclosure requirements on January 1, 2021.



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.

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,	
	2018	2017
Basic and diluted	19,091,679	18,995,274
Potentially dilutive	27,500	27,500

Table of Contents**2. ASSETS HELD FOR SALE AND REAL ESTATE SALES**

At December 31, 2018 and 2017 assets held for sale consisted of the following:

	<b>December 31, 2018</b> (in thousands)	<b>December 31, 2017</b>
Upcountry Maui, 630-acre parcel of agricultural land	\$ 156	\$ 156
Upcountry Maui, 33-acre parcel of agricultural land and wastewater treatment facility	56	56
Assets held for sale	\$ 212	\$ 212

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.

**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.

### *Land Improvements*

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

### *Buildings*

Buildings are comprised of restaurant, retail and light industrial spaces located at the Kapalua Resort and 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.

Table of Contents**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 5.84% and 4.86% at December 31, 2018 and December 31, 2017, 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 \$2.0 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, 2018.

**5. LEASING ARRANGEMENTS**

The Company leases land primarily to agriculture operators and space in commercial buildings, primarily to restaurant and retail tenants through 2048. 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:

	2018	2017
	(in thousands)	
Minimum rentals	\$2,720	\$2,495
Percentage rentals	1,544	1,255
Licensing fees	903	868
Other (primarily common area recoveries)	1,056	1,114
Total	\$6,223	\$5,732

Property at December 31, 2018 and 2017 includes leased property of \$29.4 million (before accumulated depreciation of \$17.2 million and \$16.3 million, respectively).

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

	(in thousands)
2019	\$ 2,992
2020	2,970
2021	2,499
2022	1,760
2023	756
Thereafter	1,722

Table of Contents**6. ACCRUED RETIREMENT BENEFITS**

Accrued Retirement Benefits at December 31, 2018 and 2017 consisted of the following:

	2018	2017
	(in thousands)	
Defined benefit pension plans	\$7,971	\$5,812
Non-qualified retirement plans	2,065	2,219
Total	10,036	8,031
Less current portion	(165 )	(164 )
Non-current portion of accrued retirement benefits	\$9,871	\$7,867

The Company had 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 2018, the Company merged the two defined benefit pension plans to streamline the administration of the frozen plan.

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 2018 and 2017, and the funded status of the plans and assumptions used to determine benefit information at December 31, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>
	(in thousands)	
Change in benefit obligations:		
Benefit obligations at beginning of year	\$56,453	\$56,378
Interest cost	1,974	2,216
Actuarial loss (gain)	(3,096 )	2,074
Benefits paid	(4,025 )	(4,216 )
Benefit obligations at end of year	51,306	56,452
Change in plan assets:		
Fair value of plan assets at beginning of year	48,442	47,176
Actual return on plan assets	(3,114 )	5,531
Employer reimbursement for retirement benefits	(118 )	(230 )
Employer contributions	105	181

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Benefits paid	(4,025 )	(4,216 )
Fair value of plan assets at end of year	41,290	48,442
Funded status	\$(10,016)	\$(8,010 )
Accumulated benefit obligations	\$51,306	\$56,452
Weighted average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.28%	3.59%-3.64%
Expected long-term return on plan assets	5.00%	5.00%
Rate of compensation increase	n/a	n/a

Accumulated other comprehensive loss of \$21.8 million and \$20.2 million at December 31, 2018 and 2017, respectively, represent the net actuarial loss which has not yet been recognized as a component of pension expense. In 2019, \$0.9 million of net actuarial loss is expected to be recognized as a component of net pension expense.

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

	<b>2018</b>	<b>2017</b>
	(in thousands)	
Pension and other benefits:		
Interest cost	\$1,974	\$2,216
Expected return on plan assets	(2,319)	(2,255)
Recognized net actuarial loss	764	840
Settlement/Curtailment Expense	-	-
Pension expense	\$419	\$801
Other changes in plan assets and benefit obligations recognized in comprehensive income:		
Net gain	\$2,314	\$(1,201)
Recognized gain	(764)	(840)
Total recognized gain in comprehensive income	\$1,550	\$(2,041)

Weighted average assumptions used to determine net periodic benefit cost:	2018	2017
Pension benefits:		
Discount rate	3.59%-3.64%	4.07%-4.14%
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, 2018 and 2017, by asset category, were as follows:

2018 Fair Value		
Measurements (in thousands)		
Quoted Prices in	Significant Other	Total
Observable	Observable	



	Assets (Level 1)	Assets (Level 2)	Total
AHGT pooled equity funds	\$-	\$ 10,665	\$10,665
AHGT pooled fixed income funds	-	29,635	29,635
Cash management funds	-	990	990
	\$-	\$ 41,290	\$41,290

	Quoted Prices in Significant Markets Observable	Other Markets Unobservable	Total
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

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*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.

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

2019	\$4,208
2020	4,123
2021	4,025
2022	3,906
2023	3,790
2024 - 2028	17,265

The Company does not expect to be required to make minimum contributions to its pension plans in 2019. No required minimum contributions were made in 2018 or 2017.

## **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 \$1,540,000 and \$1,319,000 for 2018 and 2017, respectively. Included in these amounts were \$563,000 and \$448,000 of restricted shares of common stock which vested during 2018 and 2017, 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%, elimination of Alternative Minimum Tax (AMT) and refund of AMT credit carryforward, 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 (NOL) 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; and (9) further restricting the deductibility of certain executive compensation and fringe benefits. The Company is in the process of analyzing the regulations issued 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 21% for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
	(in thousands)	
Federal income tax expense (credit) at statutory rate	\$(945 )	\$3,815
Adjusted for:		
AMT refundable credits	(4,999)	
Valuation allowance	986	(3,814)
Permanent differences and other	(41 )	(1 )
Income tax benefit	\$(4,999)	\$-

Deferred tax assets were comprised of the following temporary differences as of December 31, 2018 and 2017:

	2018	2017
	(in thousands)	
Net operating loss and tax credit carryforwards	\$24,239	\$25,745
Joint venture and other investments	(27 )	(22 )
Accrued retirement benefits	3,055	2,483
Property net book value	2,266	1,716
Deferred revenue	666	546
Stock compensation	16	13
Reserves and other	189	(115 )
Total deferred tax assets	30,404	30,366
Valuation allowance	(30,404)	(30,366)
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 \$71.7 million in federal NOL carry forwards at December 31, 2018, that expire from 2029 through 2034. The Company had \$85.7 million in state NOL carry forwards at December 31, 2018, that expire from 2029 through 2034. The Company had \$2.6 million in federal and state NOL carry forwards at December 31, 2018 that do not expire.

In accordance with TCJA, the Company eliminated \$91.3 million of AMT NOL carry forwards at December 31, 2018 and recognized as income tax benefit \$5.0 million from its unused AMT credit carry forwards. The Company expects to receive 50%, or \$2.5 million, of said credit in 2019 and the remaining balance to be received over the following two years.

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 from 35% to 21%.

## 9. SEGMENT INFORMATION

The Company's reportable operating segments are comprised of the discrete business units whose operating results are regularly reviewed by the Company's Chief Executive Officer – its chief decision maker – in assessing performance and determining the allocation of resources. Reportable operating 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.

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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.

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

Condensed financial information for each of the Company's reportable segments for the years ended December 31, 2018 and 2017 were as follows:

	Real		Resort		Other	Consolidated
	Estate	Leasing	Utilities	Amenities	(2)	
<u>2018</u>						
Operating revenues (1)	\$446	\$6,223	\$3,220	\$ 1,148	\$-	\$ 11,037
Operating costs and expenses	(2,770 )	(2,570 )	(2,213 )	(1,109 )	-	(8,662 )
Depreciation expense	-	(1,179 )	(525 )	(57 )	(9 )	(1,770 )
General and administrative and other expenses	(1,145 )	(865 )	(357 )	(531 )	(1,538)	(4,436 )
Operating income (loss)	(3,469 )	1,609	125	(549 )	(1,547)	(3,831 )
Pension and other post-retirement expenses						(514 )
Interest expense						(156 )
Income tax benefit						4,999
Income from continuing operations						\$ 498
Capital expenditures (3)	\$273	\$-	\$148	\$ -	\$-	\$ 421
Assets (4)	\$13,634	\$17,084	\$9,388	\$ 1,099	\$6,895	\$ 48,100

	Real		Resort		Other	Consolidated
	Estate	Leasing	Utilities	Amenities	(2)	

2017

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Operating revenues (1)	\$14,575	\$5,732	\$3,153	\$ 1,121	\$1	\$ 24,582
Operating costs and expenses	(1,457 )	(2,476 )	(2,065 )	(978 )	(55 )	(7,031 )
Depreciation expense	-	(1,207 )	(477 )	(52 )	(20 )	(1,756 )
General and administrative and other expenses	(982 )	(742 )	(306 )	(531 )	(1,273)	(3,834 )
Operating income (loss)	12,136	1,307	305	(440 )	(1,347)	11,961
Pension and other post-retirement expenses						(871 )
Interest expense						(190 )
Income from continuing operations						\$ 10,900
Capital expenditures (3)	\$1,457	\$-	\$-	\$ -	\$-	\$ 1,457
Assets (4)	\$13,261	\$18,100	\$9,613	\$ 1,216	\$2,611	\$ 44,801

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

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

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

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

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Allowance for doubtful accounts for 2018 and 2017 were as follows:

Description	Balance			Balance at End of Year
	at Beginning of Year (in thousands)	Increase	Decrease	
Allowance for Doubtful Accounts				
2018	\$40	\$ -	\$ (6 )	\$ 34
2017	\$57	\$ -	\$ (17 )	\$ 40

**11. COMMITMENTS AND CONTINGENCIES**

The Company was named along with multiple parties in lawsuits filed by certain 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 alleged deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations and sought unspecified damages, treble damages and other relief.

In September 2018, the defendant parties reached a settlement with the plaintiffs in the May 23, 2011 lawsuit and two of the ten plaintiffs in the June 7, 2012 lawsuit. Under terms of the confidential settlement agreement the Company made an undisclosed payment in October 2018 to be released from the lawsuit.

In November 2018, the Company reached a settlement with the eight remaining plaintiffs in the June 7, 2012 lawsuit. Under terms of the confidential settlement agreement the Company's insurance carrier made an undisclosed payment in November 2018 to release the Company from the lawsuit. In addition, in December 2018, the Company's insurance carrier reimbursed the Company for certain of the defense costs it incurred in the June 7, 2012 lawsuit.

In February 2019, the Company reached a settlement with the plaintiffs in the June 19, 2013 lawsuit. Under terms of the confidential settlement agreement the Company will be making an undisclosed payment to be released from the



lawsuit. The undisclosed payment has been accrued as of December 31, 2018 in the accompanying financial statements.

On December 31, 2018, the State of Hawaii Department of Health (“DOH”) issued a Notice and Finding of Violation and Order (“Order”) for alleged wastewater effluent violations related to the Company’s Upcountry Maui wastewater treatment facility. The facility was built in the 1960’s to serve approximately 200 single-family homes developed for workers in the Company’s former agricultural operations. The facility is made up of two 1.5-acre wastewater stabilization ponds and surrounding disposal leach fields.

The Order resulted from an inspection by DOH officials in June 2018. The Order includes, among other requirements, payment of a \$230,000 administrative penalty and development of a new wastewater treatment plant, which become final and binding – unless a hearing is requested to contest the alleged violations and penalties. The Company has requested such a hearing, which has been scheduled for September 2019.

In the meantime, the Company intends to continue working with the DOH on a previously-approved corrective action plan to resolve and remediate the facility’s wastewater effluent issues.

The Company is presently unable to estimate the amount, or range of amounts, of any probable liability, if any, related to the Order and no provision has been made in the accompanying financial statements.

In addition, from time to time, the Company is the subject of various other claims, complaints and other legal actions which arise in the normal course of the Company’s business activities. The Company believes the resolution of these other matters, in the aggregate, is not likely to have a material adverse effect on the Company’s financial position or operations.

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**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 fair value of income tax receivables approximate their carrying value due to the certainty of collection or 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, 2018 and 2017 was \$1,235,000, 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, 2018. 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, 2018, our principal executive officer, principal financial officer, principal accounting 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, principal financial officer, principal accounting 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, 2018. 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, 2018, the Company's internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2018 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 reviewed and updated our internal controls and related procedures related to our change in filing status from a smaller reporting company to an accelerated filer in January 2018 to a smaller reporting company in September 2018. Except as otherwise noted, there has been no significant changes in our internal controls over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f)) 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**

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, 2018.

**Executive Officers**

The names, ages and certain biographical information about our executive officers, as of February 1, 2019, 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 (66) 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 boards of several privately-held companies.

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 Esaki (56)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 Company's Code of Business Conduct and Ethics (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**

The information set forth under "Executive Compensation," and "Director Compensation" in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2018, is incorporated herein by reference.

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

The information set forth under “Security Ownership of Certain Beneficial Owners” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2018, is incorporated herein by reference.

*Securities Authorized For Issuance Under Equity Compensation Plans*

The following table provides summary information as of December 31, 2018, 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>
2017 Equity and Incentive Award Plan	(a) 27,500	\$ 7.48	1,309,560

With the exception of the information regarding securities authorized for issuance under our equity compensation plans set forth above, the information required by this Item 12 is incorporated herein by reference to the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2018.

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

The information set forth under “Certain Relationship and Related Transactions,” and “Director Independence” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2018, is incorporated herein by reference.

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

Information set forth under “Independent Registered Public Accounting Firm” in the Maui Land & Pineapple Company, Inc. Proxy Statement, to be filed no later than 120 days after the close of our fiscal year ended December 31, 2018, is incorporated herein by reference.

### **PART IV**

#### **Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

##### **(a)1. Financial Statements**

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

<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	20
<u>Consolidated Statements of Income and Comprehensive Income (Loss) for the Years Ended December 31, 2018 and 2017</u>	21
<u>Consolidated Statements of Stockholders’ Equity for the Years Ended December 31, 2018 and 2017</u>	22
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017</u>	23
<u>Notes to Financial Statements</u>	24



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

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit Date	
3.1	<u>Restated Articles of Associated, as currently in effect</u>	10-Q	001-065103.1	8/4/2010	
3.2	<u>Amended Bylaws, as currently in effect</u>	10-K	001-065103.2	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	001-0651010.1	6/11/2014	
10.24	<u>Credit Agreement, by and between the Company and First Hawaiian Bank, dated August 5, 2016</u>	10-Q	001-0651010.1	8/11/2016	
21.1	<u>Subsidiaries of the Company</u>				X
23.1*	<u>Consent of Accuity LLP, Independent Registered Public Accounting Firm, dated March 1, 2019</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

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 March 1, 2019.

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 &

Date March 1, 2019

Chief Executive Officer (Principal Executive Officer)

By /s/ Stephen M. Case

Date March 1, 2019

Stephen M. Case, Director

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

Date March 1, 2019

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

Date March 1, 2019

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

Date March 1, 2019

By/s/ Tim T. Esaki  
Tim T. Esaki, Chief Financial Officer

Date March 1, 2019

(Principal Financial Officer)

By/s/ Paulus Subrata  
Paulus Subrata, Vice President

Date March 1, 2019

(Principal Accounting Officer)